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**Rhode Island  
Public Transit Authority**

**Performance Audit**

**October 1999**

Ernest A. Almonte, CPA, CFE  
Auditor General

State of Rhode Island and Providence Plantations  
General Assembly  
Office of the Auditor General

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Representative Robert A. Watson

We have completed a performance audit of the Rhode Island Public Transit Authority. Our report is contained herein as outlined in the Table of Contents.

Sincerely,

Ernest A. Almonte, CPA, CFE  
Auditor General

# Rhode Island Public Transit Authority Performance Audit

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# *Executive Summary*

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RIPTA has embarked on various initiatives in an effort to improve its core services and increase ridership. Some of these efforts included revamping its fare structure, reorganizing routes, purchasing 50 new buses, introducing compressed natural gas trolleys for the LINK service in downtown Providence, implementing a quality control process to ensure consistent condition of the buses, and planning construction of a new maintenance garage. These and other efforts are highlighted in the Noteworthy Accomplishments section of this report.

However, funding RIPTA's operations continues to be a challenge. Prior to fiscal 1999, both the federal and state governments subsidized operating expenses and capital needs; however, the federal government ceased operating assistance and now generally provides funding only for capital items. RIPTA's operations are largely subsidized by tax revenue because passenger fares support between 25% and 30% of total annual operating costs. RIPTA sought and obtained additional State support to alleviate a significant part of the shortfall caused by the elimination of federal operating assistance. State operating assistance to RIPTA increased more than \$9 million in fiscal 1999 to a total of \$22.5 million.

In fiscal 1999, the federal government also discontinued a subsidy for monthly pass purchases. In dealing with this shortfall and also in an attempt to increase passenger revenues, RIPTA restructured and simplified its rate structure. RIPTA's implementation of a new fare policy in October 1998 resulted in fiscal 1999 passenger revenues that were essentially unchanged from 1998 levels, while total 1999 estimates indicate a decrease in ridership. These results are not consistent with RIPTA's needs and goals to increase both passenger revenue and total ridership. Further refinement of RIPTA's fare policy may be necessary to accomplish these goals and provide the increased revenue necessary to maintain quality service and implement planned initiatives.

RIPTA should develop a written plan to accomplish its stated goal of increasing the percentage of operating costs derived from passenger fares by 2% each year until it reaches 35%. Further, contract revenue from providing transportation to individuals participating in the State's RIte Care program (Medicaid managed care enrollees) should cover the true cost of providing this service. This revenue source may be nearly \$760,000 less than it should be using available estimates of costs and ridership. Maximizing passenger revenue and other revenue sources are important to avoid dependence on increasing amounts of state subsidy.

In addition to revenue enhancements, opportunities for cost savings and improved transit service could be realized by coordinating RIPTA's fixed route service with its paratransit service. Paratransit service is provided with a fleet of vans as opposed to fixed route service, which is typically provided with large buses. Further clarification of roles and responsibilities as well as investment in necessary infrastructure (central dispatch point, new radio system, and an integrated scheduling and telephone system) are necessary before this coordination can be fully

# *Executive Summary*

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achieved. Other cost savings and quality service enhancements can be achieved by centralizing maintenance for all paratransit vehicles. Presently, each contracted paratransit operator is responsible for maintaining the vehicles it leases from RIPTA. We found that maintenance costs varied widely for common services.

RIPTA can also improve key support functions such as management information systems, finance, and purchasing. Improvements in these areas will contribute to the overall efficiency and effectiveness of RIPTA, ensuring that the cost of services is affordable both to users of the system and those who subsidize its operations. Because of the increased level of State financial support, the State has an even greater interest in ensuring RIPTA is operating effectively and efficiently.

RIPTA should improve its procurement practices for lower dollar goods and services to ensure compliance with State law, maximize vendor participation, and obtain goods and services at the lowest possible price. We found that RIPTA needs to monitor and identify its recurring high volume lower cost procurements and use annual blanket orders or master price agreements to obtain discounts. Further, better planning of project needs may have resulted in costs savings by seeking bids for total project requirements rather than viewing each component separately. RIPTA also needs to improve its administration of its purchasing function by requiring purchase orders for all purchases and ensuring that the procurement department is contacted prior to initiating any purchase.

RIPTA's primary computer system does not adequately serve RIPTA's management information needs. Consequently, personnel have developed many inefficient manual or personal computer based systems to meet specific needs. A complete assessment of RIPTA's information needs is required and new or re-engineered systems will most likely be necessary. RIPTA should engage a systems consultant with transit experience to assist with this process.

We also noted inefficient procedures within the finance area which are clearly impacted by the inadequacies of RIPTA's computer system. Again, manual procedures are common and data is often accumulated many times in multiple forms to meet specific needs.

RIPTA's bus radio system is obsolete and hard to repair since replacement parts are no longer manufactured. RIPTA provides drivers with cell phones if their buses do not have working radios; however, RIPTA needs to ensure that all buses have reliable radios, particularly in the event of accidents, breakdowns, and other emergency situations.

Other recommendations contained in the report address such areas as drug and alcohol testing, RIPTA's grievance procedures, security and improving RIPTA's visibility at the Newport Gateway Center.

## **II. INTRODUCTION**

### **OBJECTIVES, SCOPE AND METHODOLOGY**

We conducted a performance audit of the Rhode Island Public Transit Authority (RIPTA) to determine if it was operating efficiently and effectively. Our audit was conducted in accordance with *Government Auditing Standards*. The period covered by our audit was primarily the fiscal years ended June 30, 1998 and 1999. Where relevant, we extended our audit procedures to preceding fiscal years.

Our audit focused on evaluating the practices and procedures employed by RIPTA in administering its operations and financial matters. Our objective was to identify practices and procedures which could be improved or made more efficient. To achieve our audit objectives, we reviewed relevant policies and procedures, interviewed responsible personnel, observed key operations, and performed tests and other audit procedures as considered necessary in the circumstances for the following functional areas:

- ❑ general administration,
- ❑ transportation operations,
- ❑ processing accounting data and financial reporting,
- ❑ payroll processing,
- ❑ procurement,
- ❑ inventory control,
- ❑ planning and project management,
- ❑ management information systems,
- ❑ budgeting,
- ❑ fleet maintenance and related accounting issues,
- ❑ monitoring and control of overtime,
- ❑ employee drug and alcohol testing,
- ❑ human resources administration,
- ❑ marketing, and
- ❑ risk management.

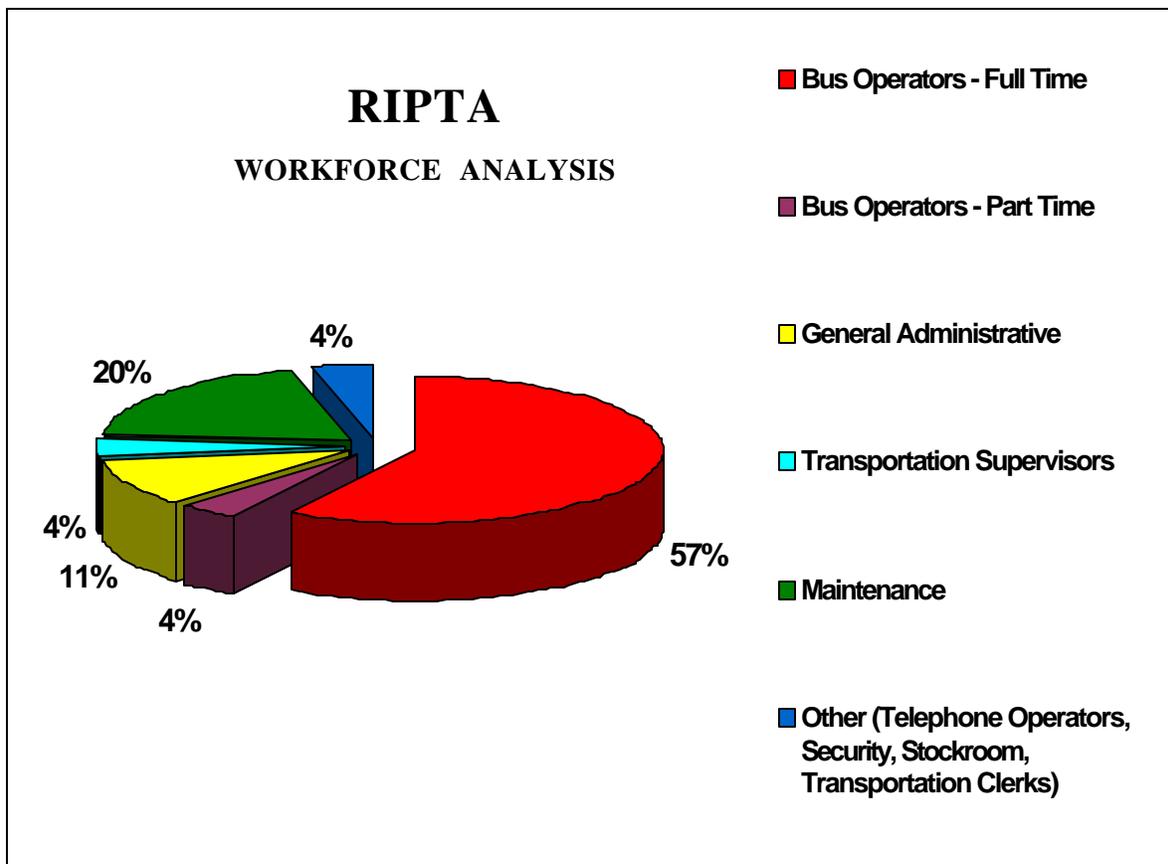
### **BACKGROUND**

The Rhode Island Public Transit Authority (RIPTA) was established in 1964 by Chapter 39–18 of the Rhode Island General Laws to own and operate a bus transportation system within the State. A seven member Board of Directors governs RIPTA; the governor appoints four members, two members are legislators, and the Director of the Department of Transportation serves ex-officio. The Board appoints a General Manager who oversees all RIPTA operations.

