



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

Making government work better

Official Audit Report – Issued July 11, 2018

Montachusett Regional Transit Authority

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





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Mr. Mohammed Khan, Administrator
Montachusett Regional Transit Authority
1427R Water Street
Fitchburg, MA 01420

Dear Mr. Khan:

I am pleased to provide this performance audit of the Montachusett Regional Transit Authority. This report details our 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 Montachusett 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

TABLE OF CONTENTS

EXECUTIVE SUMMARY	1
OVERVIEW OF AUDITED ENTITY.....	2
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY	7
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	9
1. The Montachusett Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.	9
2. MART did not properly document the use of its non-revenue-producing vehicles by its operating company’s employees.	10

LIST OF ABBREVIATIONS

EOAF	Executive Office for Administration and Finance
EOHHS	Executive Office of Health and Human Services
FTA	Federal Transit Administration
HST	human service transportation
MART	Montachusett Regional Transit Authority
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 Montachusett Regional Transit Authority (MART) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of MART'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 MART'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	MART 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. MART should develop formal policies and procedures for submitting this required information to the Executive Office for Administration and Finance.2. MART should establish monitoring controls to ensure that the staff members assigned to this task adhere to these policies and procedures.
Finding 2 Page 10	MART did not properly document the use of its non-revenue-producing vehicles by its operating company's employees.
Recommendation Page 11	MART should amend its policies for the use of its non-revenue-producing vehicles to indicate that they also apply to operating-company employees, including 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 Montachusett Regional Transit Authority

The Montachusett Regional Transit Authority (MART) was established on August 7, 1978 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, MART’s mission is “to provide safe, reliable, efficient, and cost-effective transit, Para-transit, and brokerage services to our customers contributing to the social well-being and economic vitality of the region and the Commonwealth.” (Brokerage services are

contracted transportation for eligible residents who receive services through certain human service agencies.) An administrator is responsible for day-to-day administration of the agency, which had 15 full-time staff members during our audit period. MART’s operations are overseen by an advisory board made up of at least one member from each of the 22 communities¹ the agency serves. The advisory board is responsible for hiring an administrator, setting fares, establishing service levels, and authorizing real estate purchases. During our audit period, MART contracted with Management Transportation Systems, Incorporated to provide fixed-route and demand-response² transportation services, including maintenance and administrative functions.

In fiscal years 2016 and 2017, MART 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, followed by human service transportation (HST) management fee income from the state Executive Office of Health and Human Services (EOHHS),³ state contract assistance,⁴ farebox revenue, Federal Transit Administration (FTA) grants, and local assessment⁵ payments. The table below shows the types of funding MART received during the audit period.

MART Operating Funding Sources

Type of Funding	Fiscal Year 2016	Fiscal Year 2017
Brokerage Service Income	\$ 121,968,781	\$ 137,407,386
HST Management Fee Income	6,327,258	6,274,228
State Contract Assistance	5,968,629	5,968,632
Farebox Revenue	4,800,811	4,492,294
Federal Grants	2,333,325	2,400,000
Local Assessments	2,006,825	2,156,690
Other Funds*	1,073,013	1,247,989
Total	<u>\$ 144,478,642</u>	<u>\$ 159,947,219</u>

* Other funds include shuttle fares and reimbursements.

During our audit period, MART’s operating costs were as follows.

1. The communities are Ashburnham, Ashby, Athol, Ayer, Bolton, Boxborough, Fitchburg, Gardner, Hardwick, Harvard, Hubbardston, Lancaster, Leominster, Littleton, Lunenburg, Royalston, Shirley, Sterling, Stow, Templeton, Westminster, and Winchendon.
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. EOHHS pays a fee to use MART vehicles to provide transportation to its clients.
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.

