



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

Making government work better

Official Audit Report – Issued July 31, 2018

Merrimack Valley Regional Transit Authority

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





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Mr. Joseph Costanzo, Administrator
Merrimack Valley Regional Transit Authority
85 Railroad Avenue
Haverhill, MA 01835

Dear Mr. Costanzo:

I am pleased to provide this performance audit of the Merrimack Valley 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 Merrimack Valley 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 (MassDOT)
Michael Lambert, Deputy Administrator for Rail and Transit and Assistant to the General Manager, MassDOT
Sally Atwell, Director of Internal Special Audit, MassDOT

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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
MVRTA	Merrimack Valley Regional Transit Authority
RTA	regional transit authority
RTAI	Ron Turley Associates, Inc.
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 Merrimack Valley Regional Transit Authority (MVRTA) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of MVRTA'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 MVRTA'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 9	MVRTA did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.
Recommendations Page 10	<ol style="list-style-type: none">1. MVRTA should develop formal policies and procedures for submitting this required information to the Executive Office for Administration and Finance.2. MVRTA should establish monitoring controls to ensure that the staff members assigned to this task adhere to these policies and procedures.
Finding 2 Page 10	MVRTA did not properly document the use of its non-revenue-producing vehicles by its employees.
Recommendation Page 11	MVRTA should establish monitoring controls to ensure that the policies and procedures it has established for the use of its non-revenue-producing vehicles are properly 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 Merrimack Valley Regional Transit Authority

The Merrimack Valley Regional Transit Authority (MVRTA) was established on October 11, 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, “MVRTA’s goal is to provide our passengers with affordable, safe, reliable and convenient transportation services by having well-trained, qualified, and professional staff.” An administrator is responsible for day-to-day administration of the agency, which

had three full-time staff members during our audit period. MVRTA's operations are overseen by an advisory board made up of one member from each of the 16 communities¹ the agency serves. The advisory board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real-estate purchases. MVRTA contracted with First Transit Incorporated to provide fixed-route and demand-response² transportation services, including maintenance and administrative functions, for fiscal years 2016 and 2017.

During our audit period, MVRTA's capital fund expenditures were \$5,539,992 for fiscal year 2016 and \$5,217,550 for fiscal year 2017. The table below shows the types of capital fund expenditures made by MVRTA.

MVRTA Capital Fund Expenditures

Type of Expenditure	Fiscal Year 2016	Fiscal Year 2017
Building Improvements	\$ 96,418	\$ 902,093
Transit Equipment	4,523,073	3,944,680
Service Vehicles	869,700	101,067
Furniture and Fixtures	50,801	221,050
Electronic Equipment	0	48,660
Total	<u>\$ 5,539,992</u>	<u>\$ 5,217,550</u>

In fiscal years 2016 and 2017, MVRTA 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 state contract assistance,³ followed by Federal Transit Administration (FTA) grants, local assessment⁴ payments, and fare and terminal revenue. The table below shows the types of funding MVRTA received during the audit period.

1. The communities are Amesbury, Andover, Boxford, Georgetown, Groveland, Haverhill, Lawrence, Merrimac, Methuen, Newbury, Newburyport, North Andover, North Reading, Rowley, Salisbury, and West Newbury.
2. Demand-response transportation services are those that run on a flexible schedule and on flexible routes based on the needs of RTA passengers with special needs.
3. 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.
4. 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.

MVRTA Operating Funding Sources

Type of Funding	Fiscal Year 2016	Fiscal Year 2017
State Contract Assistance	\$ 6,836,168	\$ 6,836,168
Federal Grants	3,965,896	3,827,283
Local Assessments	3,309,830	3,384,908
Fare and Terminal Revenue	2,924,506	2,697,517
Other Funds*	44,960	47,695
Total	<u>\$ 17,081,360</u>	<u>\$ 16,793,571</u>

* Other funds include parking fees, advertising revenue, and reimbursements.