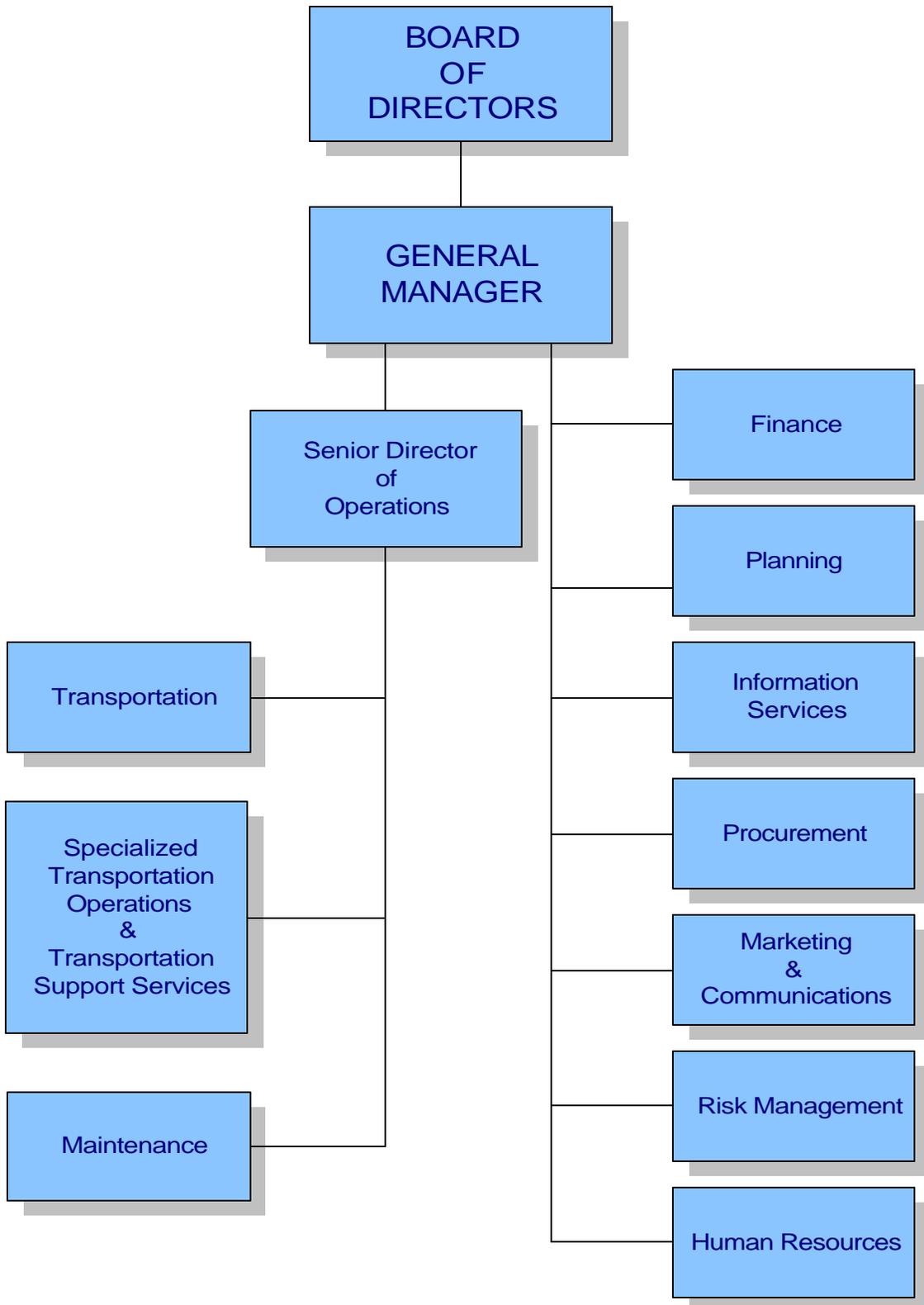
RIPTA provides statewide transportation services with a fleet of 220 buses. Additionally, ten compressed natural gas trolleys provide service within downtown Providence.

RIPTA purchased a fleet of 87 vans which are currently leased to various carriers who provide “door to door” Paratransit service primarily for elderly and disabled individuals. Sponsoring agencies, such as the Departments of Elderly Affairs; Mental Health Retardation and Hospitals; and Human Services, purchase trips from a network of 11 carriers. A broker hired by RIPTA manages carrier contracts, schedules trips, bills the sponsoring agencies, pays the carriers for services provided, monitors their performance, generates various statistical reports, and performs other related administrative duties. Carriers are paid based upon contractual hourly rates which range from \$26.46 to \$30.00. In addition to its administrative responsibilities, RIPTA is also one of 11 carriers providing Paratransit services within the State.

As of March 1999, RIPTA reported a total of 549 full and part time employees. This work force is organized into several departments: operations (fixed route transportation, specialized transportation and maintenance), finance, planning, procurement, information services, marketing and communications, risk management and human resources. A chart of RIPTA’s workforce by job function follows. An organization chart for RIPTA is on the next page.



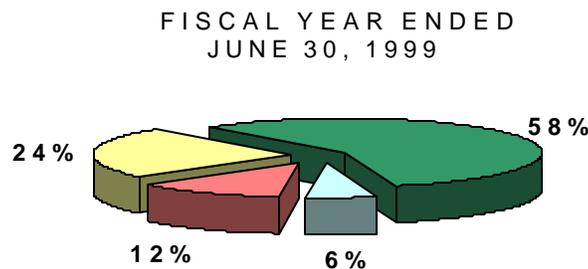
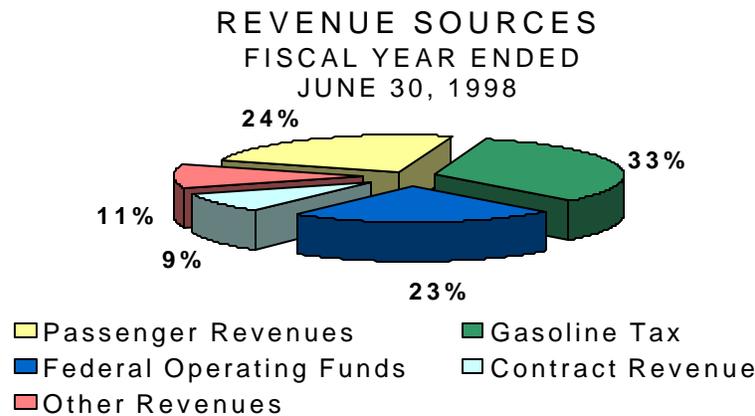
# RHODE ISLAND PUBLIC TRANSIT AUTHORITY



RIPTA's administrative offices, primary maintenance facility and storage garages are located in Providence. RIPTA operates a smaller maintenance facility and storage garage in Newport.

RIPTA's operations are funded primarily through a combination of passenger revenues, a State subsidy (derived from a percentage of the State's gasoline tax), and federal assistance. The federal government subsidized RIPTA's operations with operating assistance and funding for capital improvements until June 30, 1998. Federal participation is now generally limited to funding of capital improvements. As a result, the share of the State gas tax designated for RIPTA was increased in fiscal 1999 and again in fiscal 2000.

The following graphs depict RIPTA's sources of revenue for fiscal years 1998 and 1999:



Revenue Sources	Fiscal 1998 (a)	Fiscal 1999 (a)	Change
Passenger Revenues (b)	\$ 9,461,953	\$ 10,428,328	\$ 966,375
State Gasoline Tax	13,136,311	22,516,024	9,379,713
Federal Operating Assistance	9,174,036	0	(9,174,036)
Contract Revenue (c)	3,590,700	3,345,015	(245,685)
Capital Grants –Preventative Maintenance	830,458	4,304,445	3,473,987
Other (d)	3,461,182	3,514,937	53,755
<b>Total</b>	<b>\$ 39,654,640</b>	<b>\$44,108,749</b>	<b>\$4,454,109</b>

(a) Source - Audited financial statements for the fiscal years ended June 30, 1998 and 1999.

(b) Fiscal 1999 includes paratransit revenues of \$979,716.

(c) Contract revenue includes amounts paid by the Department of Elderly Affairs to defray the cost of reduced-fare senior citizen transportation and paratransit service.

(d) Other includes certain federal assistance and advertising revenue.

## **NOTEWORTHY ACCOMPLISHMENTS**

RIPTA has developed and implemented a variety of innovative projects to improve the condition of its bus fleet, enhance the quality and extent of its services, and upgrade the capabilities of its operating and professional staff. These accomplishments reflect favorably upon RIPTA's efforts to redefine its role in providing an expanded number of mass transit options.

RIPTA continues to face financial resource issues. Federal operating assistance, which represented a significant portion of RIPTA's total revenue, recently ceased and a federal grant that subsidized a reduced monthly pass rate also expired. However, RIPTA has successfully lobbied for increased State financial support, and the State's enacted budgets for fiscal years 1999 and 2000 allocated a larger share of the gasoline tax to RIPTA. Furthermore, RIPTA has secured federal financial support for new projects such as the ten compressed natural gas trolleys introduced for the "LINK" service in downtown Providence and the planned high speed ferry service between Newport and Providence, as well as first-time Bus Discretionary and Jobs Access funding.

Recently, RIPTA acquired 50 new buses to replace vehicles that were well past their optimum service life; implemented a quality control program to ensure consistent condition of its bus fleet, particularly with regard to cleanliness; improved preventative maintenance standards and the bus inspection process; implemented programs to improve basic passenger amenities such as bus shelters and signage, and developed a plan to realign RIPTA's fixed routes in order to maximize transit usage.

Additionally, RIPTA is now a direct provider of Paratransit service in two major service areas; increased staff training; finalized plans to build a new maintenance garage facility; planned both a major redesign of its downtown Kennedy Plaza hub and a day care center in its new Pawtucket hub; and hired additional professional staff to strengthen certain core functions.

Some of these accomplishments emanated from RIPTA's extensive review of its entire transit system, which resulted in a comprehensive service initiative called "Transit 2000". Goals of Transit 2000 include steps to lessen traffic congestion, reduce energy consumption, facilitate low income residents' access to jobs and social services, decrease the need for increased parking facilities, and improve the overall quality and reliability of RIPTA's mass transit services.

### III. FINDINGS AND RECOMMENDATIONS

#### OPERATING REVENUES

RIPTA's operations are subsidized to a large extent by both the State and federal governments, as is the case for most mass transit service providers. Passenger fares during fiscal 1998 covered 26.5% of RIPTA's cost of operations. Significant changes have occurred at both the State and federal level in recent years that have impacted RIPTA's operating environment. Federal operating assistance which represented approximately one-quarter of RIPTA's operating budget of nearly \$44 million no longer exists. The State, through dedication of an increased portion of the gasoline tax, now subsidizes more than one-half of RIPTA's operating costs. The portion of the State's gas tax dedicated for RIPTA increased from \$13.1 million for fiscal 1998 to more than \$22 million for fiscal 1999. The State's enacted budget for fiscal 2000 allocates \$26.3 million of the gas tax to RIPTA.

RIPTA's revenues are also affected by reduced fares. Special rates are available to senior citizens, persons with disabilities, and students. Low-income individuals aged 65 and over (or with a disability) ride free. All other senior citizens, persons with disabilities, and Medicare recipients pay half fare during non-peak hours.

RIPTA needs additional revenue to accomplish its plans to improve service, upgrade its buses and maintenance facilities and introduce the new service initiatives it has planned. Recovering a larger percentage of operating costs from passenger revenues would lessen RIPTA's dependence on increasing levels of State subsidies, both to maintain existing service levels and fund new initiatives.

#### Passenger Revenues

Effective October 1, 1998, RIPTA established a \$1.25 statewide fare and a \$35 monthly pass rate as part of an overall plan to correct structural deficiencies in previous fare policies, and also to increase ridership and passenger revenue. Previously, a different fare was charged for each of four zones throughout the state. The following table summarizes the rate change for single fares, RIPTIKS (a book of tickets for ten rides), and monthly passes:

<b>Comparison of RIPTA's current and prior fare structures</b>							
	<b>Cash fares (a)</b>		<b>Riptiks (b)</b>		<b>Monthly passes (c)</b>		
Zone	Prior	Current	Prior	Current	Prior	Current	
1	\$1.00	\$1.25	\$9.00	\$11.25	\$21.00 (d)	\$35.00	(a) Cash fare is the price for one ride.
2	\$1.65	\$1.25	\$15.00	\$11.25	\$34.50	\$35.00	(b) RIPTIKS are a discounted book of tickets – each ticket equals one ride.
3	\$2.00	\$1.25	\$18.00	\$11.25	\$42.00	\$35.00	(c) A monthly pass allows unlimited use of the RIPTA system.
4	\$3.00	\$1.25	\$27.00	\$11.25	\$63.00	\$35.00	(d) One-half of the prior monthly pass rate for zone 1 was subsidized – both the passenger and the federal government paid \$21. This subsidy ceased October 1, 1998.

