



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

*Making government work better*

Official Audit Report – Issued October 2, 2018

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## Nantucket Regional Transit Authority

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





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

*Making government work better*

October 2, 2018

Ms. Paula Leary, Administrator  
Nantucket Regional Transit Authority  
20-R South Water Street  
Nantucket, MA 02554

Dear Ms. Leary:

I am pleased to provide this performance audit of the Nantucket 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 Nantucket 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  
Dawn Hill Holdgate, Chair, Nantucket 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      |
| NRTA    | Nantucket Regional Transit Authority            |
| RTA     | regional transit authority                      |
| RTD     | Rail and Transit Division                       |

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## 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 Nantucket Regional Transit Authority (NRTA) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of NRTA'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 NRTA'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.

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

**Recommendations**  
**Page 12**

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

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## 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 Nantucket Regional Transit Authority

The Nantucket Regional Transit Authority (NRTA) was established in 1995 and reports to RTD under Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth.” According to NRTA’s Regional Transit Plan, the agency’s mission is as follows:

*Nantucket Regional Transit Authority has established a standard of excellence that is only equaled [by] its commitment to provide safe, efficient, and widely accessible transportation*

*service to meet the needs of the year-round community and the diverse summer population it serves.*

An administrator is responsible for day-to-day administration of the agency, which had 2 full-time and 10 part-time seasonal staff members during our audit period. NRTA’s operations are overseen by the Nantucket Select Board. The board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real-estate purchases. During fiscal years 2016 and 2017, NRTA contracted with Valley Transportation Services of Massachusetts Inc. to provide fixed-route and demand-response<sup>1</sup> transportation services, including maintenance and administrative functions.

In fiscal years 2016 and 2017, NRTA 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 Federal Transit Administration (FTA) grants, followed by state contract assistance,<sup>2</sup> fare revenue, and local assessment<sup>3</sup> payments. The table below shows the types of funding NRTA received during the audit period.

### NRTA Operating Funding Sources

| Type of Funding                  | Fiscal Year 2016    | Fiscal Year 2017    |
|----------------------------------|---------------------|---------------------|
| <b>Federal Grants</b>            | \$ 541,489          | \$ 540,327          |
| <b>State Contract Assistance</b> | 488,184             | 488,184             |
| <b>Fare Revenue</b>              | 433,841             | 449,661             |
| <b>Local Assessments</b>         | 398,943             | 408,302             |
| <b>Private Funding</b>           | 137,200             | 255,481             |
| <b>Total</b>                     | <u>\$ 1,999,657</u> | <u>\$ 2,141,955</u> |

1. 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.
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, NRTA’s operating costs were as follows.

### NRTA Operating Expenses

| Type of Expense                            | Fiscal Year 2016    | Fiscal Year 2017    |
|--|---------------------|---------------------|
| <b>Transit Service</b>                     | \$ 1,718,561        | \$ 1,862,538        |
| <b>Maintenance</b>                         | 154,555             | 154,796             |
| <b>General and Administrative Expenses</b> | 126,868             | 141,576             |
| <b>Depreciation</b>                        | 503,410             | 518,105             |
| <b>Total</b>                               | <u>\$ 2,503,394</u> | <u>\$ 2,677,015</u> |

During our audit period, NRTA received capital grants funded by the US Department of Transportation and the Commonwealth to be used to expand and modernize transportation services. Those grants totaled \$218,626 for fiscal year 2016 and \$879,752 for fiscal year 2017.

### Vehicle Fleet and Service Route Area

NRTA operates local fixed-route and demand-response services within the 46-square-mile Nantucket area, serving a year-round population of more than 11,000 and a seasonal population of more than 60,000. It operates a network of up to nine local transit routes with a total of 13 vehicles during the summer season. NRTA operates seasonal service seven days a week from as early as 7:00 a.m. to 12:00 a.m. during the summer season. Some routes’ start and end dates of service vary, as do their times of operation and frequency of stops.

The table below shows the number of revenue-producing and non-revenue-producing vehicles<sup>4</sup> used at NRTA during fiscal years 2016 and 2017.

### Number of NRTA Vehicles

| Vehicle Type                 | Fiscal Year 2016 | Fiscal Year 2017 |
|------------------------------|------------------|------------------|
| <b>Revenue-Producing</b>     | 23               | 23               |
| <b>Non-Revenue-Producing</b> | 5                | 5                |
| <b>Total</b>                 | <u>28</u>        | <u>28</u>        |

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

## Vehicle Maintenance

NRTA operates its administrative office and a maintenance facility in an approximately 7,025-square-foot building in Nantucket. At the end of our audit period, NRTA had a total of 28 vehicles in its fleet. The table below shows the types and average ages of the vehicles in NRTA’s fleet during the audit period.