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

MVRTA Operating Expenses

Type of Expense	Fiscal Year 2016	Fiscal Year 2017
Transit Service	\$ 11,432,150	\$ 11,513,295
Maintenance	3,872,948	3,470,568
Terminal Expenses	1,123,011	1,189,007
Pensions	764,769	103,313
General and Administrative Expenses	531,861	416,322
Total	<u>\$ 17,724,739</u>	<u>\$ 16,692,505</u>

Vehicle Fleet and Service Route Area

MVRTA operates local fixed-route and demand-response services within the 284-square-mile Merrimack Valley area, serving a population of more than 352,000. It operates a network of 24 local transit routes and 2 commuter routes. The local fixed-route service operates seven days a week; weekday service runs from as early as 5:00 a.m. to 7:00 p.m., Saturday service runs from 7:00 a.m. to 6:00 p.m., and Sunday service runs from 9:00 a.m. to 5:00 p.m.

Buses and vans provide transit services to the vast majority of MVRTA passengers, and its vanpool provides paratransit services. The table below shows the number of revenue-producing and non-revenue-producing vehicles⁵ used at MVRTA during fiscal years 2016 and 2017.

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

Number of MVRTA Vehicles

Vehicle Type	Fiscal Year 2016	Fiscal Year 2017
Revenue-Producing	100	102
Non-Revenue-Producing	12	14
Total	<u>112</u>	<u>116</u>

Vehicle Maintenance

MVRTA operates its administrative office and a maintenance facility in an approximately 18,800-square-foot building in Haverhill. At the end of our audit period, MVRTA had a total of 116 vehicles in its fleet. The table below shows the types and average ages of the vehicles in MVRTA's fleet during the audit period.

MVRTA Vehicle Fleet Average Age

Make and Model	Vehicle Type	Vehicle Count	Average Age (Years)
Gillig Low Floor	Bus	44	4.7
Gillig Phantom	Bus	19	13.5
Ford E350	Van	29	4.3
Ford Taurus	Sedan	1	4.0
Ford Escape	SUV	1	5.0
MCI D4500	Bus	6	3.2
MCI 102D3	Bus	4	17.0
Chevrolet Tahoe	SUV	8	4.0
Chevrolet Silverado	Truck	2	1.0
GMC Sierra	Truck	2	13.5
Total		<u>116</u>	

The table below shows MVRTA's maintenance expenses for the audit period.

MVRTA Maintenance Expenses

Expenses	Fiscal Year 2016	Fiscal Year 2017
Salaries and Benefits	\$1,108,458	\$1,093,301
Parts and Equipment	575,766	463,226
Fuel	983,511	758,628
Other Vehicle Maintenance	923,186	877,945
Other Maintenance	282,027	277,468
Total	<u>\$3,872,948</u>	<u>\$3,470,568</u>

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

MVRTA Vehicle Mileage and Maintenance Expenses

Make and Model	Vehicle Count	Total Mileage	Labor Cost	Parts Cost	Total Maintenance Cost	Average Maintenance Cost per Vehicle
Gillig Low Floor	44	1,530,381	\$148,341	\$ 371,638	\$ 519,979	\$11,818
Gillig Phantom	19	265,535	32,506	38,453	70,959	\$3,735
Ford E350	29	639,949	24,850	18,428	43,277*	\$1,492
Ford Taurus	1	3,087	104	5	109	\$109
Ford Escape	1	1,369	0	0	0	\$0
MCI D4500	6	179,860	15,899	16,975	32,874	\$5,479
MCI 102D3	4	37,278	4,308	5,378	9,686	\$2,421*
Chevrolet Tahoe	8	103,980	1,857	892	2,749	\$344
Chevrolet Silverado	2	10,965	78	8	86	\$43
GMC Sierra	2	9,037	510	1,285	\$ 1,796*	\$898
Total	<u>116</u>	<u>2,781,441</u>	<u>\$ 228,453</u>	<u>\$ 453,062</u>	<u>\$681,516*</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, MVRTA was using Ron Turley Associates, Inc. Fleet Management Software to document all of its vehicle asset and expense information and report it to FTA.

MVRTA Community Programs

MVRTA informs the community about its services through local businesses, neighborhood events, and summer festivals. It also coordinates transportation for the councils on aging for several of its member communities. Finally, in an effort to help those with disabilities, MVRTA offers a travel training program on riding its buses.

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 Merrimack Valley Regional Transit Authority (MVRTA) 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 MVRTA 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 MVRTA 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 MVRTA 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 MVRTA'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 Ron Turley Associates, Inc. (RTAI) Fleet Management Software maintained by MVRTA, which documents all vehicle fleet maintenance and repairs, to determine

whether all vehicles used and vehicle maintenance performed during the audit period were properly documented.