By eliminating zones and having just one rate, fares increased significantly for riders in the former zone 1 and decreased significantly for riders in former zones 3 and 4.

As the table below demonstrates, the number of monthly passes sold has declined since the introduction of the one-state rate. Between January 1998 and September 1998 (the nine-month period immediately prior to the fare changes), monthly pass sales averaged 5,954. For the nine-month period October 1998 to June 1999, monthly pass sales averaged 4,578, a decline of 23.1%.

<b>Comparison of Monthly Pass Sales by Fiscal Year</b>			
	<b>Monthly Passes Sold Fiscal 1998</b>	<b>Monthly Passes Sold Fiscal 1999</b>	<b>Change</b>
<b>July</b>	5,501	5,578	77
<b>August</b>	5,079	5,109	30
<b>September</b>	5,981	5,866	(115)
<b>October</b>	6,405	(a) 5,105	(1,300)
<b>November</b>	6,283	4,794	(1,489)
<b>December</b>	5,758	4,362	(1,396)
<b>January</b>	5,940	4,498	(1,442)
<b>February</b>	6,246	4,582	(1,664)
<b>March</b>	6,379	4,700	(1,679)
<b>April</b>	6,488	4,669	(1,819)
<b>May</b>	6,086	4,394	(1,692)
<b>June</b>	5,895	4,095	(1,800)
<b>TOTALS</b>	<b>72,041</b>	<b>57,752</b>	<b>(14,289)</b>

(a) new fare structure implemented October 1, 1998 – one monthly pass rate of \$35 replaced the previous four zone multi-rate monthly passes

A decline in monthly pass sales was expected because of both the fare change and the simultaneous termination of a federal subsidy for the vast majority of monthly pass purchasers. Due to termination of the federal subsidy, the new \$35 monthly rate represented a 66.7% increase from the previous rate of \$21 for riders in the former zone 1. Riders in the former zone 1 accounted for approximately 97% of all passengers as determined by RIPTA's consultant in a recent report.

Fare pricing decisions are difficult because of the interplay between a loss in ridership and an increase in revenue which results whenever fares increase. Obviously, the best fare policy is one that maximizes revenue with the least disruptive effect on total ridership. Following public hearings in July 1998, the RIPTA Board approved a \$35 rate effective October 1, 1998. In 1999, the Board approved continuation of the same monthly pass rate for fiscal 2000.

RIPTA originally estimated that passenger revenue in fiscal 1999 would total \$10.2 million. This was revised downward to \$9.3 million in January 1999, three months after the rate change. For fiscal 1999, the amount of revenue for each component of passenger revenue (cash fares, RIPTIKS, monthly passes and RIte Care transportation) varied when compared to fiscal 1998; however, the total effect of the "One State-One Rate" plan on passenger revenues for fiscal 1999 is essentially revenue neutral. Fiscal 1999 passenger revenue of \$9,448,612 exceeds the budget amount but is slightly less than total fiscal 1998 passenger revenue of \$9,461,953.

The impact on total ridership is difficult to discern; however, results to date suggest a decrease in total ridership. RIPTA's Planning Department reported 19.5 million fixed route passengers for fiscal 1998. Best available estimates for fiscal 1999 indicate a total of 18.9 million fixed route passengers.

While these results are not consistent with RIPTA's need to increase passenger revenues and total ridership, they do not indicate that the simplification of fares and elimination of zones was misguided. The total effect could not be accurately predicted because the fare restructuring was unprecedented in scope and involved many variables. In order to fully achieve a pricing policy that maximizes both revenue and ridership, RIPTA must consider further refinement of its fare policy if total revenues remain static (or decrease) and total ridership continues to decline.

RIPTA is also proposing to eliminate the fee for transfers (currently 25 cents), as a means of softening the effect of the increase in the base fare in zone 1 from \$1.00 to \$1.25. Before this change is instituted, RIPTA should determine whether it is likely to lead to an increase in ridership. We estimate that a 4.6% revenue increase (from regular fares) is needed to offset the loss resulting from the elimination of the fee for transfers. Absent such an increase, we question whether RIPTA is fiscally able to sustain an estimated loss of \$179,000 in annual revenue from elimination of the transfer fee.

Lastly, RIPTA has a stated goal of increasing the percentage of operating costs recovered through passenger fares by 2% each year until it reaches 35%, but it has not developed a formal written plan to indicate how this could be achieved.

### RECOMMENDATIONS

1. Continue refining fare pricing to maximize both revenue and ridership. Reconsider the plan to eliminate the transfer fee.
2. Prepare a written plan to increase farebox recovery by 2% each year until it reaches 35% of total operating costs.

### Auditee Views

*RIPTA agrees that passenger revenues must increase; fare-pricing decisions should be continuously reviewed with a view towards maximizing both revenue and ridership; and documentation of ways to increase farebox recovery is a highly desirable goal. RIPTA is reviewing its transfer policy. No change is being implemented in FY 2000. Further, RIPTA believes that its current volume of monthly pass sales following the new fare pricing policy effective October 1, 1998 is consistent with the volume of monthly passes sold prior to the federal subsidy of the monthly pass rate for zone 1 riders. RIPTA believes that monthly pass sale volumes were artificially high because of the subsidy and therefore exaggerate the negative effect of the new monthly pass rate. In fiscal year 1999, RIPTA offset the loss of a 50% subsidy for the monthly pass discount program which totaled over \$1 million annually. RIPTA will develop a more formal plan to increase farebox recovery, but also notes that farebox recovery has improved over the past three years.*

### **Rite Care Transportation Program**

RIPTA provides bus transportation to Rite Care Program recipients and their dependents by contractual agreement with the Department of Human Services (DHS). Under DHS's Rite Care program, eligible Medicaid recipients and other income qualifying individuals are enrolled with health maintenance organizations which provide health care. Transportation is provided, through RIPTA, to remove any barriers to accessing health care.

The number of enrolled Rite Care recipients has generally averaged about 70,000 per month, although the number of passes actually issued has been far fewer (between 6,000 and 7,000 per month). This occurs because (a) each family only gets one pass regardless of how many family members are eligible for Rite Care and (b) some enrollees do not utilize this option. Rite Care recipients who desire a bus pass must apply for a new pass, in person, every two months. RIPTA personnel verify eligibility and distribute passes to Rite Care recipients at various DHS offices.

Federal "Welfare-to-Work" legislation requires many Rite Care recipients to attend job-training classes and/or obtain employment. One of the primary means of transportation to job training classes or work is the Rite Care pass.

RIPTA believes that it is not being adequately compensated for the services provided under its Rite Care transportation contract with DHS. Currently, RIPTA receives \$2.70 per month for each eligible Rite Care enrollee. Compensation is based upon the number of eligible individuals enrolled in the Rite Care program, not the number of bus passes issued or the number of rides provided. Best available estimates for fiscal 1999 indicate that of RIPTA's 18.9 million fixed route passengers during fiscal 1999, approximately 5.1 million (26%) were Rite Care pass users. Total fiscal 1999 revenue from Rite Care transportation is estimated to total \$2.2 million. DHS believes that the current contract rate is fair because RIPTA is receiving revenue based

upon all RIte Care enrollees, not just those who are issued bus passes. Assessing whether RIPTA is being adequately compensated is difficult for the following reasons:

- ❑ The RIte Care pass is equivalent to a \$35 monthly pass allowing unlimited transportation; however, the contractual rate paid by DHS is not based on the monthly pass rate charged to others.
- ❑ A pass is issued to a family – not an individual. Other individuals can accompany the pass holder as long as they are family members who are eligible RIte Care recipients. All other RIPTA fares are for an individual, not a family.
- ❑ RIPTA lacks precise statistics of actual RIte Care ridership. As a result, RIPTA engaged the University of Rhode Island to conduct a survey to determine RIte Care ridership. Based on this survey RIPTA reported 4.5 million RIte Care passenger trips during FY 1998; DHS believes that the actual number is somewhat lower.
- ❑ RIPTA, by contractual agreement, bears the total cost of providing cab rides to RIte Care recipients whose trip origin or destination is more than one-half mile from a RIPTA fixed route. Cab rides are also provided when fixed route service is not operating, particularly at night and on holidays. During fiscal year 1999, RIPTA incurred a total of \$325,000 in RIte Care cab fares, which reduced the amount of net revenue for providing RIte Care transportation services. RIPTA has no control over utilization of cabs because individual health maintenance organizations authorize cab rides for RIte Care clients, not RIPTA.
- ❑ RIPTA personnel verify eligibility and distribute passes to RIte Care recipients at various DHS offices. The administrative costs to RIPTA for providing this service exceeded \$90,000 during fiscal 1999.

Both RIPTA and DHS need precise information on actual RIte Care ridership in order to negotiate fair contract terms in the future. The adequacy of existing information is questionable since there is no way to verify whether drivers are entering information consistently and accurately each time a passenger boards the bus. When implemented, swipe cards would automatically record the category (i.e. monthly pass, RIte Care pass, etc.) of trip provided and thereby provide the needed information. A swipe card system has been included as part of RIPTA's capital projects program, but it is not scheduled for implementation until December 2001.

Amounts available to RIPTA under its RIte Care contract are, in effect, reduced by amounts that must be paid for cab fares (approximately \$325,000 in fiscal 1999). Amounts available are further reduced by the estimated administrative costs of operating the program (approximately \$90,000 in fiscal 1999). For fiscal 1999, total contract revenue was approximately \$2.2 million. After deduction for the cost of cab fares and administrative costs, only \$1,739,000 remained as "passenger" revenue. Using RIPTA's estimate of 5.1 million RIte Care passengers for fiscal 1999, RIPTA received only \$0.34 per ride – significantly less than its standard fare of \$1.25. Using RIPTA's average cost of \$1.80 per trip and applying the average share of costs derived from passenger fares (27%), the reimbursement should approximate \$0.49

per ride. Compensation at this rate would generate an additional \$760,000 annually based on the best available estimates of RIte Care ridership.

It is imperative that RIPTA use experience gained from its first RIte Care contract with DHS, which expired July 1999, to negotiate a new contract that fairly compensates RIPTA for its services. If the RIte Care pass is equivalent to a regular unlimited monthly pass then the compensation to RIPTA should reflect that fact.

The new contract should provide compensation to RIPTA based on the number of passes issued and be related to the current monthly pass rate. Additionally, RIPTA should be reimbursed for the actual cost of cab transportation authorized for RIte Care recipients by the HMO's since this represents an additional cost to RIPTA and is outside of RIPTA's control.

Alternatively, if DHS does not want to purchase an unlimited monthly pass for RIte Care recipients then RIPTIKS could be used to provide a set number of trips. RIPTA should also consider deriving additional revenue by charging RIte Care passengers a small co-payment.

