



The Commonwealth of Massachusetts

AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH De NUCCI
AUDITOR

TEL (617) 727-2075

September 20, 2007

The Honorable Joseph F. Wagner,
House Chairman
Joint Committee on Transportation
State House, Room 134
Boston, MA 02133-1054

Dear Chairman Wagner:

I am enclosing a copy of my audit report on the Pioneer Valley Transit Authority's paratransit contract with M. V. Transportation, Inc. which was completed as a result of your request.

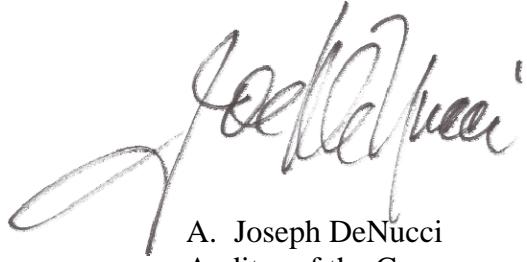
As you will see the report contains several audit findings. Based on the magnitude and seriousness of the findings, management weaknesses and deficiencies were quite evident as they relate to this procurement, as well as to contract monitoring and administration. As a result, immediate attention is required in developing a comprehensive corrective action plan to address these deficiencies.

This report includes a series of recommendations that are intended to assist PVTA in making the necessary improvements to its overall procurement management. PVTA's comments are responsive to our specific findings and recommendations, and indicate that several corrective measures have already been taken, or are planned to address the matters contained in this report.

Finally, to strengthen governance, we recommend that the PVTA Advisory Board take a more active oversight role in monitoring the Authority's operations.

I hope that this report will be helpful in your continued efforts to maintain the operational and fiscal integrity of our regional transit authorities. Should you have any questions or need further assistance concerning this report or any other matters, please feel free to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "A. Joseph DeNucci".

A. Joseph DeNucci
Auditor of the Commonwealth

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AUDITOR OF THE COMMONWEALTH

STATE HOUSE, BOSTON 02133

A. JOSEPH DE NUCCI
AUDITOR

TEL (617) 727-2075
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2007-0877-3A

September 20, 2007

Ms. Mary MacInnes, Administrator
Pioneer Valley Transit Authority
2808 Main Street
Springfield, MA 01107

Dear Ms. MacInnes:

In accordance with Chapter 11, Section 12, of the Massachusetts General Laws and at the request of the House Chairman of the Legislature's Joint Committee on Transportation, we have conducted a limited scope audit of the Pioneer Valley Transit Authority's (PVTA) paratransit contract with MV Transportation, Inc., (MV). As part of our examination, we reviewed all applicable state and federal procurement regulations and examined the PVTA's procurement guidelines, paratransit operating policies and procedures, and paratransit staffing patterns. Moreover, we reviewed the PVTA's Request for Proposals (RFP) and RFP Addendums I & II, bidders' proposals, the selection committee's evaluation process, contract negotiations, and bidders' appeals. In addition, we analyzed MV's transition process, service delivery, and contract charges. We also reviewed the PVTA's monitoring of MV's performance under this contract. Our audit, which covered the period April 14, 2006 to June 30, 2007, was made in accordance with applicable generally accepted government auditing standards for performance audits.

Our review disclosed various internal control deficiencies related to the PVTA's management, procurement, monitoring, and administration of its paratransit contract with MV, as discussed below:

1. PVTA DID NOT MAINTAIN A COMPLETE WRITTEN RECORD OF THE PROCUREMENT HISTORY

The U.S. Federal Transit Administration (FTA) promulgated Third Party Contracting Requirements, Circular FTA C 4220.1E, which require grantees such as the PVTA to maintain records detailing the history of procurements. However, our audit identified the following deficiencies within the PVTA's paratransit contract files.

- Based upon the RFP, bidders were required to submit copies of their proposals to the PVTA on or before May 19, 2006, at 2:30 PM local time. Yet, the PVTA did not maintain records detailing whether bidders complied with this filing deadline.
- Bidders interested in providing paratransit services for the PVTA were required to submit both technical and cost proposals. The PVTA maintained copies of each bidder's technical proposal. However, the Authority could not locate the cost proposals submitted by the unsuccessful bidders. Consequently, we could not substantiate the PVTA's scoring of the submitted cost proposals.