MART Operating Expenses

Type of Expense	Fiscal Year 2016	Fiscal Year 2017
Transit Service*	\$ 134,498,800	\$ 150,286,385
Administrative	9,439,730	9,379,071
Depreciation and Amortization	4,441,729	4,668,616
Total	<u>\$ 148,380,259</u>	<u>\$ 164,334,072</u>

* Transit service includes HST expenses, which are usually fully reimbursed by the EOHHS HST Office.

During our audit period, MART 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 \$3,576,801 for fiscal year 2016 and \$2,323,801 for fiscal year 2017.

Vehicle Fleet and Service Route Area

MART operates local fixed-route and demand-response services within the 624-square-mile Montachusett area, serving a population of more than 236,000. It operates a network of 13 local transit routes, 4 commuter routes, and 4 supplemental shuttle routes. The local fixed-route service operates six days a week; weekday service runs from as early as 5:20 a.m. to 7:37 p.m., and Saturday service runs from 8:30 a.m. to 6:49 p.m. The four commuter routes operate on weekdays only, from as early as 5:15 a.m. to 8:27 p.m. The four supplemental shuttle routes operate on weekdays from as early as 6:30 a.m. to 12:00 a.m., Saturdays from 12:26 p.m. to 4:11 p.m., and Sundays from 4:30 p.m. to 12:00 a.m.

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

Number of MART Vehicles

Vehicle Type	Fiscal Year 2016	Fiscal Year 2017
Revenue-Producing	215	204
Non-Revenue-Producing	23	21
Equipment	4	6
Total	<u>242</u>	<u>231</u>

Vehicle Maintenance

MART operates its administrative office in an approximately 14,000-square-foot building in Fitchburg and a maintenance facility in an approximately 37,900-square-foot building in Gardner. At the end of

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

our audit period, MART had a total of 231 vehicles in its fleet. The table below shows the types and average ages of the vehicles in MART's fleet during the audit period.

MART Vehicle Fleet Average Age

Maximum Seat Capacity*	Vehicle Type	Vehicle Count	Average Age (Years)
31-43	Bus	24	7
12-18	Minibus	86	8
7-10	Van	96	4
5-6	SUV	11	8
NA	Utility/Equipment	14	NA
Total		<u>231</u>	

* Maximum seat capacity depends on the vehicle size within the Vehicle Type category.

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

MART Maintenance Expenses

Expenses	Fiscal Year 2016	Fiscal Year 2017
Garage Staff Salaries and Benefits	\$ 1,644,798	\$ 1,427,405
Fuel	799,151	838,313
Vehicle Insurance	585,540	509,034
Vehicle Maintenance and Supplies	628,624	669,610
Other Maintenance Expenses	240,075	237,891
Total	<u>\$ 3,898,188</u>	<u>\$ 3,682,253</u>

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

MART Vehicle Mileage and Maintenance Expenses

Vehicle Type	Vehicle Count	Total Mileage	Labor Cost	Parts Cost	Total Maintenance Cost	Average Maintenance Cost per Vehicle
Bus	24	612,284	\$ 116,468	\$ 124,711	\$ 241,180*	\$10,049
Minibus	86	1,209,042	96,843	102,087	198,930	\$2,313
Van	96	1,827,872	92,706	85,385	178,091	\$1,855
SUV	11	88,424	4,633	4,082	8,716*	\$792
Utility	8	14,525	2,987	2,340	5,327	\$666
Equipment	6	NA	215,762	2,290	218,052	\$36,342
Total	<u>231</u>	<u>3,752,147</u>	<u>\$ 529,399</u>	<u>\$ 320,896*</u>	<u>\$ 850,294*</u>	

* Discrepancies in cost totals are due to rounding.

FTA requires all RTAs to report to it any information related to their transit vehicle inventories and maintenance and repairs that they conduct. This information is included in FTA's National Transit

Database. At the time of our audit, MART was using fleet management software from CFA Software to document all of its vehicle asset and expense information and report it to FTA.