### RECOMMENDATIONS

3. Negotiate a new RIte Care transportation agreement that bases reimbursement upon the number of passes issued and reflects the current monthly pass rate.
4. Seek full reimbursement from DHS for the cost of cab rides provided to RIte Care enrollees and for the administrative expense of providing passes to eligible recipients.
5. Consider requiring a small co-payment for RIte Care passengers.

### Auditee Views

*RIPTA agrees with these recommendations. Over the past two years, numerous discussions have been held between RIPTA and DHS regarding the RIte Care transportation program, including the legality of implementing a small co-payment. At a June 17, 1999 meeting, DHS agreed to assume the cost of cab rides and increase compensation beginning July 1, 1999. Further, there is agreement between DHS and RIPTA to move in the near future to purchase bus passes for RIte Care recipients on a per-pass basis at RIPTA's regular sales outlets.*

### PARATRANSIT SERVICE

Clients needing Paratransit service arrange the trip in advance with a broker who confirms eligibility and assigns the trip to the appropriate carrier based upon the client's location and destination. The three main types of Paratransit trips are:

*standing orders*, which represent the majority of Paratransit trips and include transportation to meal sites, adult day care facilities, workshops and special medical services;

*demand response*, which is primarily transportation for medical appointments and currently must be scheduled approximately two weeks in advance; and

*Americans with Disabilities Act (ADA) service*, which RIPTA is required to provide by federal law.

Clients are not charged fares for standing orders or demand response trips; however, there are restrictions regarding the purposes for which these types of trips will be provided. The Americans with Disabilities Act of 1990 allows RIPTA to charge all ADA clients using Paratransit service a fare (\$2.50) that is twice the regular fixed route fare for each trip. This law also requires RIPTA to provide service within a three-quarter mile band of its fixed route service, but only during hours that regular fixed route service is offered. Cab rides are provided to ADA clients when Paratransit vans are unavailable or not in service.

### **Coordination of Fixed Route and Paratransit Service**

Executive Order 94-5 created a Paratransit Task Force to develop “policies and guidelines for the efficient transfer of the existing brokered Paratransit system to RIPTA,” and also charged the Task Force to “create a coordinated statewide Paratransit system managed by RIPTA.” Subsequently, Executive Order 97-6 charged the Task Force with developing “policies and guidelines which will effectively enable RIPTA to coordinate both Fixed Route and Paratransit services.”

Although a coordinated system offers opportunities to achieve greater cost efficiencies, enhance mobility options, and provide quality mass transit service to more people, two main issues need to be addressed before this type of system can become operational.

First, in order to operate a coordinated system most effectively, a single agency must have the authority to manage the day-to-day operations and also be held accountable for program results. Presently, the lines of authority and accountability for the Paratransit program are not clearly delineated.

RIPTA currently has some degree of operational and/or administrative responsibility for the following Paratransit activities:

- ❑ carrier for 2 of the 11 service areas;
- ❑ purchaser of trips for ADA clients;
- ❑ contract administrator for the broker services contract;
- ❑ lessor of Paratransit vans to the other carriers;

- ❑ manager of the Paratransit program; and
- ❑ coordinator of Fixed Route and Paratransit services.

This results in a unique set of interrelationships. For example, the broker provides Paratransit brokering services according to the terms of a contract that RIPTA oversees and is 100% responsible for funding. At the same time, RIPTA has entered into a contract with the broker after winning a competitive bid process (RIPTA recused itself from the evaluation process) to provide carrier service in two areas of the state. In essence, RIPTA and the broker provide services to each other and also have varying degrees of oversight responsibility for each other, depending upon the situation.

The Executive Orders do not clearly define which entity (RIPTA or the Paratransit Task Force) is ultimately responsible for managing the Paratransit program, nor do they delineate who should be held accountable for program results. This situation needs to be resolved, preferably through legislative mandate and based upon an analysis of which entity is better suited to coordinate fixed route with Paratransit services.

Second, the coordination of Fixed Route and Paratransit services requires an established infrastructure, including the following:

- ❑ a central dispatch point;
- ❑ a reliable radio system capable of communicating to the various modes of mass transit;
- ❑ an integrated scheduling system that would include software capable of linking Fixed Route and Paratransit services; and
- ❑ a single telephone system that passengers could access to schedule trips and obtain information about any types of transit services.

Currently, none of this necessary infrastructure is in place. RIPTA fixed route, RIPTA Paratransit, and each of the 10 other Paratransit service providers operate independent radio systems from separate dispatch points. In addition, RIPTA's fixed route radio system is antiquated and many buses do not have working radios. Lastly, RIPTA and the broker have separate telephone systems for disseminating passenger information and scheduling trips.

Once in place, the coordinated statewide public transportation system would use Paratransit vans to provide more service to rural areas, including demand/response service, which would entail calling ahead to schedule a trip, and feeder system service where passengers would be transported by van to a fixed route bus. Another transportation option would be flex route service which would involve having a fixed route bus make a slight deviation from its regular route to provide more convenient service to passengers.

Ultimately, a coordinated fixed route and Paratransit system will provide additional transportation options, offer better service to rural areas of the State, and achieve greater efficiencies. In particular, the opportunity to more fully utilize Paratransit van capacity will be optimized under the demand/response service; fixed route costs will likely decrease as a result of the feeder system; and flex route service should help to reduce the use of Paratransit vans for trips that could be provided at a lower cost by fixed route buses.

RIPTA has begun the process of implementing some of the preliminary steps necessary to establish a coordinated system; however, none of the desired outcomes discussed above can be fully realized until key infrastructure is in place.

### RECOMMENDATION

6. Continue efforts to coordinate fixed route and Paratransit service. Take steps to ensure that all necessary infrastructure is in place.

#### Auditee Views

*RIPTA agrees conceptually with this recommendation. RIPTA believes coordination is essential to providing a seamless transportation system for Rhode Islanders and optimizing the State's significant transportation investment. Core issues such as funding sources and agency responsibilities must be clarified before this recommendation can be fully implemented.*

### MATTER FOR FURTHER LEGISLATIVE CONSIDERATION

**Empower a single agency to manage all aspects of a coordinated fixed route and paratransit system.**

#### Centralized Maintenance

Each Paratransit carrier is responsible for maintaining its own fleet of vans. We requested information regarding the costs incurred by each of the carriers for specific maintenance functions and then compared the reported costs for the 5 carriers with the largest fleets. These 5 carriers are presently responsible for performing maintenance on 72 of the 87 vans currently leased by RIPTA.

As the following table demonstrates, the highest and lowest reported costs for each maintenance category varied significantly:

**Paratransit Maintenance Costs –**

**Comparison of actual costs paid by Paratransit carriers for specific services**

	LABOR COST PER HOUR	OIL AND FILTER CHANGE	FRONT BRAKE JOB	REAR BRAKE JOB	FRONT END ALIGNED	DIESEL FUEL COST PER GALLON	PER TIRE COST TO MOUNT and BALANCE
HIGH	\$48	\$58	\$350	\$200	\$98	\$1.26	\$139
LOW	\$18	\$35	\$44	\$52	\$50	\$0.83	\$81

Given the wide variances in maintenance costs currently incurred by the major Paratransit carriers, it would appear that savings could be achieved if a centralized maintenance program were implemented. Although the lowest reported cost could probably not be achieved in every category, the savings realized by the economies of scale associated with centrally repairing most, if not all, of the 87 vans would clearly be worth the effort.

Since RIPTA has an experienced maintenance staff, serious consideration should be given to having Paratransit vans centrally maintained by the Authority. Under this proposal, RIPTA would charge service providers a uniform rate for each category of repair work, which would result in both lower overall maintenance costs incurred by service providers and additional revenue for RIPTA.

Current plans for RIPTA’s \$20 million maintenance facility do not contemplate the inclusion of repair bays for Paratransit vehicles. Since Paratransit vans will be an integral part of any future coordinated mass transit system, they will need to be well maintained. Paratransit repair bays should be included in the plans for the new maintenance facility.

**RECOMMENDATION**

7. Develop and implement a plan for centralized maintenance for Paratransit vehicles. Include bays for Paratransit van repairs in the new maintenance facility.

**Auditee Views**

*RIPTA agrees with and has advanced the concept of centralized Paratransit maintenance as both a cost savings and quality control measure. RIPTA disagrees with the recommendation to locate and commingle this work with its existing maintenance operation. For labor relations purposes, the Authority has consciously maintained a clear distinction (i.e., different wage rates, work rules, etc.) between fixed route and*

Auditee Views (continued)

*Paratransit operating personnel (both drivers and mechanics) below the level of management). The bids for constructing the new maintenance facility were opened in July 1999. As part of its future plans, RIPTA would locate this work on its Ryder property, which adjoins its Providence operation.*

**Broker Costs**

RIPTA has been responsible for funding 100% of Paratransit broker costs each year since fiscal 1995. Funding sources for each fiscal year were comprised of 80% federal money from RIPTA's FTA funds and 20% State match from RIPTA's operating funds. During fiscal 1998, RIPTA paid \$767,403 for broker services.

One possible way to reduce these costs would be for RIPTA to assume the brokering responsibilities. This would not be a seamless transition because RIPTA's primary focus has always been the Fixed Route system. The experience garnered from managing this type of system differs from the expertise required to administer and operate a Paratransit brokering service.

For example, the broker uses software that is specifically designed to meet the needs of the Paratransit system, especially regarding the scheduling of trips and billing requirements. RIPTA currently does not possess software with these specific Paratransit-related capabilities; however, we were informed by RIPTA that its vendor for Fixed Route scheduling software is in the process of developing Paratransit software.

Although certain Paratransit functions are not comparable to Fixed Route operations, many other tasks presently undertaken by the broker are similar to roles performed by RIPTA employees, including accounting, customer service, and general office administration. RIPTA's goal is to have a coordinated mass transit system, so eventually all administrative, scheduling, and communications functions for Fixed Route, and Paratransit services will have to be integrated in one centralized location under the management of a single entity.

RIPTA has one more option year in its contract with the broker; once this contract expires the Authority should strongly consider assuming these responsibilities, which would result in significant costs savings. Based upon the broker's budgeted fiscal 1999 expenses of approximately \$975,000, we estimate that \$485,000 could be saved under this proposal as follows: consolidating duplicative positions would save \$340,000, avoiding a built-in profit margin would save \$73,000, and eliminating technical support expenses for the broker's out-of-state employees would save \$72,000.

**RECOMMENDATION**

8. Consider assuming Paratransit administrative responsibilities after the current broker's contract expires at the end of fiscal 2000.

Auditee Views

*RIPTA agrees with this recommendation, but believes that a longer transition period of 18 months will be required for implementation. RIPTA also believes that broker costs should be fairly allocated among all of the agencies that purchase Paratransit services. Realistically, the Authority feels that agency roles and responsibilities for Paratransit operations must be resolved before program changes of this magnitude can be implemented.*

**MAINTENANCE DEPARTMENT**

**Mileage Adjustment**

A report on vehicle maintenance and servicing prepared by an outside consultant to RIPTA in 1992 noted that bus mileage was recorded from hubodometer readings, which were taken each day at the fueling station and entered into the maintenance information system the following day.