- RFP Addendum # 1 changed the basis in which Sunday service is billed within the PVTA's Northern Tier from a per trip rate to an hourly basis. However, discussions about this change, including the cost ramifications were not documented within the contract files.
- MV officials stated that a verbal agreement was reached with PVTA's former Chief Financial Officer allowing MV to bill Sunday services in a manner contrary to the terms and conditions of the paratransit contract. Moreover, MV officials indicated that the agreement was reached after October 9, 2006, the effective date of the contract. Although the verbal agreement had significant cost consequences to the PVTA, we found no record of this meeting within PVTA's contract files. This matter is further discussed within the 7th audit issue of this report.

Recommendation: PVTA's procurement policies and procedures require that a complete procurement history be maintained within its contract files. However, based upon the results of this audit, PVTA needs to establish additional controls to ensure that such policies and procedures are adhered to consistently throughout the organization.

Auditee's Response:

PVTA is in the process of reviewing and implementing updated processes and procedures to improve control processes within the procurement area. Specifically, there will be [a] designated location for procurement files that will only be accessed by the Director of Procurement. Also, as you are aware the new Chief Financial Officer and the Director of Transit have been working diligently to implement new procedures regarding cash handling procedures and invoice auditing in all areas.

2. PVTA PROVIDED INACCURATE SERVICE DELIVERY DATA TO BIDDERS RESULTING IN UNANTICIPATED CHARGES TOTALING \$154,994

Circular FTA C 4220.1E requires grantees to develop procurement solicitations that incorporate a clear and accurate description of the services to be procured. However, we found that the PVTA provided bidders with inaccurate trip data for calendar year 2005. While the RFP accurately reported the total number of paratransit trips performed during the year, the component parts, Peak trips and Off-Peak trips, were inaccurately presented within the RFP. The table below details the trip discrepancies we found within the RFP.

**Paratransit Trips Calendar Year 2005
(Pro-Rated 38 Weeks)**

	<u>RFP</u>	<u>Actual</u>	<u>Trip Variance</u>	<u>Percentage Variance</u>
Peak Trips	205,667	200,440	(5,227)	3%
Off-Peak Trips	<u>9,600</u>	<u>14,827</u>	<u>5,227</u>	54%
Total Paratransit Trips	<u>215,267</u>	<u>215,267</u>	-	

The PVTA instructed bidders to develop their cost proposals based upon this inaccurate information. Moreover, MV utilized this data to develop its "Best And Final Offer" (BAFO), which provided for an off-peak trip rate of \$36.02. Based upon this rate, the PVTA anticipated off-peak trips from October 9, 2006 through June 30, 2007 to total \$345,792 (\$36.02 x 9,600 trips = \$345,792). However, our review of MV's billings revealed that actual off-peak charges for the 38 weeks ending

June 30, 2007 totaled \$500,786, or \$154,994 (45%) more than anticipated by the Authority. The table below details the Authority's unanticipated off-peak service charges during the noted period.

<u>Unanticipated Off-Peak Charges</u>			
	<u>Trips</u>	<u>Rate</u>	<u>Amount</u>
RFP	9,600	\$36.02	\$345,792
MV's Billings	<u>13,903</u>	<u>36.02</u>	<u>500,786</u>
Variance	<u>4,303</u>	-	<u>\$154,994</u>

Finally, the RFP includes a provision that allows the PVTA to negotiate a fee adjustment should a significant departure from anticipated trip levels occur. During our audit, the PVTA engaged outside legal counsel to research this matter.

Recommendation: PVTA needs to establish additional policies and procedures to ensure that data included within its procurement solicitations is accurate. In addition, PVTA should exercise its right to negotiate with MV a revised off-peak rate reflecting the correct number of off-peak trips performed. Once both parties agree to the adjusted rate, PVTA should calculate any amounts due from MV for off-peak trips performed since October 9, 2006.

Auditee's Response:

PVTA agrees that some of the information in the RFP was not accurate and will pursue negotiations with MV to revise the off-peak trip rate to reflect the actual number of off-peak trips.

3. PVTA CANNOT EFFECTIVELY VALIDATE COSTS OF EVENING OFF-PEAK TRIPS

Circular FTA C 4220.1E requires grantees to maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications, of their contracts or purchase orders. However, we found that the PVTA cannot effectively validate the cost of evening off-peak services provided by MV. Specifically, the PVTA's paratransit contract with MV requires that evening off-peak services begin at 6:16 PM. Yet, the PVTA's current software system, which the Authority uses to track MV's service performance, only generates trip reports in hourly increments (5PM, 6PM, 7PM etc.). Consequently, without performing a cumbersome manual reconciliation process, the PVTA can neither ascertain the number of evening off-peak trips performed nor the appropriateness of MV's charges.

