



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

*Making government work better*

Official Audit Report – Issued August 21, 2018

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## Southeastern 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*

August 21, 2018

Mr. Erik B. Rousseau, Administrator  
Southeastern Regional Transit Authority  
700 Pleasant Street, Suite 320  
New Bedford, MA 02740

Dear Mr. Rousseau:

I am pleased to provide this performance audit of the Southeastern 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 Southeastern 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 "SMB", written over a light blue circular background.

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

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## TABLE OF CONTENTS

EXECUTIVE SUMMARY .....	1
OVERVIEW OF AUDITED ENTITY .....	3
AUDIT OBJECTIVES, SCOPE, AND METHODOLOGY .....	9
DETAILED AUDIT FINDINGS WITH AUDITEE’S RESPONSE.....	11
1. The Southeastern Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website. ....	11
2. SRTA did not properly document the use of its non-revenue-producing vehicles by its employees. ....	12

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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
SRTA	Southeastern Regional Transit Authority

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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 Southeastern Regional Transit Authority (SRTA) for the period July 1, 2015 through June 30, 2017. In this performance audit, we assessed certain aspects of SRTA'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 SRTA'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> <b>Page <a href="#">11</a></b>	SRTA did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.
<b>Recommendations</b> <b>Page <a href="#">12</a></b>	<ol style="list-style-type: none"><li>1. SRTA should develop formal policies and procedures for submitting this required information to the Executive Office for Administration and Finance.</li><li>2. SRTA 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> <b>Page <a href="#">12</a></b>	SRTA did not properly document the use of its non-revenue-producing vehicles by its employees.

**Recommendations**  
**Page 13**

1. SRTA 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 intended destination and purpose
  - f. the beginning odometer reading
  - g. the condition of the vehicle before and after use
  - h. any damage
  - i. any maintenance issues identified during use
2. SRTA 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 Southeastern Regional Transit Authority**

The Southeastern Regional Transit Authority (SRTA) was established in 1974 and reports to RTD under Chapter 25 of the Acts of 2009, “An Act Modernizing the Transportation Systems of the Commonwealth.” According to a report titled “Comprehensive Service Assessment” that SRTA issued in 2014, “SRTA’s mission is to provide safe, convenient, and economical transportation opportunities for people that supports economic development and improved quality of life for South Coast residents.” An

administrator is responsible for day-to-day administration of the agency, which had five full-time and two part-time staff members during our audit period. SRTA's operations are overseen by an advisory board made up of one member from each of the 10 communities<sup>1</sup> 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, SRTA contracted with First Transit Incorporated to provide fixed-route and demand-response<sup>2</sup> transportation services, including maintenance and administrative functions.

In fiscal years 2016 and 2017, SRTA 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,<sup>3</sup> followed by Federal Transit Administration (FTA) grants, local assessment<sup>4</sup> payments, and fare revenue. The table below shows the types of funding SRTA received during the audit period.

### SRTA Operating Funding Sources

Type of Funding	Fiscal Year 2016	Fiscal Year 2017
State Contract Assistance	\$ 5,766,016	\$ 5,766,018
Federal Grants	4,527,220	5,613,141
Local Assessments	3,000,768	3,129,871
Fare Revenue	2,562,154	2,468,171
Other Income*	174,779	154,847
Disposal of Capital Assets	0	21,392
<b>Total</b>	<b><u>\$ 16,030,937</u></b>	<b><u>\$17,153,440</u></b>

\* Other income includes rental fees, parking fees, and advertising revenue.

1. The communities are Acushnet, Dartmouth, Fairhaven, Fall River, Freetown, Mattapoisett, New Bedford, Somerset, Swansea, and Westport.
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.



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

### SRTA Operating Expenses

Type of Expense	Fiscal Year 2016	Fiscal Year 2017
Transit Service	\$ 12,791,540	\$ 13,825,415
Administration	2,384,464	3,936,395
Depreciation	2,593,089	2,777,422
Management Fees Paid to Operator	337,318	340,434
Total	<u>\$ 18,106,411</u>	<u>\$ 20,879,666</u>

During our audit period, SRTA 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 \$3,263,139 for fiscal year 2016 and \$3,812,041 for fiscal year 2017.