According to the report, the “information system records elapsed mileage but does not record life-to-date mileage because there is no mileage adjustment routine to compensate for replacement of hubodometers. Mileage starts over at zero when a hubodometer is replaced. This problem has been identified and reportedly will be fixed in the next system upgrade.”

Our audit found that there remains no mileage adjustment routine to compensate for the zeroing out of accumulated mileage when hubodometers are replaced. Accurate mileage statistics for each vehicle are necessary to schedule preventative maintenance and evaluate replacement considerations.

**RECOMMENDATION**

9. Upgrade the maintenance information system to compensate for the loss of elapsed mileage when hubodometers are replaced on buses.

Auditee Views

*RIPTA concurs with this recommendation.*

**Bus Radio Communication System**

A RIPTA report indicated that 92 of the 213 buses available for service on February 17, 1999 did not have working radios. RIPTA’s bus radio system is obsolete (almost 17 years old) and hard to repair since replacement parts are no longer manufactured. Radios are needed to

allow communication between the drivers and RIPTA headquarters and for emergency purposes in the event of breakdown or passenger emergencies.

### RECOMMENDATION

10. Ensure all buses have working radios.

#### Auditee Views

*RIPTA concurs with this recommendation but has been hampered by a lack of availability of parts to repair its existing radios. RIPTA has not been able to procure new radios because of a lack of state funds to match available federal funds. In the meantime RIPTA has used available parts from other radios for repairs and has provided drivers with cell phones if their buses do not have a working radio.*

### PARTS INVENTORY

#### Inventory Report Discrepancies

RIPTA maintains an extensive inventory of bus and related parts at its Elmwood garage in Providence. Our review of inventory reports noted certain discrepancies that we referred to RIPTA for resolution. RIPTA found that the discrepancies were caused by timing differences, which still need to be resolved to ensure consistent data among the various inventory reports.

We also found that an inventory report disclosed a significant number of items for which the supply exceeded 12 months, or for which there was no usage for the preceding 12 months. Also, the Inventory Manager noted that one part (steering assembly with a value of \$505.11) for which the Report showed no usage for the past three months was actually used the previous month. Subsequently, additional differences of this type were found. RIPTA found a programming error which prevented the transfer of parts and parts usage from being deducted from the inventory balance. RIPTA intends to have the programming error corrected.

RIPTA should rerun these inventory reports once the programming errors are corrected to determine if the reports reconcile and whether indications of unneeded parts remain. If necessary, RIPTA should undertake a thorough review of the parts inventory and remove unneeded parts.

We also noted that rebuilt bus components are stored near the Unit Room until installed on buses. For inventory control purposes, these rebuilt parts should be reentered into the inventory management system and stored in the parts room.

## RECOMMENDATIONS

11. Correct the programming of the parts inventory data processing system. Rerun the inventory reports, once the programming is corrected, to determine if the reports reconcile and indications of unneeded parts remain. If necessary, perform a complete review of the parts inventory; remove any unnecessary stock.
12. Reenter rebuilt parts in the inventory and store these parts in the parts room.

### Auditee Views

*RIPTA concurs with these recommendations.*

## **Tracking of Parts Warranties and Entering of Job Orders**

RIPTA does not track warranties for certain bus parts although we were informed that a tracking system for the new 1998 buses was recently established. The Director of Maintenance concurred with our observation that parts still under warranty on the other buses have been disposed of prematurely. We were unable to quantify the amount of this loss because no tracking system for parts warranties currently exists; however, we were informed that the computer system is capable of performing this function.

Additionally, mechanical foremen are currently responsible for entering job orders into the mainframe computer system. We were informed by the Director of Maintenance that this paperwork burden has led to increased overtime incurred by the mechanical foremen, less time available to supervise mechanics, and inconsistent entering of codes on the job orders.

## RECOMMENDATION

13. Train clerks to track bus part warranties and enter job orders.

### Auditee Views

*RIPTA concurs with this recommendation.*

## **PROCUREMENT**

### **Compliance with State Purchasing Law and Regulations**

RIPTA should improve its procurement practices, for lower dollar goods and services to (1) ensure compliance with State law and its own purchasing regulations and (2) maximize vendor participation and procurement of goods and services at the lowest possible price.

RIPTA has adopted procurement regulations, which are in accordance with state law. These regulations generally require that all purchases in excess of \$2,500 be competitively bid. Public agencies, such as RIPTA, are allowed to develop small purchase regulations in accordance with the law. The law defines small purchases as procurements not exceeding \$5,000 for construction and \$2,500 for all other purchases. Accordingly, RIPTA requires that at least 3 quotes be obtained for purchases in excess of \$250 but not exceeding \$2,500. Informal written records of quotations are required to document the propriety of the procurement process.

The large dollar procurements that we reviewed were in compliance with applicable law and regulations and were generally well executed. These large dollar procurements tested represented approximately 90% of the total dollar amount of items in our sample.

We also reviewed a sample of approximately 270 lower dollar purchases which indicated that RIPTA should improve its procurement practices for these types of purchases. For certain types of services such as printing and recurring repairs, separate purchase orders were prepared (generally \$2,500 or below) when the aggregate volume of like purchases during the year warranted a competitive blanket order or master price agreement (MPA) bid process. This may allow RIPTA to introduce competition among vendors into the process, consistent with the intent of the law, and obtain volume discounts based on the aggregate likely purchases during the year. RIPTA frequently used the same vendor for these services but treated each purchase individually. For example:

- ❑ multiple purchase orders for printing services with a single vendor totaled \$66,708 during fiscal 1997, and \$133,450 during fiscal 1998,
- ❑ frequent air conditioning/heating system purchases and repairs with a single vendor totaled \$141,453 during fiscal 1997 and \$66,068 during fiscal 1998,
- ❑ routine garage door purchases and repairs with a single vendor totaled \$54,454 during fiscal 1997 and \$64,150 during fiscal 1998,
- ❑ various generic interchangeable vehicle part purchases with a single vendor totaled \$379,152 during fiscal 1998 and \$295,322 during the first 9 months of fiscal 1999.

In other instances, better planning of procurements may have resulted in overall cost savings. For example, during fiscal 1998 the City of Providence gave RIPTA two months (later extended an additional month) to vacate the Francis Street bus loop area so the City could begin the skating rink project. To accommodate the buses and the ticket sales office, RIPTA performed renovations to Kennedy Plaza and property on West Exchange Street costing at least \$107,801.

RIPTA could have obtained three informal quotes for the aggregate amount of each type of service required (i.e., construction, equipment rentals, electrical work, air conditioning and heating equipment purchase and installation, lumber purchases, plumbing, etc.). Instead project requirements were often split into separate purchase orders without obtaining informal quotes or bids. In many cases, goods and services obtained from the same vendor were spread over

multiple purchase orders. Even in a short time frame RIPTA could have procured the required materials and services through informal competition.

We noted similar instances with RIPTA's renovations of the Paratransit administrative offices and maintenance garage, as well as renovations of RIPTA's main administrative offices. Cost savings may have been achieved in each case had RIPTA better planned and handled the various types of procurements for projects as single purchases, while following competitive procurement practices as required by purchasing regulations and state law. Alternatively, RIPTA could have sought bids and hired a general contractor to handle any of these projects, instead of ordering each project component a piece at a time.

### RECOMMENDATIONS

14. Monitor agency purchases to identify recurring high volume/lower cost procurements. Utilize a bid process resulting in blanket orders or master price agreements to achieve deeper discounts.
15. Plan project procurement requirements in advance.
16. Prohibit splitting purchases among separate purchase orders.

### Auditee Views

*RIPTA concurs with these recommendations. RIPTA management indicated it has directed increased attention over the past several years to the procurement of large contracts and larger capital items to ensure compliance with applicable requirements. Management is now taking action to review all procurement policies, procedures, practices and internal controls to ensure compliance with applicable requirements. A procurement administrative procedures manual is being prepared to clarify the procedures required for procuring lower dollar goods and services. A formal training program is also being developed to instruct personnel involved in the procurement process regarding compliance requirements applicable to the type of procurements typically encountered by RIPTA.*

Certain bus parts and major components are sole source procurements by virtue of vehicle manufacturer warranties, which require RIPTA to purchase all parts from the manufacturer in order to maintain bus warranty coverage. However, we found that the procurement department does not monitor the lapsing of warranties to determine when these parts can be purchased from other vendors at lower prices with bid blanket orders or MPA pricing agreements. Lapsing of vehicle warranties should be monitored by the Procurement department and included in their routine analysis of agency purchases.

To maximize discounts and obtain lower pricing, RIPTA should consult with the State Division of Purchasing to determine the possibility of participating in some of the state's blanket

orders and MPA's. For some unique transit procurements RIPTA may need to begin a competitive blanket order or master price agreement bid process.

### RECOMMENDATIONS

17. Monitor lapsing of vehicle warranties to determine when generic interchangeable parts can be competitively bid for blanket orders or Master Price Agreements.
18. Consult with the State Division of Purchasing to determine the feasibility of participating in some of the state's blanket orders and Master Price Agreements.

### Auditee Views

*RIPTA concurs with these recommendations.*

### Operation of the Procurement Department

Procurement Department administrative procedures should be revised to ensure compliance with state purchasing law and RIPTA regulations. RIPTA has allowed departments to initially order goods or services using manual purchase orders which do not require the approval of the Procurement Department. Subsequently the Procurement Department is contacted for the assignment of a manual purchase order number. Procurement Department approval in these instances is perfunctory once goods or services have been ordered and received. We also noted instances where a requisition was not prepared for a purchase as required by RIPTA regulations, yet the procurement department prepared a purchase order.

We also noted that RIPTA does not prepare purchase orders for all contracts or agreements with established prices or limits. Purchase orders should be used to provide control over these procurements to ensure that agreed-to price maximums are not exceeded without appropriate approvals and to ensure that funds are properly encumbered in the accounting system. This is especially necessary when a contract involves routine progress payments and a contract maximum could be inadvertently exceeded if the approved maximum is not properly recorded in the accounting system.

Additionally, not all procurements require a purchase order, and not all vendor invoices are processed through the Procurement Department. In many cases, vendor invoices are processed directly through the Finance Department. The Finance Department has no control procedure to ensure that, when appropriate, purchase order authorizations have been prepared and recorded in the accounting system prior to making payment to a vendor. This control is critical to ensuring that procurements have purchase order authorization, as necessary. Without proper control, an invoice could be forwarded directly to the Finance Department and paid without having been appropriately bid or authorized by the Procurement Department, other appropriate personnel or the RIPTA Board.

The Finance Department should maintain an updated list of vendors to whom payment can be made without a purchase order and personnel should also be trained to recognize when a

purchase requires competitive bidding so they can assist in monitoring staff compliance with procurement regulations and state law. Prior to making any payment, Finance Department personnel should check this list to determine if a payment requires purchase order authorization. If purchase order authorization is required, finance department personnel should verify that the purchase was properly authorized by a purchase order (and that the purchase order lists a bid number if bidding was required). Payment should not be made until applicable authorization is obtained.