The PVTA originally intended for evening off-peak services to commence at 7:00 PM. However, under RFP Addendum # 1, PVTA changed the start time to 6:16 PM. As noted within audit issue number 1, PVTA's contract files provided no information relative to this service change. Moreover, Authority officials could not clarify the matter.

Recommendation: PVTA needs to establish policies and procedures whereby its department heads sign off on the accuracy of information included in procurement solicitations prior to the Authority disseminating such information for public response.

Auditee's Response:

PVTA will continue auditing off-peak trips via the current ADEPT scheduling software. The Director of Transit has been in contact with ADEPT's management company to revise some reports to expedite the process of auditing off-peak trips.

4. PVTA AND MV ENCOUNTERED MANY PROBLEMS DURING THE TRANSITION PROCESS

The PVTA's transition period to a new paratransit service provider (MV) began on or around July 6, 2006 through October 9, 2006. Following the transition period, the PVTA requested a consultant to perform a Peer Review of MV's performance. The Peer Review, which concluded on December 11, 2006, identified that the change in contractor resulted in poor service including cancelled trips, driver and/or passenger "no shows", late pick-ups, long travel times, long telephone hold times, and continuous busy signals on MV's telephones. Moreover, the Peer Review found that customers expressed dissatisfaction with the entire service, and that PVTA staff spent the first few weeks responding to angry customers, media, and community groups about issues with the transition. Finally, the Peer Review concluded that the unsuccessful transition was largely caused by:

- The decision to minimize PVTA's role as the Contractor and therefore relinquish oversight of the transition process to MV.
- MV's inability to properly plan for the multi-faceted transition.
- MV's minimal analysis of PVTA data to ensure staffing levels would be adequate.
- MV's failure to recognize and/or communicate the serious nature of transition problems as they arose.
- MV's inability to adapt quickly when transition assumptions proved invalid.

Our review of PVTA's transition to a new service provider confirmed the findings of the Peer Review. The Peer Review report on PVTA's transition is included as Attachment I to this audit report.

Recommendation: PVTA needs to develop a corrective action plan (CAP) in response to the Peer Review. Moreover, PVTA should incorporate the CAP into its operating policies and procedures, which should help the Authority avoid similar transition problems in the future.

Auditee's Response:

PVTA is in the process of developing a corrective action plan that will be implemented should another paratransit transition take place in the coming months. Any new transition is pending the decision on the current procurement for paratransit service.

5. MV HIRED AN INSUFFICIENT NUMBER OF DRIVERS RESULTING IN THE CANCELLATION OF OVER 2000 PARATRANSIT TRIPS. MOREOVER, ADJUSTMENTS TO MV'S BILLINGS TO REFLECT THESE CANCELLATIONS WERE INSUFFICIENT BY \$15,287

MV began operating paratransit services on October 9, 2006. At that time, MV employed approximately 75 to 80 drivers. Yet, MV's proposal specified that 126 full and part-time drivers would be hired by start-up.

Prior to start-up, MV had difficulty-hiring drivers for several reasons. First, relatively few individuals responded to MV's help wanted advertisements. Second, many applicants failed to pass required physicals and background checks. Third, approximately 20 to 25 drivers who had committed to working for MV backed out of their commitment at the last moment.

Ultimately, MV's inability to hire a sufficient number of drivers resulted in various service problems including cancelled trips, late pick-ups, and extended travel time for passengers. Moreover, MV's poor service caused customer inquiries and complaints to skyrocket which overloaded MV's telephone system and hindered its ability to arrange and schedule trips. Many riders called the PVTA directly with their complaints and scheduling matters to avoid long delays in speaking with MV representatives.

We found that MV scheduled 15,558 peak trips during October 2006. These trips involved transporting riders to and from local Councils on Aging, shopping centers, medical facilities, etc. However, because MV did not hire a sufficient number of drivers it was unable to provide all of the peak trips that were scheduled. Specifically, MV had to cancel 2,089 of the 15,558 peak trips or 13.43 %.

Consequently, MV's October 2006 peak billings, which totaled \$284,670, should have been reduced by 13.43 % or \$38,223. However, our review of MV's billing records revealed an adjustment of only \$22,936. Thus, the PVTA overpaid MV \$15,287 (\$38,223 - \$22,936 = \$15,287) for peak services during October 2006.