MART Community Programs

MART provides several transportation options to assist elderly and disabled community residents, including transit services for member communities' councils on aging and human service agencies as well as shared-ride services for disabled residents. MART collaborates with Fitchburg State University to provide shuttle services for students during peak hours, and it offers supplemental late-night rides for residents of Fitchburg, Leominster, and Gardner. MART also collaborates with veterans and active military personnel to offer free transportation to veterans' health centers in the Boston and Worcester areas. MART participates in the Fitchburg Intermodal Program, which provides coordinated transportation in the surrounding communities. At the Fitchburg Intermodal Complex, MART leases space to a café and pizza shop, the EOHHS HST Office, and Fitchburg State University.

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 Montachusett Regional Transit Authority (MART) 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 MART 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 MART 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 MART 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 the MART 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 CFA software maintained by MART, 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 MART 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 MART followed specific vehicles' manufacturer guidelines and the required FTA preventive maintenance guidelines.
 - We extracted from the CFA software 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 CFA software-generated report. We reviewed a statistical random sample of 30 of the 1,433 work orders for non-revenue-producing vehicles, using a 95% confidence level and a 10% tolerable error rate, which we compared to the data in the CFA software.
 - We reviewed a statistical sample of 40 out of 10,133 work orders for revenue-producing vehicles, using a 95% confidence level and a 10% tolerable error rate, which we compared to the data in the CFA software. We verified attributes of the work orders pertaining to the maintenance work performed and maintenance costs.
 - We asked MART management about the use of non-revenue-producing vehicles and the process of lending a non-revenue-producing vehicle from the motor pool.
 - We requested the sign-in/sign-out log for non-revenue-producing vehicles.
 - We asked MART management whether the keys to non-revenue-producing vehicles were in the possession of the general manager of Management Transportation Systems, Incorporated or MART personnel or were left in the vehicles.
 - We examined the state's publicly available, searchable website, as well as MART's website, to determine whether they included data for MART expenditures, including payroll, to ensure transparency regarding the agency's spending.

We analyzed CFA software data 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 determine whether they matched the information in the CFA 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 Montachusett Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.

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

MART 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, MART 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. . . .

MART 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

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

Auditee's Response

MART 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 MART'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. MART 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. MART is committed to open government and transparency.

Auditor's Reply

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

2. MART did not properly document the use of its non-revenue-producing vehicles by its operating company's employees.

MART did not properly document the use of its non-revenue-producing vehicles by employees of its operating company (Management Transportation Systems, Incorporated). Specifically, it did not properly document information such as the name of the employee who used the vehicle, the date and time it was picked up, the date and time it was returned, its vehicle number, the intended destination and purpose, and its beginning and ending odometer readings, for every trip for all of its non-revenue-producing vehicles. According to MART records, its non-revenue-producing vehicles were driven a combined total of 159,844 and 146,082 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 by the operating company's employees for non-business purposes without detection.

Authoritative Guidance

MART has a Vehicles Policy, No. FIN-015, dated December 16, 2015, for the use of its non-revenue-producing vehicles by its staff. This policy requires MART management to maintain a log that documents the name of the employee who used each vehicle, the date and time it was picked up, the date and time it was returned, its vehicle number, the intended destination and purpose, and its beginning and ending odometer readings.

Reasons for Noncompliance

MART management stated that it had established a policy for the use of its non-revenue-producing vehicles that it provided to everyone who used the vehicles and that its own employees followed this policy. Operating company employees were probably not following the policy because it did not specifically state that it applied to them. However, MART management personnel told us that they did understand the need for all of the operating company's employees to follow the policy.

MART management also stated that the agency did not have controls in place to monitor the use of non-revenue-producing vehicles.

Recommendation

MART should amend its policies for the use of its non-revenue-producing vehicles to indicate that they also apply to operating-company employees, including monitoring controls to ensure that they are adhered to.

Auditee's Response

MART will update its current policy and procedures to address all RTA and Operating Company employees following the vehicle use policy and procedure. . . . MART will put in place an audit policy and monitoring controls to verify that the correct process is being followed.

Auditor's Reply

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