### RECOMMENDATIONS

19. Discontinue allowing departments to order goods and services without first contacting the Procurement Department for approval.
20. Require the use of purchase orders for all contracts or agreements.
21. Establish a control procedure in the Finance Department to ensure that, when appropriate, purchase order authorizations have been prepared and recorded in the accounting system prior to making payment to a vendor.
22. Maintain an updated list of vendors to whom payment can be made without a purchase order and instruct Finance Department staff to recognize when a purchase requires competitive bidding so they can assist in monitoring staff compliance.

### Auditee Views

*RIPTA concurs with these recommendations.*

## MANAGEMENT INFORMATION SYSTEMS

### Deficiencies in Available Management Information

RIPTA's primary computer system does not completely provide the information necessary to meet many of the Authority's needs; further, we found that the information it does provide is sometimes inaccurate due to program design flaws. As a result, personnel have developed inefficient manual or personal computer-based systems for accumulating and summarizing necessary information.

RIPTA purchased its main computer system in 1990 for approximately \$1.5 million. One software vendor is used for most major applications on the system, including various accounting, purchasing, inventory and related packages. However, because fully integrated systems capable of meeting the majority of RIPTA's information needs were not available, certain custom designed programs were developed by consultants, such as a claims management system and a customer complaints management system.

RIPTA's computer systems have not been sufficiently upgraded due to inadequate planning and insufficient investment in programming staff and technology. In recent years

RIPTA has placed more emphasis on improving its information systems by increasing staff in the information services department, increasing staff training, updating systems for Year 2000 compliance and designing new report queries in such areas as the transportation department. Additionally, other PC based vendor software was purchased for various tasks, including mapping bus routes, scheduling bus driver assignments, and managing the Express Travel program, because the main system could not meet these critical information needs.

Despite recent attempts to make improvements, RIPTA's management information systems remain excessively manual and inefficient, and thus do not provide adequate management information. Systems remain inefficient primarily because improvements have not been comprehensive enough in scope to correct the various deficiencies of the basic systems.

We noted the following system inadequacies:

- In many instances required detailed data is recorded in the main system but RIPTA has not designed the appropriate report queries to extract and summarize the information required.

For example, payroll data is recorded in the computer system but the system is not programmed to extract the information in the manner required for the monthly General Manager's Report. Instead, payroll data is manually taken from system reports and is accumulated and reclassified on a manual spreadsheet. The information on the manual spreadsheet is then separately input to two PC spreadsheets in order to accumulate the information in the manner required for the monthly General Manager's Report. Consequently, the same payroll data is separately recorded or reclassified four times when the computer system could be programmed to perform these reclassifications and report the information in the required format.

The Marketing, Maintenance, Personnel and Procurement departments also manually accumulate and summarize certain information for the monthly General Manager's Report because either the system is not programmed to record and provide the information, or it does not provide it in the required format.

- RIPTA uses manual purchase requisitions even though the purchasing system is designed to process requisitions electronically.
- RIPTA's job applicant tracking system is not used properly because the majority of employee positions have never been set up for tracking; only four of seventy five employee positions can be tracked by the system.
- We requested computer report summaries of routine accounting information and were informed that the information could not be easily obtained through the computer system. In most cases the system could only provide detailed accounting transactions. Summaries of the information had to be manually calculated, required the development of new queries, needed additional programming or were not available at all. For example, we requested a report that would separately identify scheduled overtime and unscheduled overtime paid

during fiscal years 1996–1999. We were informed that the system could not distinguish between the two types of overtime.

We also requested separate reports listing expenses paid during each of the fiscal years 1996–1999, sorted by type and month with subtotals by month and year. We were informed that this fundamental accounting report was not readily available and would require development of a new query or program. These overtime and expenditure reports are just two examples of information that would be useful to management and the Board as additional tools for both strategic planning and controlling RIPTA spending.

In some instances staff could improve their understanding of the full capabilities of the existing system. We reviewed various system control function selections with certain staff and they could not readily identify what system capabilities some of the functions represented.

RIPTA needs to consider hiring an additional programmer to design queries and programs, update custom programs to interface with periodic software updates or new computer applications, perform routine file maintenance, and test current and new systems programming to ensure proper functioning.

To correct the system inefficiencies, program flaws, and limitations, RIPTA should determine the full capabilities of the present systems, perform a complete assessment of each department’s specific information needs, re-engineer current systems, and purchase new systems as necessary.

### RECOMMENDATIONS

23. Perform an assessment of each department’s specific information needs and determine the full capabilities of the present systems. Re-engineer current systems and/or purchase new systems as needed to better meet management information needs. Engage a systems consultant with experience in the transit industry to assist with the entire process.
24. Test existing computer programs to ensure reliability. Test all new systems upon installation.
25. Consider hiring an additional in-house computer programmer to manage system applications.

Auditee Views

*RIPTA fully recognizes the severe limitations of its existing management information systems, concurs with these recommendations, and has budgeted for a consultant to perform a comprehensive management information/business process analysis commencing in the fall of fiscal 2000. RIPTA believes that the magnitude of the issues facing the Authority in this area – hardware, software, personnel, and inefficient internal business processes – requires an Authority-wide assessment, including expert support from transportation industry systems professionals.*

**Parts Inventory Data**

We also noted the following instances where the system produced erroneous parts inventory information:

- ❑ Due to a programming flaw, RIPTA's parts inventory was overstated by approximately \$1.7 billion in the general ledger for the month of September 1998. RIPTA has adjusted the inventory amount in its general ledger, however, the software provider does not intend to correct the programming until some future upgrade of the system.
- ❑ While working with the software provider to understand and correct the erroneous inventory balance, RIPTA discovered that the system had different unit costs recorded for identical parts at the Elmwood and Newport garages. Since all purchases are made at the Elmwood location, there should be only one unit cost recorded in the system. The fact that the system allows more than one unit cost to be recorded for an identical part gives rise to the question of how the program actually calculates inventory costs and whether it is calculating these costs properly. This discrepancy has potentially serious ramifications relating to the validity of RIPTA's parts inventory. If the system is not costing inventory properly, immediate steps should be taken to correct the system program and determine the financial statement impact.
- ❑ Inventory balances for a parts inventory report and a separate parts inventory usage report reflected different item counts and dollar values.

**RECOMMENDATION**

26. Require the software vendor to immediately install corrected parts inventory software.

Auditee Views

*RIPTA concurs with this recommendation.*

## **Computer Data Storage**

RIPTA stores many years of data on its main computer system, instead of in a separate tape library. Generally, businesses and government agencies maintain up to 3 years of critical data on computer systems; subsequently, files are archived to a tape library for storage. Less critical data is archived even more frequently, sometimes as often as the end of every year. When archived data is needed, programming staff can retrieve and make the required information available.

RIPTA personnel are hesitant to archive older data because the information services department does not have sufficient programming staff to allow retrieval of information when needed. Consequently, eight years of accounting system data is kept on the main computer system; the payroll system maintains four years of data; the fleet maintenance system has six years; and the purchasing system keeps seven years of data.

Excessive computer data storage reduces the processing efficiency of the computer system. To maximize computer efficiency, RIPTA should archive older data on a more frequent basis.

### **RECOMMENDATION**

27. Archive older computer data to a separate tape storage library more frequently.

#### **Auditee Views**

*RIPTA concurs with this recommendation and plans to develop a computer data storage policy as part of a comprehensive management information systems study scheduled for the fall of fiscal 2000.*

## **FINANCE DEPARTMENT**

### **Accounting and Reporting Procedures**

We noted inefficient procedures within the Finance Department. Generally procedures are manually intensive and involve duplicative recording, unnecessary recalculation and use of various manual accounting ledgers and procedures. The system is outdated and ineffective and should be improved by maximizing the use of more advanced computer programming and technology.

Procedural inefficiencies are primarily due to information system limitations discussed in the Management Information Systems section of this report. For example, preparation of the Finance Section of the monthly General Manager's Report to the Board of Directors is a major reporting function of the accounting section. The finance section of the General Manager's report contains budget to actual comparisons. Manual accounting procedures have been developed to accumulate data on a cash basis for this monthly presentation to the Board. This information is already recorded on the accrual basis in the computer system, but the computer is

not capable of providing the information on a cash basis. Consequently, cash basis information is manually accumulated, reclassified, and consolidated by the accounting staff.

RIPTA has traditionally prepared its budgets and monthly management reports on the cash basis. RIPTA has not recently consulted with the primary users (the Board of Directors and the State Budget Office) of this information to determine if cash basis information is still preferred.

The State Budget Office informed us that RIPTA is not required to provide their budget on the cash basis. However, before changing its budget to the accrual basis, RIPTA should determine the impact of the change and consult with the State Budget Office.

If a cash basis presentation is still preferred by some or all and considering the time consuming and manual process currently involved in preparing this data, RIPTA should program its computer system or purchase new software to automate the process of accumulating, reclassifying, and consolidating the required cash basis data.

The grant accounting process is another area heavily dependent upon manual ledgers and procedures because the computer system is not designed to account for grant information in the manner required by the Finance Department. Consequently, grant information is recorded in the computer system and is also accumulated in manual ledgers and reclassified for each federal grant.

Certain adjusting journal entries are made routinely. Some of the adjustments could be automated by the system. For instance, certain payroll adjusting journal entries are based upon information already available in the system and would lend themselves to automation.

We noted other manual and duplicative procedures involved in the preparation of bank reconciliations, general ledger adjusting journal entries, capital grant depreciation and year end trial balances.

Management should completely review accounting and reporting practices to determine where improvements can be made to streamline the process and function more efficiently. Redesign should make maximum use of current computer systems. However, proper redesign may require purchase of additional software better suited to automating RIPTA's accounting functions.

### RECOMMENDATIONS

28. Review and redesign the accounting system and reporting process to streamline and automate accounting procedures.
29. Consult with the Board and the State Office of Budget to determine if budget information can be prepared on the accrual accounting basis.

### Auditee Views

*RIPTA concurs with these recommendations and will address these issues as part of the comprehensive management information systems study scheduled for the fall of fiscal 2000.*

### **Payroll Processing**

Payroll processing involves many duplicative procedures. For example, after each payroll, personnel manually recalculate computer system summary totals to make sure the computer calculated the totals properly. Other payroll system totals are also accumulated and recalculated on a monthly, quarterly and annual basis. Testing computer programs is an information services function and should not be performed by the payroll section.

Transportation clerks manually prepare driver timesheets and then input the same information into the computer system. The payroll section audits 100% of the driver timesheet information recorded in the system. Payroll section employees informed us that this is necessary because there are numerous data entry errors. We observed the payroll section's audit of the driver timesheets on a few occasions and found that correction of many errors was necessary.

RIPTA's Director of Transportation confirmed that the data entry error rate is high. The transportation section attributes the problem to a combination of causes including inadequate training and the fact that the payroll function is a low priority within the transportation section.

In addition, control totals are not calculated and recorded by personnel preparing timesheets, time cards, etc. for use by the payroll section in verifying the accuracy of data entry. If control totals were used, the payroll section could save time by verifying the controls totals to the totals recorded in the system and could reduce its review to spot checking the data for accuracy.

Further, after completion of each payroll a manual voucher is prepared using totals from a payroll computer report. The voucher and the computer report are submitted to the accounting section for posting to the accounting system, instead of just submitting the computer report.