Recommendation: The RFP specifies that contract costs will be monitored periodically by the PVTA to ensure the validity of cost per service hour and per trip costs. Since MV did not provide 2,089 scheduled trips during October 2006, PVTA should recover from MV the invalid portion of the contractor's October 2006 charges, or \$15,287.

Auditee's Response:

PVTA will address MV regarding over billing relative to the number of cancelled trips during start-up. PVTA will recover the amount of over billing in question.

6. INTERNAL CONTROL DEFICIENCIES RESULTED IN FARE SHORTAGES TOTALING \$21,562

Our audit identified that the PVTA and MV have not established adequate controls over passenger fares which resulted in shortages totaling \$21,562 from October 9, 2006 to May 30, 2007. The PVTA's RFP for Paratransit Management Services, Section 9, entitled Fares, states in part:

The Contractor will be responsible for collecting, handling and reporting passenger fares... All cash fares are to be collected by the Contractor and deducted from the Contractor's monthly invoice. The PVTA reserves the right to observe and audit the fare collection and fare handling procedures of the Contractor at any time during the terms of this contract. The PVTA will tabulate the revenues collected based on the number of trips provided on a monthly basis. The Contractor will be responsible for any monetary discrepancies between fares collected and the revenues tabulated...

In addition, MV's proposal specified that the contractor would collect fares in accordance with procedures specified by the PVTA, record the fares collected on logs acceptable to PVTA, and provide for an accurate counting of fare revenues. Moreover, to increase accountability, MV's proposal specified additional control procedures the contractor would implement including:

- At the end of the day, the fare bags are returned, with both the driver and dispatcher signing off the dispatch log, regarding the bag number and contents of the bag.
- The next business day, [On-Site General Manager] will count the contents of the secured fare bags.
- As fares are counted, the counts will be referenced to the driver manifest and dispatch log. If variances exist, [On-Site General Manager] will investigate the discrepancies and take appropriate action to correct the problem.
- [On-Site General Manager] will complete the deposit slip and record these on the deposit log. This log, in addition to the bank statement, will be provided to PVTA monthly for invoice verification purposes.

However, our audit identified that PVTA did not provide MV with policies and procedures for collecting, reconciling, and reporting fares. Additionally, the PVTA did not exercise its right to observe and audit fare collection and fare handling procedures of MV.

In addition, we found that MV did not count and reconcile fares daily, investigate fare discrepancies, prepare logs detailing ticket collections, track free rides, or provide bank statements, deposit log and deposit slips to PVTA for invoice verification purposes.

Consequently, our review of fares collected during the period October 9, 2006 to May 31, 2007 revealed a \$21,562 shortage. In this regard, the PVTA's current software system identified paratransit fares due totaling \$355,845 during the period. However, MV only reported cash and ticket fares totaling \$334,283. PVTA and MV officials could not explain the \$21,562 shortage, and acknowledged that prior to our audit they made no effort to reconcile fares. The following chart details the \$21,562 fare shortage we identified during the audit.

<u>Month</u>	<u>Fares Collected</u>	<u>Fares Due</u>	<u>Shortage</u>
October	\$29,382	\$31,511	\$2,129
November	40,598	44,495	3,897
December	45,066	45,279	213
January	38,097	47,809	9,712
February	45,702	41,804	(3,898)
March	47,514	48,939	1,425

April	41,981	45,663	3,682
May	<u>45,943</u>	<u>50,345</u>	<u>4,402</u>
Total	<u>\$334,283</u>	<u>\$355,845</u>	<u>\$21,562</u>

Due to the magnitude of this problem, we expanded our review of paratransit fares to include the 10-month period prior to MV's start-up. Specifically, from January 1, 2006 through October 8, 2006, the PVTA's prior service providers incurred a \$363.75 shortage or approximately \$1.21 per day loss. Based upon these results, it appears that the prior service providers had controls in place to minimize the extent of fare shortages.

Finally, PVTA's internal controls should include policies and procedures to detect, correct, and if applicable, report to law enforcement authorities fare shortages. However, due to staffing deficiencies detailed in our 8th audit issue, until June 2007, PVTA had not implemented such control procedures.

Recommendation: PVTA needs to develop policies and procedures for collecting, reconciling, and reporting fares. PVTA needs to monitor MV's activities to ensure that these policies and procedures are implemented correctly. In addition, PVTA and MV should collaborate to identify the causes for the \$21,562 fare shortage, and if warranted, refer the matter to appropriate law enforcement agencies. Finally, in accordance with the RFP, PVTA should recover the \$21,562 fare shortage from MV.