### NRTA Vehicle Fleet Average Age

| Make and Model                 | Vehicle Type | Vehicle Count | Average Age (Years) |
|--------------------------------|--------------|---------------|---------------------|
| <b>International HC Series</b> | Bus          | 19            | 4                   |
| <b>Ford E350</b>               | Minibus      | 4             | 5                   |
| <b>Toyota Sienna</b>           | Van          | 2             | 3                   |
| <b>Toyota Tacoma</b>           | Truck        | 1             | 3                   |
| <b>Ford Explorer</b>           | SUV          | 1             | 3                   |
| <b>Ford F250</b>               | Truck        | 1             | 6                   |
| <b>Total</b>                   |              | <u>28</u>     |                     |

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

### NRTA Maintenance Expenses

| Expenses  | Fiscal Year 2016  | Fiscal Year 2017  |
|---|-------------------|-------------------|
| <b>Vehicle Repairs and Outside Services</b>             | \$ 20,341         | \$ 15,434         |
| <b>Parts and Supplies</b>                               | 26,883            | 38,483            |
| <b>Fuel and Lubricants</b>                              | 5,810             | 6,341             |
| <b>Vehicle Insurance</b>                                | 79,178            | 77,886            |
| <b>Utilities and Leases</b>                             | 13,933            | 13,709            |
| <b>Miscellaneous Operating and Maintenance Expenses</b> | 7,182             | 2,187             |
| <b>Office Supplies and Expenses</b>                     | 1,227             | 756               |
| <b>Total</b>  | <u>\$154,555*</u> | <u>\$ 154,796</u> |

\* Discrepancy in total is due to rounding.

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

### NRTA Vehicle Mileage and Maintenance Expenses

| Make and Model                 | Vehicle Count | Total Mileage  | Total Maintenance Cost | Average Maintenance Cost per Vehicle |
|--------------------------------|---------------|----------------|------------------------|--------------------------------------|
| <b>International HC Series</b> | 19            | 195,260        | \$ 8,282               | \$436                                |
| <b>Ford E350</b>               | 4             | 31,879         | 757                    | \$189                                |
| <b>Toyota Sienna</b>           | 2             | 9,603          | 0                      | \$0                                  |
| <b>Toyota Tacoma</b>           | 1             | 3,610          | 66                     | \$66                                 |
| <b>Ford Explorer</b>           | 1             | 4,595          | 0                      | \$0                                  |
| <b>Ford F250</b>               | 1             | 4,365          | 0                      | \$0                                  |
| <b>Total</b>                   | <u>28</u>     | <u>249,312</u> | <u>\$ 9,106*</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. This information is included in FTA's National Transit Database. At the time of our audit, NRTA was using the Fleet Maintenance Pro fleet management software to document all of its vehicle asset and expense information and report it to FTA.

### NRTA Community Programs

During peak tourist season in Nantucket, NRTA provides transportation to short-term visitors, year-round residents, seasonal homeowners, and workers. NRTA also provides paratransit services for elderly people and those with disabilities in the Nantucket area.

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## 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 Nantucket Regional Transit Authority (NRTA) 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 NRTA 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 NRTA 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 NRTA 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 NRTA'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 Fleet Maintenance Pro fleet management software maintained by NRTA, 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 NRTA had a vehicle maintenance schedule and tested to determine whether the agency followed the recommended schedule for preventive maintenance and replacement. We tested 10 of the 28 vehicles that were active during our audit period, choosing the 6 vehicles with the highest number of work orders and the 4 vehicles with the lowest number of work orders. We compared records of the mileage traveled per vehicle to records of oil changes performed during the audit period and tested to determine whether NRTA 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 NRTA management about the use of non-revenue-producing vehicles and the process of lending non-revenue-producing vehicles to NRTA employees.
- We asked NRTA management whether the keys to non-revenue-producing vehicles were in the possession of the general manager of Valley Transportation Services of Massachusetts Inc. or NRTA 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 NRTA's website, to determine whether they included data for NRTA expenditures, including payroll, to ensure transparency with regard to the agency's spending.

We analyzed the data in the Fleet Maintenance Pro 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 NRTA's vehicle list to ensure that it matched the information in the Fleet Maintenance Pro software. We determined that the data from this system were sufficiently reliable for the purposes of our audit.

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## DETAILED AUDIT FINDINGS WITH AUDITEE'S RESPONSE

### **1. The Nantucket Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.**

The Nantucket Regional Transit Authority (NRTA) 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, NRTA did not allow the Commonwealth to give the public a sufficient level of transparency regarding NRTA'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 NRTA, 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, NRTA 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 NRTA 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 NRTA'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 NRTA'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*

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

## Recommendations

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

## Auditee's Response

*The NRTA has made a concerted effort over the years to . . . [have] financial data on its website in a searchable format. The NRTA is committed to open government and transparency and found a low cost alternative to participate in the open government initiative. A meeting was held with the RTA's and the State Comptroller's Office on June 12, 2018 to determine a way to quickly get the data on the EOAF website. The result was to immediately place the NRTA's website URL for open government data to be available as a link immediately. Data submission time lines still need to be developed as even the state offices have differing submission schedules. Once the submission time lines and final delivery criteria have been agreed upon with the State Comptroller's Office the NRTA will develop its policy and monitoring controls.*

## Auditor's Reply

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

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

NRTA 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 NRTA records, its five non-revenue-producing vehicles were driven a combined total of 25,364 and 22,173 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**

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

## **Reasons for Noncompliance**

NRTA has a Vehicles Policy, dated May 2014, for the use of its non-revenue-producing vehicles by its staff. However, this policy does not require NRTA to maintain a log that documents the use of these vehicles. Further, NRTA does not have formal policies and procedures in place for monitoring the use of the vehicles.

NRTA officials 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 NRTA's fleet director. These officials added that 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.

## **Recommendations**

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

### **Auditee's Response**

*The NRTA has a vehicle use policy for its (5) non-revenue vehicles that are utilized by (7) managers, the mechanic and bus stop monitor to perform their duties related to operations and management of the NRTA's fixed route service. The NRTA will revise its current policy and procedures to include monitoring controls and a log for the vehicles requiring such and will be consistent with the policy.*

### **Auditor's Reply**

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