The extensive manual procedures performed to verify and recalculate payroll data does result in a high degree of accuracy. However, procedures could be streamlined and revised for efficiency without any reduction in accuracy. RIPTA should develop procedures to monitor and reduce the level of data entry errors made in recording driver time sheet information. Timesheet information should be prepared directly in the computer system instead of recording the same information twice, once on the manual timesheets and again in the computer system. Control totals should also be calculated prior to data entry as a means of verifying the accuracy of the data input. The control totals should be submitted to the payroll section for use in reviewing the uploaded timesheet information.

## RECOMMENDATIONS

30. Redesign payroll procedures to require the use of control totals, eliminate duplicative procedures and reduce the level of detailed input review.

### Auditee Views

*RIPTA believes that, in general, it would be more practical to implement this recommendation as part of a future redesign of the entire computer system. However, in the interim, payroll procedures will be reviewed to identify any unnecessary duplicative recalculations of computer-generated totals.*

31. Develop procedures to monitor and reduce the frequency of data entry errors made recording driver timesheet information in the computer system.

### Auditee Views

*RIPTA concurs with this recommendation.*

## Payroll Change Procedures

Payroll information is not consistently reviewed and approved by department directors prior to submission of information to the payroll section for processing. We found that driver timesheets and the maintenance time-clock reports are not approved and signed by the department directors, unlike employee timecards prepared for other employees.

Additionally, RIPTA should consistently document authorized employee payroll changes. A standard payroll change form exists but we found it was not used in all instances. For instance:

- ❑ Salary increases for certain senior level staff were not communicated to the payroll section using the standard payroll change form. The increases were appropriately approved by an individual(s) at least one level above the employee receiving the change; however, written evidence of these approvals was not always submitted to the payroll section to initiate the posting of the payroll change.
- ❑ In at least two instances a director approved grievance settlements for various employees which were included in the employees' paychecks. A member of the director's family was one of the employees approved by the director to receive the grievance settlements.
- ❑ We reviewed 28 instances where maintenance employees were paid for additional hours worked during calendar year 1998. These additional hours were primarily incurred for grievance settlements, training pay, and overtime. Documented authorization (with

appropriate back-up) for these payments, which were approximately 4.3 hours on average, could only be found for 4 of the 28 instances tested. In the other 24 instances, the only documentation was handwritten notations in the margin of the “Employee Weekly Transaction Reports.”

At a minimum, employee payroll changes (including pay increases, grievance settlements, overtime, training pay, etc.) should be authorized using the standard payroll change form to evidence approval by appropriate management at least one level above the employee receiving the payroll change. The payroll section should not make employee payroll changes until appropriate written approval on the standardized payroll change form is received.

### RECOMMENDATIONS

32. Require each director (or designee) to review and sign employee time reports to authorize payment.
33. Use the standard payroll change form consistently to authorize all employee payroll changes. Prohibit the payroll section from posting employee payroll changes until proper authorization is received on the standard payroll change form

#### Auditee Views

*RIPTA concurs with these recommendations.*

All additions to the payroll require approval by the General Manager, the Director of Human Resources, and the Director of Finance. However, we were informed that an employee could be added to the payroll based upon only the Director of Human Resource’s approval. The authorization form is then passed on to the Finance Director and the General Manager for approval.

### RECOMMENDATION

34. Prohibit the practice of adding employees to the payroll without first receiving all required approvals.

#### Auditee Views

*RIPTA concurs with this recommendation.*

RIPTA does not always maintain adequate control over undistributed payroll checks. We were informed that a few departments return the undistributed checks to the payroll section; other departments keep the undistributed checks until the employee collects them.

Undistributed employee paychecks should always be returned directly to the Finance Department for safekeeping until they are mailed, given to the employee or provided to an authorized individual for delivery to the employee. Under no circumstances should undistributed employee paychecks be kept on hand or returned to the payroll section.

#### RECOMMENDATION

35. Require all undistributed employee paychecks be returned to the Finance Department for safekeeping until they are mailed, given to the employee or are provided to an authorized individual for delivery to the employee.

#### Auditee Views

*RIPTA concurs with this recommendation.*

### **Payroll Frequency and Vacation Pay Policy**

RIPTA pays all employees weekly. The independent auditors who perform RIPTA's annual financial statement audit recommended that RIPTA convert to a bi-weekly payroll to save administrative and processing costs, improve cash flow and increase interest earnings. We concur with this recommendation and suggest that RIPTA negotiate this change when the union contracts are renewed.

All employees are paid vacation pay in advance of taking their vacations, which requires additional processing effort and worsens cash flow. RIPTA should eliminate the practice of paying vacation pay in advance.

#### RECOMMENDATION

36. Convert to a bi-weekly payroll and cease the practice of paying vacation pay in advance.

#### Auditee Views

*RIPTA concurs with this recommendation and indicated that this matter is subject to collective bargaining with its unions. It has been discussed with both unions and will be considered again during the next round of bargaining.*

### **Designate RIPTA as Direct Recipient of Federal Grants**

The State Department of Transportation is presently the direct grant recipient of Federal Transit Administration funding and passes federal funding on to RIPTA. Actions are required by both the State and then RIPTA to first initiate receipt of these funds by the State and then pass the federal funds on to RIPTA. Ultimately this arrangement results in delays in making these funds available to RIPTA. Processing could be streamlined by designating RIPTA as the direct

recipient of federal funds, thereby improving cash management and the timeliness of vendor payments. RIPTA could then draw funds directly from the federal government.

The existing arrangement also results in duplication of effort because both agencies perform grant management activities such as planning, accounting and federal financial reporting functions.

#### RECOMMENDATION

37. Take the necessary steps to become the direct grant recipient for applicable federal funding.

#### Auditee Views

*RIPTA concurs with this recommendation and indicated that it has been working in coordination with the RI Department of Transportation to bring about this change.*

#### **Overpayments to Vendors**

RIPTA processes vendor payments totaling approximately \$20 million each year. RIPTA overpaid two vendors (one by \$2,400 and another by \$10,000) by paying the vendor's invoices twice. The overpayments occurred because payments were made using copies of vendor invoices and without first checking the vendor's accounts to verify the invoice was unpaid. In both cases RIPTA was not aware these vendors had been overpaid until the vendors notified the Finance Department. RIPTA does have certain controls in place to detect potential duplicate payments; however, procedures and controls need to be improved to better detect and prevent duplicate vendor payments. Past overpayments, if any, should be identified and recouped.

#### RECOMMENDATION

38. Improve control procedures to prevent duplicate vendor payments. Identify and recoup any past overpayments, if any.

#### Auditee Views

*RIPTA concurs with this recommendation.*

#### **Control over Farebox Receipts**

Controls over cash receipts can be improved by the Finance Department reconciling daily downloaded farebox cash receipts computer data to actual cash receipts. This comparison should be routinely performed to ensure that receipts have been properly accounted for and deposited at the bank.

This reconciliation will only determine the reasonableness of deposits because occasionally fareboxes fail to electronically report to the main computer system, drivers may make keypunch errors or fareboxes may completely break down so that fares can not be collected in the farebox. We were informed that, due to common farebox and keypunch reliability problems, a 3% error rate is considered an industry standard.

RIPTA should also develop control procedures to be followed if the farebox error rate significantly exceeds the expected level. For instance, significant or consistent increases in the error rate should result in surprise counts of fareboxes. The counts should be immediately reconciled to the farebox data.

### RECOMMENDATIONS

39. Reconcile daily farebox cash receipts data (downloaded to the computer system from the individual bus fareboxes) to actual cash receipts on a routine basis.
40. Develop control procedures to be followed if the farebox error rate significantly exceeds the expected level.

### Auditee Views

*RIPTA concurs with these recommendations and has begun performing the reconciliation.*

### Internal Control over Change Orders

Vendor invoice prices sometimes reflect higher prices than the original purchase order amount. The procurement department does not approve invoices containing higher prices; however, the finance department assumes that the procurement department has approved the higher prices and processes the payment at the higher invoice amount.

Additionally, the system has been programmed to allow the finance department to increase the unit price of the purchase order by up to 80% of the original purchase order unit price. In effect this capability allows the finance department to process an unrecorded change order.

To maintain proper segregation of duties, change orders should be approved and created by the procurement department. Allowing the finance department to, in effect, increase purchase orders by up to 80% is unreasonable, represents an improper segregation of duties, and allows for competitive bid procedures to be circumvented. This percentage should be significantly reduced and a maximum dollar threshold established.

For example, a purchase order authorized the purchase of services from a vendor for \$2,000; however, RIPTA paid the vendor \$2,873 or 44% more than authorized. The additional amount represented reimbursement for travel expenses – terms not included in the purchase

order. No change order was prepared and file documentation does not evidence approval by the procurement department for the additional cost. With the additional terms the purchase exceeds \$2,500 and might have required a competitive bid process.

To be practical and still strengthen internal control, invoices with minor pricing increases over purchase order limits should, at a minimum, be reviewed and signed by the procurement department to indicate its approval of the increased prices.

If the increase in price is significant a change order should be prepared by the procurement department to indicate its approval. RIPTA should develop a formal policy establishing a reasonable dollar threshold above which a change order is required to authorize an increase in price. The finance department should not process vendor invoices exceeding purchase order limits unless the invoice has been signed off on by the procurement department or a change order has been approved (when required).

### RECOMMENDATIONS

41. Prohibit processing invoices in excess of purchase order amounts without the procurement department's signature approval.
42. Establish a policy identifying a reasonable percentage and dollar threshold above which a change order prepared by the procurement department is required to authorize payment of an increased invoice price.

#### Auditee Views

*RIPTA concurs with this recommendation and is in the process of implementing these recommendations.*

### Capital Budget

RIPTA prepares an annual operating budget and capital budget, but only the operating budget is submitted to the Board for approval. The capital budget is an integral part of RIPTA's overall financial plan and should also be subject to Board review and approval.

### RECOMMENDATION

43. Present the annual capital budget to the Board for review and approval.

#### Auditee Views

*RIPTA indicated that the Board is involved in planning capital considerations and is required to approve any contracts exceeding \$25,000, however, RIPTA agrees that the process for the Board's review and approval of the capital budget should be formalized.*

### **Fixed Asset Capitalization Policy**

RIPTA capitalizes (records the item as an asset and charges depreciation expense over its estimated useful life rather than expensing the item upon acquisition) all capital items purchased with federal funds regardless of dollar value. Non-grant related capital purchases are capitalized if they are greater than or equal to \$200. Capitalizing small items requires additional administrative effort to tag and inventory items, track their location, and account for depreciation. Immaterial items do not warrant the amount of administrative processing required to properly maintain inventory records. RIPTA should revise its capitalization policy by adopting a more practical capitalization threshold.

#### **RECOMMENDATION**

44. Adopt a more practical fixed asset capitalization threshold.

#### **Auditee Views**

*RIPTA concurs with this recommendation.*

### **Accident and Casualty Reserve**

RIPTA's audited fiscal 1999 financial statements included a liability for claims (excluding workers' compensation claims) of over \$4 million. To meet this liability, RIPTA has established restricted cash and cash equivalent accounts as an accident and casualty fund; however, this fund had a balance of only \$1,208,280 at June 30, 1999. The remaining balance of the estimated claims liability is unfunded.