Auditee's Response:

As you are aware, the Director of Transit has been in the process of implementing appropriate fare reconciliation procedures with MV. As such, the Director of Transit has deducted the overcharging for fares for May, June and July 2007. MV is already aware that the same process will be used for prior invoices October-April and include the amounts listed in your audit.

7. MV DID NOT BILL SUNDAY AND HOLIDAY SERVICES IN ACCORDANCE WITH THE CONTRACT SPECIFICATIONS RESULTING IN UNALLOWABLE CHARGES TOTALING \$110,830

Our audit identified that MV did not bill for Sunday and holiday services in accordance with the terms and conditions of its paratransit contract resulting in unallowable charges to PVTA totaling \$110,830. In this regard, the contract specified that PVTA would pay for Sunday and holiday services on a per trip basis within three of its four service areas (Central Tier, Southern Tier and Western Tier). Within the fourth service area (Northern Tier), the contract specifies that PVTA would pay for services provided from 9:00AM to 6:15 PM on a per hour basis and services provided from 6:16 PM to 12:50 AM on a per trip basis. However, our review of MV's billings from October 9, 2006 to June 30, 2007 found that MV billed substantially all services within the Central, Southern and Western Tiers on a hourly basis rather than the agreed upon per trip basis. As detailed in the following table, the billing error resulted in unallowable contract charges totaling \$110,830.

<u>Month</u>	<u>Billings</u>	<u>Charges</u>	<u>Variance</u>
October	\$32,065	\$20,435	\$11,630
November	53,935	44,155	9,780
December	53,574	38,537	15,037
January	53,718	41,852	11,866
February	42,910	33,277	9,633
March	43,270	31,583	11,687
April	54,006	37,688	16,318
May	43,054	31,193	11,861
June	<u>42,874</u>	<u>29,856</u>	<u>13,018</u>
Total	<u>\$419,406</u>	<u>\$308,576</u>	<u>\$110,830</u>

As noted within our 1st audit issue, PVTA's contract files did not contain documentation to support this billing change. When questioned about this matter, MV officials stated that a verbal agreement was reached with PVTA's former Chief Financial Officer whereby, to simplify the billing process, MV was allowed to bill Sunday and holiday services primarily on an hourly rate. PVTA's former Chief Financial Officer was unwilling to freely meet and discuss this matter with us. No other PVTA official, former or current, was aware of the billing change. Thus, we could not validate MV's assertion on this matter.

Finally, Section 17C of the Paratransit contract states, in part:

This Agreement sets forth the entire agreement and understanding of the parties in regard to the transactions contemplated hereby, and supersedes all prior discussions, agreements and understandings relating to the subject matter hereof. This agreement shall not be amended or modified except by a written document, signed by all of the parties hereto...

Since a formal written modification to the contract between PVTA and MV was not prepared and signed by all parties, MV was not authorized to bill Sunday and holiday services contrary to its agreement with PVTA.

Recommendation: PVTA needs to establish policies and procedures to ensure that service contractors, such as MV, bill the Authority in accordance with the terms and conditions specified within formal written contracts. Since MV did not bill Sunday and holiday services in accordance with the paratransit contract, PVTA should recover the \$110,830 of unallowable charges it paid to MV from October 9, 2006 to June 30, 2007. Moreover, PVTA needs to ensure the validity of MV's charges subsequent to June 30, 2007, and if warranted, recover any additional unallowable charges from the contractor.

Auditee's Response:

The Administrator of PVTA responded in part:

As I mentioned to you earlier, contract interpretation requires legal counsel, and I just received our attorney's opinion on the Sunday/Holiday billing issues that you raised. He basically concludes that logically you are correct. However, from a legal perspective or an ability to prevail, PVTA is on weak ground because of the ambiguity of the contract language, the passage of time, and other legal precedents.

8. PVTA HAD NOT ADEQUATELY MONITORED MV'S PERFORMANCE UNDER THE CONTRACT

Under the FTA's Circular FTA C 4220.1E, grantees such as the PVTA must maintain a contract administration system that ensures that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. However, our review found that PVTA, over an extended period, had not employed a sufficient number of operations staff to monitor the service activities of its paratransit contractors including MV and MV's predecessors. In addition, as supported by the significant financial issues described in this report, we found that PVTA's former Chief Financial Officer (CFO) did not oversee the Authority's financial operations in an effective and efficient manner. Consequently, PVTA has been unable to assure that contractors provided quality paratransit services at a reasonable, allowable, and allocable price to the Commonwealth.