- We verified that MVRTA had a vehicle maintenance schedule and tested 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 MVRTA followed specific vehicles' manufacturer guidelines and the required FTA preventive maintenance guidelines.
- We used the RTAI software to obtain a fleet inventory list and maintenance records. We used original maintenance work orders, as well as copies, as evidence to verify the information in the RTAI software-generated report. We reviewed a nonstatistical random sample of 15 of the 75 work orders for non-revenue-producing vehicles, which we compared to the data in the RTAI software. We used nonstatistical sampling and therefore did not project our results to the population. Using a 95% confidence level and a 10% tolerable error rate, we also reviewed a statistical sample of 30 out of 2,565 work orders for revenue-producing vehicles, which we compared to the data in the RTAI software. The RTAI database included 60 work orders that did not have specific revenue-producing or non-revenue-producing vehicles assigned to them. We tested 15 of the 60 unassigned vehicle work orders, compared them to the RTAI database, and discussed them with management to gain an understanding of them. We verified attributes of the work orders pertaining to the maintenance work performed and maintenance costs.
- We asked MVRTA management about the use of non-revenue-producing vehicles and the process of assigning or lending non-revenue-producing vehicles to MVRTA employees.
- We asked MVRTA management whether the keys to non-revenue-producing vehicles were in the possession of the general manager of First Transit Incorporated or MVRTA 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 MVRTA's website, to ensure that they included data for MVRTA expenditures, including payroll, to ensure transparency with regard to the agency's spending.

We analyzed the RTAI software by performing validity and integrity tests, including testing for missing data and scanning for duplicate records. We performed a source documentation review of the original hardcopy work orders to ensure that they matched the information in the RTAI 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 Merrimack Valley Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.

The Merrimack Valley Regional Transit Authority (MVRTA) 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, MVRTA did not allow the Commonwealth to give the public a sufficient level of transparency regarding MVRTA'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 MVRTA, 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

MVRTA did not have documented policies and procedures to ensure that the required information was transmitted to the Secretary of EOAF, nor did it have monitoring controls to ensure that this task was completed as required.

In response to our draft report, MVRTA 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.

MVRTA believed the financial reporting on its website complied with the "spirit and transparency goal" of the transparency initiative. . . . The MVRTA 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, annual reports 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 MVRTA'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 MVRTA's financial information to the Open Government section of our website, which in most instances satisfies the public's request for information. The MVRTA also includes on its Open Government Page its Public Records Request Guidelines and a PDF request form for those rare cases a request for information is not contained on our website. The Public Records Request Guidelines and Request Form allow for a request to be handled in an expeditious manner, generally at no cost. Interestingly, these types of specialized requests, in most instances, would not be available through the data information elements presently contained in the State's Open Checkbook (CTHRU) searchable format website.

Recommendations

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

Auditee's Response

The MVRTA with all other RTAs met with the State Comptroller's Office on Tuesday June 12, to figure a way to get the data quickly on the EOAF website, this initially by placing the MVRTA's website URL for the open government data to be available as a link immediately. The next step to be taken is to work out the data submission time lines as even the state offices have differing schedules of submission. MVRTA will develop its policy and monitoring controls once the time lines and final delivery criteria have been agreed to with the State Comptroller's Office. The MVRTA is committed to open government and transparency.

Auditor's Reply

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

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

MVRTA 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 MVRTA

records, its non-revenue-producing vehicles were driven a combined total of 137,872 and 128,483 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

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

Reasons for Noncompliance

During our audit period, MVRTA did not have policies and procedures in place for the use of its non-revenue-producing vehicles. MVRTA did provide documentation indicating that after our audit period, it implemented policies and procedures for the use of these vehicles. However, MVRTA had not established monitoring controls to ensure that these policies and procedures were properly adhered to.

Recommendation

MVRTA should establish monitoring controls to ensure that the policies and procedures it has established for the use of its non-revenue-producing vehicles are properly adhered to.

Auditee's Response

The MVRTA policies and procedures will include appropriate monitoring controls. However, it is recognized that due to the dedicated function of vehicles assigned to the Maintenance Department (responding to road calls, snow plowing, etc.) alternative monitoring procedures will be used.

Auditor's Reply

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