RIPTA plans to deposit all claim refunds into the reserve fund, and continue to improve its investment strategy and rate of return to achieve an appropriate cash reserve. However, the fund increased by only \$316,268 during fiscal 1998. RIPTA should develop a more aggressive plan to bring the reserve fund closer to the actual liability.

#### **RECOMMENDATION**

45. Develop a written plan to fully fund the estimated accident and casualty claims liability.

#### **Auditee Views**

*RIPTA does not believe it is feasible to increase the reserve within its existing resources.*

## HUMAN RESOURCES DEPARTMENT

### Employee Drug and Alcohol Testing

Federal regulations require RIPTA to randomly test “safety sensitive” employees for prohibited drug and alcohol use. A safety sensitive employee is essentially any individual who operates or maintains a revenue service vehicle (i.e., a bus) including supervisors and dispatchers.

Each month an outside contractor provides RIPTA with a randomly selected sample of 20 safety sensitive employees (plus 10 spares) to be tested. Generally, one employee is tested each day (excluding weekends).

RIPTA immediately removes any individuals who test positive from their job assignment and suspends them for a minimum of 30 days. All safety sensitive employees who test positive are enrolled in the Employee Assistance Program and must successfully complete a treatment program, as well as pass a “Return-to-Work” drug and alcohol test before resuming work. Furthermore, these employees are required to sign a “Return to Work” agreement that outlines the conditions of their continued employment and are subject to at least 6 unannounced “follow-up” drug and alcohol tests during the first 12 months following their violation.

We found that 8 employees in safety sensitive positions were not included in the drug pool from which 20 names and 10 spares are randomly selected each month for testing. RIPTA needs to ensure that all employees in safety-sensitive positions are included in the drug and alcohol testing pool, especially since federal funding could be suspended for noncompliance with drug and alcohol regulations. We also noted that Technical Support Officers are currently not included in the drug pool, even though their job responsibilities could be considered safety sensitive.

### RECOMMENDATION

46. Ensure that all employees in safety-sensitive positions are included in the drug and alcohol testing pool. Add Technical Support Officers to the list of safety sensitive employees subject to drug and alcohol testing.

### Auditee Views

*RIPTA concurs with this recommendation.*

RIPTA’s monthly random selection process meets current federal guidelines. We believe, however, that RIPTA should determine whether a daily random selection process of employees to be tested for drug and alcohol use would be more effective. A daily random selection process would ensure that all safety-sensitive employees are potentially subject to being selected for testing every day. Under the present monthly random selection process, an

employee tested during a particular month knows he or she will not be subject to being selected until the next month.

Additionally, the names of all 20 individuals and 10 spares that have been selected for testing are known at the beginning of each month. The possibility exists that certain individuals could be subjectively chosen from that list for drug and alcohol testing on any particular day. A daily random selection would eliminate this possibility from occurring. Lastly, drug and alcohol testing is not conducted on weekends even though RIPTA operates bus service 7 days per week.

#### RECOMMENDATION

47. Determine whether a daily random selection process of employees to be tested for drug and alcohol use would be more effective than a monthly selection process. Consider conducting drug and alcohol tests on weekends.

#### Auditee Views

*RIPTA disagrees with the recommendation to determine whether a daily random selection process would be more effective than its current process since the Federal Transit Administration indicated that a monthly random selection process was acceptable and meets federal guidelines. RIPTA concurs with the recommendation to conduct drug and alcohol testing on weekends.*

Any employee involved in an accident while driving a RIPTA vehicle, whether safety sensitive or not, is also tested for drug and alcohol use, unless RIPTA's Safety Department determines at the scene that the employee's performance can be completely discounted as a contributing factor to the accident. However, RIPTA has no policy regarding suspensions or treatment for employees who are not safety sensitive, but test positive for drug and/or alcohol use after being involved in an accident while driving a RIPTA vehicle.

#### RECOMMENDATION

48. Adopt a written policy regarding the steps to be taken when non-safety-sensitive employees test positive for drug and/or alcohol use.

#### Auditee Views

*RIPTA concurs with this recommendation.*

We also noted that none of the file cabinets containing drug and alcohol testing information have locks although these file cabinets are stored in a locked room. On one occasion, however, we observed that the door to this room was open and the room was unattended. Confidential drug and alcohol testing information should be stored in locked file cabinets.

## RECOMMENDATION

49. Store all drug and alcohol testing information in locked file cabinets.

### Auditee Views

*RIPTA concurs with this recommendation and acquired a locked file cabinet for storing drug and alcohol testing information in June 1999.*

## Grievance Process

RIPTA has established a three-step grievance process to resolve disputes related to the union contract, rules, policies, or practices. A grievance form is used by RIPTA management to document the process. If a grievance is not resolved at the third step, it can go to binding arbitration but only upon majority vote approval of the union membership. A number of areas regarding the grievance process require improvement.

RIPTA does not have a formal system for tracking the receipt and status of grievances. There is no efficient mechanism to determine the number and type of grievances that have been filed, the department where each grievance currently resides, or those grievances that are in danger of exceeding time frames established by the union contract. Additionally, minutes were not kept for 44 of the 61 step meetings applicable to the grievances that we reviewed.

We also noted numerous instances in which necessary information was not listed on the grievance forms, such as required signatures of union and RIPTA officials, meeting dates, and actions taken. Additionally, none of the grievance forms we tested contained any information regarding the disposition of grievances not resolved after Step 3.

## RECOMMENDATION

50. Establish a formal tracking system to document the receipt and status of all grievances. Ensure that grievance forms are complete and contain all required information.

### Auditee Views

*RIPTA concurs with this recommendation.*

## Mechanics' Tests

Every applicant for a mechanic position is required to pass an aptitude test administered by RIPTA's maintenance department that measures the individual's knowledge of diesel mechanics. Once the test is graded and the applicant is determined to have either passed or failed, the copy of the test is destroyed.

Since applicants are refused employment if they do not pass this test, RIPTA's human resources department should administer the test. RIPTA also needs to keep a copy of each test administered in case unsuccessful applicants protest the fact that they were not hired.

### RECOMMENDATION

51. Require the human resources department to conduct mechanics' tests and ensure that a copy of each graded test is kept on file.

### Auditee Views

*RIPTA concurs with this recommendation.*

## MARKETING DEPARTMENT

### Newport Gateway Center

RIPTA uses the Gateway Center in Newport as a terminal for its Newport-to-Providence run and also as a hub for its service within the City of Newport. Additionally, the Gateway Center in Newport serves as a transportation and tourism center and was built as a joint venture between RIPTA, which provided federal grant funds, and the City of Newport, which contributed the necessary land as an in-kind grant.

We observed that RIPTA had little presence in the Gateway facility despite having provided funding for the building's construction. In particular, the booth where RIPTA information can be obtained is located in an obscure corner of the building and was not staffed on the day of our visit.

### RECOMMENDATIONS

52. Secure a more prominent location for RIPTA's information booth at the Newport Gateway Center.
53. Ensure that the information booth is adequately staffed.

### Auditee Views

*RIPTA partially concurs with these recommendations. The Authority has implemented some initiatives over the past few years to improve its visibility in Newport, especially during the summer months. Budgetary constraints have prevented RIPTA from staffing certain key locations.*

### **Contributions to Other Organizations**

RIPTA does not have a written policy regarding contributions to other organizations. We found numerous instances where contributions were made to various organizations, primarily through the Express Travel program. In one instance, RIPTA's Director of Marketing (who oversees the Express Travel program) approved a \$1,000 payment to help support an event sponsored by an organization for which this individual was a board member. The Director of Marketing stated that his membership on this particular board was solely by virtue of his RIPTA position and that the sponsorship was solely to promote the Express Travel program. This may create the perception of a conflict of interest.

RIPTA needs to adopt a written policy regarding contributions to other organizations that includes the criteria for selecting which organizations will receive financial support, the process to be used when employees in decision-making positions have a potential conflict of interest, and a stipulation that the RIPTA Board approve donations over a certain dollar amount.

#### **RECOMMENDATION**

54. Adopt a written policy regarding contributions to other organizations.

#### **Auditee Views**

*RIPTA concurs with this recommendation and has subsequently drafted a written policy.*

### **Employee Attendance at Special Events**

We noted one instance in which RIPTA paid for ten employees to attend a dinner sponsored by a non-profit agency. RIPTA also paid for five employees to attend a retirement party for a state employee and on another occasion paid for three employees to attend a fund raising event. RIPTA should adopt a formal policy regarding the purchase of tickets for special events. This policy should outline the types of events that are eligible for RIPTA funding, the number of tickets that will be purchased, and any other pertinent restrictions.

#### **RECOMMENDATION**

55. Adopt a written policy regarding the purchase of tickets for special events not sponsored by RIPTA.

#### **Auditee Views**

*RIPTA concurs with this recommendation and has subsequently drafted a formal policy.*

## SECURITY

At its Elmwood property, which operates 24 hours per day – seven days per week, RIPTA employs only one security guard, for an eight-hour shift, five days a week. Security cameras have been installed to cover certain portions of the RIPTA property with monitoring duties assigned to Transportation personnel.

The parts stockroom is staffed from 7 a.m. to 10 p.m. on weekdays, and from 7 a.m. to 3:30 p.m. on Saturday. The maintenance garage, which is serviced by the parts room, operates 24 hours per day, 7 days a week. To enable mechanics to obtain needed parts when the stock room is closed, keys to the stock room are provided to the maintenance foremen on duty. In practice, the keys are left in unsecured locations and are therefore available to all personnel in the area.

This has led to variances between actual inventory on hand and book balances because parts are removed from inventory but not charged in the inventory management information system. This can result in inventory shortages not being evident on the inventory system, and affect the parts reordering system.

The practice also increases the possibility of theft from inventory. We had considered that this risk was minimal since bus parts are not generally usable in personal vehicles. However, the introduction of Paratransit services increases this risk, because parts for these vehicles can also be used on minivans and similar vehicles. We also learned that a scale valued at \$1,800 was recently stolen from the parts room during the time it was not staffed.

RIPTA needs to improve security over the parts stockroom by either staffing the parts room during the same hours the maintenance garage is open, or employing additional security measures.

Incidents of theft and damage to property owned by RIPTA and its employees suggest that RIPTA should consider strengthening its efforts in this area. This could be accomplished, for example, by retaining an outside security firm to patrol and guard the area as a supplement to RIPTA personnel; or by installing additional security cameras throughout the property. To underscore the importance of security, the Risk Management Department should prepare a monthly report for the General Manager and the Board members identifying instances of loss or damage, and recommendations to prevent future occurrences.

## RECOMMENDATIONS

56. Improve security at the Elmwood property by either retaining an outside security firm to supplement current security measures or expanding the scope of surveillance cameras.
57. Increase security over the parts stockroom to reduce the possibility of theft and improve the accuracy of the parts inventory.

58. Prepare a monthly report to the General Manager and Board on incidents of theft and property damage, including recommendations to prevent future occurrences.

Auditee Views

*RIPTA concurs with these recommendations and recognizes that an improved security program for the stockroom would be beneficial. RIPTA will install security cameras at the entrance to the stockroom. Employees entering the stockroom without authorization will be disciplined. Additionally, RIPTA will carefully examine ways to forward position parts and supplies for scheduled evening work requirements.*