Our review of PVTA's personnel records found that until recently the positions of Director of Paratransit Services and Coordinator of Safety and Training had been vacant. In this regard, the former Director of Paratransit Services terminated her employment with the PVTA on July 20, 2001, and she was not replaced until February 15, 2007. Similarly, the Safety and Training Coordinator position remained vacant from July 19, 2005 to June 4, 2007. While these two positions remained vacant, the PVTA had limited ability to monitor its contractor's performance. PVTA's remaining paratransit staff, including its ADA coordinator, dealt primarily with customer service matters and did not perform site visits at service provider locations. This issue was also noted within the FTA's FY 2006 Triennial Review. Specifically, the federal review stated, in part:

Currently there is limited oversight of PVTA's ADA paratransit contractors. While the data on paratransit operations are made available to PVTA's ADA coordinator, this person does not have administrative management authority over the paratransit contractors. Additionally, no field visits to perform oversight reviews of paratransit operations have been conducted for approximately one year from the time the previous person in that position resigned.

In addition, our review of PVTA's Advisory Board and Finance Committee meeting minutes revealed members' concerns with the former CFO's performance. The minutes of these meetings included concerns regarding the CFO's inadequate communication and the lack of documentation to support financial transactions. The minutes also revealed that the interim CFO advocated recreating the finance department from scratch.

In addition, our review noted that the Authority's staffing problems led to deficiencies within its system of internal control. Specifically, we found that the Authority's control system did not ensure:

- A clear, concise and detailed paratransit operating policies and procedures manual.
- Monthly reports detailing revenues collected (cash and tickets) and expenses incurred under this contract.
- Documentation supporting MV's monthly billings.
- Procedures to analyze MV's billings.
- Reconciliations of fares collected to trips provided.
- Valid fare and driver data entries within the Authority's current software system.
- On-site reviews of MV's operations including scheduling, dispatching, and daily reconciliations of fare revenues to drivers' manifest.
- An inventory of fare tickets.

Finally, PVTA's recent decision to hire a Director of Transit Services and replace its former Chief Financial Officer on February 15, 2007 and May 24, 2007 respectively has resulted in improved controls over the Authority's paratransit services and financial operations. The Director of Transit Services meets frequently with MV officials to discuss contract requirements, service deficiencies, and applicable corrective action plans. In this regard, the Director of Transit provided us with a listing of problem areas that she discussed with MV including on-time performance, complaints, scheduling and dispatching procedures, fare reconciliation, inventory control, monthly reporting, transit software database information, etc. Similarly, the current CFO has already revised the Authority's paratransit billing verification procedures.

Recommendation: PVTA needs to continue strengthening its system of internal controls to ensure the reasonableness of contractors' services and charges.

Auditee's Response:

The Administrator of PVTA responded in part:

As you are aware, PVTA was an agency in crisis when I arrived as Administrator in October 2006. The previous Administrator and General Counsel had been fired and the FBI began an on-going investigation of a previous paratransit procurement and use of Federal Transit Authority Administration funds. The new paratransit contractor started service a week before I arrived and an extremely poor transition produced disastrous operational results. In addition, there was no position on the staff with paratransit operations experience. Overall staff morale was low and organizational functionality was limited.

I believe that your findings are the direct result of the conditions that I have described. In order to restore PVTA to a fully functioning transportation agency, I developed and instituted a complete reorganization of PVTA. There are two organizational changes that are of particular relevance to your findings, I created a position (Director of Transit) to oversee fixed route and paratransit contractors and filled the position with someone who has extensive paratransit and fixed route experience. I also sought and received the resignation of the Chief Financial Officer, who was described as "incompetent" in a report produced by the auditors of PVTA's 2005 and 2006 finances. I filled this position with someone who has experience as a CFO, and also has experience in banking and auditing.

PVTA's new team is addressing issues that you have raised as well as many others. I appreciate that you brought some issues to our attention that are being corrected.

Our recent reorganization will ensure that PVTA will continue strengthening internal controls, data collection, audit processes and general contract oversight that has been lacking at PVTA for the last few years.