### Vehicle Fleet and Service Route Area

SRTA operates local fixed-route and demand-response services within the 47-square-mile southeastern Massachusetts area, serving a population of more than 311,400. It operates a network of 23 local transit routes. The local fixed-route service operates six days a week; weekday service runs from as early as 5:20 a.m. to 9:10 p.m., and Saturday service runs from 7:00 a.m. to 6:00 p.m.

Buses and minibuses provide transit services to the vast majority of SRTA passengers, and its vanpool provides paratransit services. The table below shows the number of revenue-producing and non-revenue-producing vehicles<sup>5</sup> used at SRTA during fiscal years 2016 and 2017.

### Number of SRTA Vehicles

Vehicle Type	Fiscal Year 2016	Fiscal Year 2017
Revenue-Producing	101	99
Non-Revenue-Producing	20	19
Total	<u>121</u>	<u>118</u>

### Vehicle Maintenance

SRTA operates two maintenance facilities: one in an approximately 16,800-square-foot building in New Bedford and one in an approximately 15,300-square-foot building in Fall River. At the end of our audit

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

period, SRTA had a total of 118 vehicles in its fleet. The table below shows the types and average ages of the vehicles in SRTA's fleet during the audit period.

### SRTA Vehicle Fleet Average Age

Make and Model	Vehicle Type	Vehicle Count	Average Age (Years)
Gillig Low Floor	Bus	59	5.5
Ford E450	Minibus	13	2.8
Ford E350	Van	11	2.4
Nova Rapid Transit Series	Bus	10	20.8
Ford F550	Minibus	6	4.0
Ford Explorer	SUV	5	3.8
Chevrolet Silverado	Truck	3	9.3
Saturn Aura	Sedan	2	9
Dodge Dakota	Truck	2	11
GMC Sierra	Truck	2	8
Ford Taurus	Sedan	2	3.5
Chrysler Jeep	SUV	1	10
Chevrolet P30	Van	1	29
Ford 500	Sedan	1	10
Total		<u>118</u>	

The table below shows SRTA's transit service expenses for the audit period.

### SRTA Transit Service Expenses

Expenses	Fiscal Year 2016	Fiscal Year 2017
Salaries	\$ 8,747,649	\$ 9,259,690
Fringe Benefits	2,153,078	2,424,451
Materials and Supplies	789,473	865,795
Fuel	690,105	770,346
Office Expense and Services	155,394	243,385
Utilities	203,184	212,808
Miscellaneous	52,657	48,940
Total	<u>\$ 12,791,540</u>	<u>\$ 13,825,415</u>

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

### SRTA 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	59	1,611,493	\$ 487,830	\$ 315,558	\$ 803,387*	\$13,617
Ford E450	13	229,921	29,891	6,395	36,286	\$2,791
Ford E350	11	222,976	27,611	9,412	37,022*	\$3,366
Nova Rapid Transit Series	10	31,127	22,162	5,862	28,025*	\$2,802*
Ford F550	6	113,885	13,570	4,746	18,316	\$3,053
Ford Explorer	5	49,083	3,986	437	4,423	\$885
Chevrolet Silverado	3	9,747	3,106	5	3,111	\$1,037
Saturn Aura	2	12,260	2,958	149	3,107	\$1,554
Dodge Dakota	2	16,419	2,244	417	2,661	\$1,331
GMC Sierra	2	14,542	1,192	208	1,400	\$700
Ford Taurus	2	12,700	422	5	427	\$213*
Chrysler Jeep	1	9,079	1,322	10	1,332	\$1,332
Chevrolet P30	1	4,566	807	0	807	\$807
Ford 500	1	7,198	268	2	270	\$270
<b>Total</b>	<b>118</b>	<b>2,344,996</b>	<b>\$597,368*</b>	<b>\$343,206</b>	<b>\$ 940,574</b>	

\* 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, SRTA used fleet management software from StarTran Software to document all of its vehicle asset and expense information and report it to FTA.