Overall Conclusion: Based on the magnitude and seriousness of the findings contained in this report, management weaknesses and deficiencies were quite evident as they relate to this procurement, as well as to contract monitoring and administration. As a result, immediate attention is required in developing a comprehensive corrective action plan to address these deficiencies.

This report includes a series of recommendations that are intended to assist PVTA in making the necessary improvements to its overall procurement management. PVTA's comments are responsive to our specific findings and recommendations, and indicate that several corrective measures have already been taken, or are planned to address the matters contained in this report.

Finally, to strengthen governance, we recommend that the PVTA Advisory Board take a more active oversight role in monitoring the Authority's operations.

I hope that this report will be helpful in your efforts to improve PVTA's operations. Should you have any questions or need further assistance concerning this or any other matters, please feel free to contact me.

Sincerely,



A. JOSEPH DeNUCCI
Auditor of the Commonwealth

December 11, 2006

Ms. Mary L. MacInnes
Administrator
Pioneer Valley Transit Authority
2808 Main Street
Springfield, MA 01107

Dear Ms. MacInnes,

Attached you'll find my report on the Peer Review regarding PVTA's transition to a new paratransit provider.

Feel free to contact me if you have any questions or need further information.

Sincerely,



Nicole M. Rohan

**Review of PVTA's Paratransit Transition
December 2006**

On June 29, 2006, the Pioneer Valley Transit Authority (PVTA) awarded a Contract to MV Transportation for Paratransit Management Services. The duration of the contract was October 9, 2006 – June 30, 2009, with an option to renew in one-year increments for up to two years. This decision would change PVTA's paratransit service from three contractors who provide service within six tiers of the Pioneer Valley to one contractor for the entire region.

The transition period began on or around July 6, 2006 through October 9, 2006. MV's proposal included a considerable amount of documentation regarding their expertise in handling many successful transitions, as well as a draft plan about how they would manage a seamless transition for PVTA. Based on MV's experience, PVTA allowed MV to be the lead agency to oversee the transition.

MV began operating service on October 9, 2006. The change in contractor resulted in poor service including cancelled trips, driver and/or passenger No Shows, late pick-ups, long travel times, long telephone hold times and continuous busy signals on the phones. Customers expressed dissatisfaction with the entire service. PVTA staff spent the first few weeks responding to angry customers, the media and community groups about issues with the transition.

Due to the poor implementation of service, the PVTA Administrator asked for a Peer Review of the transition. The information in this document was obtained from:

1. Interviews with representatives from PVTA (including OL'H and the Pioneer Valley Planning Commission) and MV, and
2. Review of the following documents:
 - PVTA's RFP – April 14, 2006
 - MV's proposal – May 26, 2006
 - PVTA/MV Contract Document
 - Transition Meeting notes

The objective of this review was to identify issues that contributed to the unsuccessful transition. The results are detailed more specifically below.

Communication

It was noted in the RFP document, MV's proposal and the interviews that PVTA expected the sub-contractor to be the lead agency in oversight of the transition.

All parties involved in this review confirmed that it was clear throughout the process that MV's role was to take charge, ask PVTA for assistance when needed and to ensure a smooth/seamless transition for PVTA's riders.

There was a clear lack of communication throughout the transition.

MV - PVTA

- No formal Transition Committee established
- No formal meeting schedule; no meeting minutes taken
- PVTA had no paratransit policy/procedure manual available for MV
- MV assured PVTA everything was on-schedule until 1 week prior to start-up.
- MV updated PVTA's Project Manager as needed during the transition and daily during the two weeks prior start-up.
- PVTA provided a test database of the scheduling software system at the end of August, MV did not contact PVTA about getting into the database until the third week of September.

MV/PVTA - Riders

- Customer outreach meetings were held in several areas of the Pioneer Valley; MV assured riders there would be a seamless transition.
- Mailings were done to inform riders of new telephone numbers and outreach meeting locations.

MV – Previous Contractors

- Limited communication from MV to previous contractors.
- Sub-contracting was raised as a possibility to phase the start-up with MV and assist with driver shortage. After consideration by PVTA and MV, a final decision was made not to sub-contract.
- 2 of the 3 vendors offered to assist with information, staff and office space; it did not appear that MV was responsive to their input.

MV – New employees

- Some employees from previous contractors felt MV was not fair in their hiring process. Specifically, improper notification of meetings and the salary/benefit package offered by MV.
- MV made the following assumptions in hiring employees from the previous contractors. These assumptions had a negative impact during start-up:
 1. They all knew the Pioneer Valley Region; if an employee had been driving in Chicopee for the last few years they would also know their way around Springfield.
 2. They all would do their job function the same way; according to MV, it was expected that since many were employees of previous contractors they would just move their seat to the MV office. MV provided minimal training for office staff prior to start-up.
 3. They would be flexible about the hours or schedules they worked; MV expected to schedule the drivers and staff according to operational need, not according to how each driver was scheduled by the previous contractor.

Transition Plan

There was no "working plan" for the transition. MV's draft plan submitted with the proposal was never updated to account for adjustments to the schedule, due to delays or unforeseen issues. MV confirmed the information was never updated during the process.

Most notably, there was no back-up plan for unexpected issues or delays that could have impacted start-up.

- MV assured PVTA staff throughout the process that everything was on schedule.
- It was assumed by PVTA staff that the delay in finalizing a contract severely impacted MV's options in having a successful start-up, however,
 1. MV stated this issue had no impact on the transition timeline as they had no office space options until after the contract was final.
 2. MV stated that due to conflicts with MV responsibilities at WMATA, there was a delay in getting the GM candidate to Springfield any earlier than August 29th.
 3. MV also stated that they were not concerned with the contract delay as they had been successful in taking over other operations with a much shorter timeframe than was allotted with the PVTA project.

Staffing Plan

It was clear during this review that MV did not properly analyze PVTA's service data when determining the number of employees needed to manage the service adequately. MV confirmed during this review that they obviously missed on the appropriate numbers that were needed.

Office Staff

MV was questioned several times during the transition about the possibility of not having enough office staff

- Throughout the transition, MV confirmed the staffing was adequate; they hired according to what had been budgeted.
- MV felt confident that they were hiring employees of the previous contractors to ensure that area of the operation was in place.
- During this review MV stated they assumed that consolidating the operations would have reduced the number of employees needed.

Drivers

Although there were signs of trouble, MV had no back-up plan to deal with unexpected issues.

Hiring Update

- Notes from September 13, 2006 - MV planned to employ 125 FTEs
- MV reported to PVTA they had 75 drivers as of September 13, 2006; MV reassured PVTA at this time that there would not be a problem reaching their goal for the October 9th start-up.
- MV's driver training began the 2nd week of September

- MV estimated they hired 112 FTEs for start-up.
- Of the 112, many were excluded one week prior to start-up due to failed physicals and/or drug tests, others decided to opt out of working for MV at the last minute.
- MV started with 75 - 80 drivers on October 9th.

Start-up Issues - Drivers

- Drivers from Previous Contractors wanted specific hours and were familiar with specific Cities or Towns
 - MV's scheduling process required drivers to travel outside their familiar areas.
 - MV stated some drivers were not flexible in adapting to MV's operational needs.
- A lot of the drivers were either new to paratransit or new to the PVTA service area. This added to delays, no shows and long ride times for customers.

Office Space

A delay in securing appropriate office space provided insufficient time to install equipment, test the functionality and train new staff on using the equipment prior to October 9th.

MV stated the search for office space was difficult and that it was not until late in September when the location in Chicopee was secured.

- MV stated the Chicopee office needed renovations requiring permits from the City of Chicopee which added to the delay of getting the operations set up appropriately.
- Due to delay in securing office space, the following was installed 1 week prior to the October 9th start-up:
 - Telephone system: result was not enough telephone lines to handle the volume of calls.
 - Radios: Realized on day 1 that one of the channels didn't work
 - Computer Hardware: No issues reported
 - Computer Software: There was discussion about keeping the Tiers for scheduling purposes. 1 week prior to Start-up MV decided to cancel the Tiers in an attempt to address the shortage of drivers. It was MV's notion that fewer drivers would need to cover a larger area, thus resulting in veteran drivers being scheduled in unfamiliar areas.

Based on the interviews conducted and review of the documents available, it appears that in spite of PVTA's belief that MV, being a seasoned national firm, was more than capable of handling the transition, it is the conclusion of this reviewer that the unsuccessful transition was largely caused by:

- 1) The decision to minimize PVTA's role as the Contractor and therefore relinquish oversight of the transition process to MV

- 2) MV's inability to properly plan for the multi-faceted transition
- 3) MV's minimal analysis of PVTA data to ensure staffing levels would be adequate
- 4) MV's failure to recognize and/or communicate the serious nature of transition problems as they arose, and
- 5) MV's inability to adapt quickly when transition assumptions proved invalid.