### SRTA Community Programs

SRTA is a member of a number of organizations throughout the communities it serves. It participates in a statewide coordinating council of transportation that facilitates discussions among groups of transportation service entities about potential gaps or overlapping transportation service coverage in neighboring cities and towns. SRTA has been able to assist smaller entities in this council by volunteering to operate service routes that are more manageable for SRTA as a larger transit organization. In addition, in an effort to help the University of Massachusetts Dartmouth with transportation, SRTA

collaborates with the university to provide transportation to and from the campus every half hour from 9:00 a.m. to 6:00 p.m. daily. In a separate program, SRTA provides discounted transportation to B.M.C. Durfee High School students in Fall River, operating 12 buses in the morning and afternoon to accommodate peak demand during school hours. Additionally, in 2014, SRTA extended its service hours for B.M.C. Durfee High School, so buses operate through 9:00 p.m. rather than 6:00 p.m., to better accommodate students who participate in afterschool activities. SRTA also offers discounted fares to seniors and disabled riders.

## 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 Southeastern Regional Transit Authority (SRTA) 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 SRTA 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 SRTA 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 SRTA 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 SRTA'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 StarTran software maintained by SRTA, 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 SRTA had a vehicle maintenance schedule and tested a nonstatistical sample to determine whether the agency followed the recommended schedule for preventive maintenance and replacement. We tested 25 of the 118 vehicles that were active during our audit period, choosing the 15 vehicles with the highest number of work orders and the 10 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 SRTA 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 SRTA management about the use of non-revenue-producing vehicles and the process of lending a non-revenue-producing vehicle from the motor pool.
- We asked SRTA management whether the keys to non-revenue-producing vehicles were in the possession of the general manager of First Transit Incorporated or SRTA personnel or were left in the vehicles.
- We requested and reviewed the sign-in/sign-out log for non-revenue-producing vehicles.
- We examined the state's publicly available, searchable website to determine whether it included data for SRTA expenditures, including payroll, to ensure transparency with regard to the agency's spending.

We analyzed StarTran 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 SRTA's vehicle list to ensure that each vehicle matched the information in the StarTran 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 Southeastern Regional Transit Authority did not submit required financial information to the Commonwealth to be made available to the public on a searchable website.**

The Southeastern Regional Transit Authority (SRTA) 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, SRTA did not allow the Commonwealth to give the public a sufficient level of transparency regarding SRTA'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 SRTA, 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 response to our draft report, SRTA 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 SRTA 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. The financial information currently contained on SRTA's website provides the public with a sufficient level of transparency regarding the SRTA's operations, including its overall financial health and the nature and extent of its expenses. As a matter of routine, public requests for SRTA's financial information are directed to the Open Government section of SRTA's website, which in most instances satisfies the public's request for information. In those rare cases a request for information is not contained on SRTA's website, it*

*is treated as a Public Information Request and a response is quickly provided to the individual, generally at no cost.*

## Recommendations

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

## Auditee's Response

*The SRTA 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 SRTA'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. SRTA 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 SRTA is committed to open government and transparency.*

## Auditor's Reply

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

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

SRTA 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 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 SRTA records, its non-revenue-producing vehicles were driven a combined total of 178,297 and 135,594 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

SRTA'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 beginning odometer reading, its condition before and after use, any damage, and any maintenance issues identified during use. Although SRTA is not required to follow this policy, it represents a best practice in vehicle fleet management that SRTA should follow because it will allow the agency to more effectively manage the maintenance and proper use of these vehicles.

### **Reasons for Noncompliance**

SRTA 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 employees followed this policy. This policy included a list of eligible users and their positions, a list of vehicles available and their vehicle identification numbers, and general guidelines concerning cleanliness and seat belt use. However, this policy did not include the requirement that a log be maintained to document the required information for all of its non-revenue-producing vehicles. SRTA management also stated that the agency did not have controls in place to monitor the use of non-revenue-producing vehicles.

### **Recommendations**

1. SRTA 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 intended destination and purpose
  - f. the beginning odometer reading
  - g. the condition of the vehicle before and after use
  - h. any damage
  - i. any maintenance issues identified during use

2. SRTA should ensure that these policies and procedures include monitoring controls to ensure that they are adhered to.

### **Auditee's Response**

*The SRTA will revise the policy and procedures for the use of its non-revenue-producing vehicles, that will incorporate best practices from other RTAs and MassDOT. At the same time, it will be tailored to the non-revenue-producing vehicles of the SRTA. The revised policy and procedure will include a log for those non-revenue-producing vehicles requiring such. This log will include all pertinent information regarding use, operator, and required vehicle information. The SRTA revised policy and procedure will include monitoring controls to ensure compliance. The development of this log will be consistent with our policy.*

### **Auditor's Reply**

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