

ALAN G. HEVESI  
COMPTROLLER



110 STATE STREET  
ALBANY, NEW YORK 12236

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER

February 8, 2006

Mr. John G. Doyle  
Chairman  
Rochester-Genesee Regional Transportation Authority  
1372 East Main Street  
Rochester, NY 14609

Re: Report 2005-F-12

Dear Mr. Doyle:

Pursuant to the State Comptroller's authority as set forth in Article X, Section 5 of the State Constitution, we have followed up on the actions taken by officials of the Rochester-Genesee Regional Transportation Authority (Authority) to implement the recommendations contained in our audit report, *Selected Financial Management and Operating Practices* (Report 2002-S-37).

**Background, Scope and Objective**

The Authority, which owns and operates 393 buses and vans, provides fixed-route public transit services, as well as mandated services for the disabled, in and around Monroe County and in six adjacent counties. Authority management reports to a 13-member Board of Commissioners. The Authority's subsidiaries include Regional Transit Service, Inc. (RTS), which provides bus services for Rochester; Lift Line, Inc., which provides services to supplement RTS operations; and four regional bus companies. RTS, the largest of the Authority's subsidiaries, has a fleet of 258 buses and operates its own bus maintenance department to service and repair these vehicles. Other Authority subsidiaries contract for maintenance services. RTS uses a computerized bus maintenance system to track maintenance activities. The Authority employs about 784 staff. For the 2005-06 fiscal year, the Authority budgeted about \$5.3 million to pay wages and fringe benefits for 70 RTS mechanics, and \$2.1 million for parts and repairs.

Our initial audit report, which was issued on April 15, 2004, examined whether the Authority performs bus maintenance efficiently and effectively; maintains adequate controls over procurement, vendor payments and ticket sales; and provides timely annual reports to State oversight agencies. Our report identified a number of internal control weaknesses. In particular, we found that the Authority could not determine whether RTS does maintenance tasks efficiently and effectively because RTS did not have reliable data about its maintenance activities, and had no productivity standards to measure its maintenance performance. RTS may also have been paying more than it should in mechanic overtime costs. We also found that the Authority did not always comply with its expenditure and procurement guidelines, and had not provided complete and timely reports to oversight agencies. The objective of our follow up, which was conducted in accordance with generally accepted government auditing standards, was to assess the extent of implementation as of

September 29, 2005 of the 16 recommendations included in our initial report.

### **Summary Conclusions and Status of Audit Recommendations**

We found that Authority officials have made progress in correcting the problems we identified. However, additional improvements are needed. Of the 16 audit recommendations, 11 recommendations have been implemented, 3 recommendations have been partially implemented, and 2 recommendations have not been implemented.

### **Follow-up Observations**

#### **Recommendation 1**

*To improve the accuracy and reliability of the RTS maintenance system:*

- *document all maintenance work performed, including currently unrecorded work time, on trouble cards or work orders;*
- *enter data from all trouble cards and work orders on the maintenance system; and*
- *regularly reconcile the time recorded on the maintenance system to the time recorded in the timekeeping system.*

Status - Partially Implemented

Authority Action - The Authority provided training, which included a general directive, to staff to require that all maintenance work performed on the buses be recorded on work orders and in the Bus Maintenance System. We reviewed the maintenance history records for ten buses for the period January 1, 2004 through March 31, 2005 and we examined the work orders that serve as one of the source documents to create the maintenance history records for these ten buses. We found that all work listed on the work orders was recorded in the maintenance system. The Maintenance Department developed a new form to record problems with the buses and what work was done to correct the problem. These forms, which started in January 2005, do not have a place for the mechanic to record the time it took to do the repair. Nevertheless, for 461 of the 583 (79 percent) new forms we reviewed, the mechanic did indicate the time on the work orders. Maintenance officials are aware of the deficiency in the form and are determining the amount of time spent on a repair based on when it was assigned and when the paperwork is returned showing completion of the repair. Authority officials told us that the current forms will be used up by December 31, 2005; new forms will have space for recording the number of hours worked. We note that the repair time was included in the maintenance history for those buses we reviewed. However, the Authority still does not reconcile the time recorded on the maintenance system to the time recorded in the timekeeping system. Authority officials state that the system does not allow them to perform this task but this feature will be included in the new bus maintenance system they are planning to obtain.

## **Recommendation 2**

*In developing the requirements for a new integrated computerized bus maintenance system, contact other transit authorities to help identify the bus maintenance software that best meets RTS needs.*

Status - Partially Implemented

Authority Action - Our follow-up audit indicates that, while the Authority has taken some steps, it has not accomplished the intent of our recommendation which was to identify bus maintenance software. Authority officials told us they have identified several software products that could be used at the Authority and they have hired a consultant to assess the Authority's software requirements and recommend the appropriate software. Authority officials also stated that they initially contacted other transit organizations to identify the maintenance systems being used. In September 2004, the Authority hired a consultant to assess the present capabilities and future needs of the Authority's overall information systems and to align the information technology strategy with the Authority's business objectives. The consultant developed an Information Technology Strategic Plan in November 2004 to enable the Authority to channel its information technology resources and plan implementation timelines. According to the timelines developed, selection of a fleet maintenance system would occur between November 2004 and April 2005. In June 2005, the Authority awarded another contract to this consultant to assess software requirements in light of its business objectives and subsequently to conduct the selection of software to meet these requirements. Based on the timeline in the consultant's proposal, they will complete the evaluation of software systems, including a Fleet Maintenance System, by December 31, 2005, and then will assist in the development of RFP's for the procurement of software packages, including the Fleet Maintenance System. The consultant will also assist in the evaluation of responses and negotiation of contract terms with the selected vendors. Authority officials expect to implement the software system during the first six months of 2006.

## **Recommendation 3**

*Analyze the RTS overtime budget and work flow patterns to determine the optimal number of additional mechanics required.*

Status - Implemented

Authority Action - The Authority has performed an analysis of overtime and, as a result, filled vacancies that existed during our prior audit. Authority officials believe that the high levels of RTS Maintenance Department overtime expense incurred during calendar years 2000, 2001, and 2002 as noted in our initial audit were primarily due to insufficient internal controls rather than a shortage of mechanics. They conclude that this has been confirmed by results of a maintenance overtime control plan that was established in 2003. This plan included the creation of separate overtime budget allocations combined with weekly overtime monitoring reports produced for each service area (e.g., Body Shop, Overhaul Shop, and Garage) within the Maintenance Department. For the fiscal year ended March 31, 2003, the Authority used 122,835 hours (98,066 regular and 24,769 overtime) on Inspection

and Maintenance activities. For the fiscal year ended March 31, 2005, the Authority used 125,818 hours (108,559 regular and 17,259 overtime) on Inspection and Maintenance activities. While there has been an increase of 2,983 work hours overall, overtime has decreased by 7,510 hours. The Authority has implemented controls to better manage overtime and increase efficiency. For example, the Maintenance Department must now monitor their overtime budget and stay within a weekly overtime allowance. The Authority has also moved more mechanics to evening shifts so more mechanical work is done when the buses are not in service. The Authority has also dedicated one position to work only on the maintenance backlog. According to Maintenance Department data, the backlog has been decreased from about 2,184 work items to about 728 work items. The Authority also implemented a new bus driver repair feedback form which has greatly increased the number of repair needs being reported by the drivers. In the past, bus drivers believed that the repairs they noted were not being made. However, the new feedback process shows what was done to correct the reported problems. Authority officials stated that the changes they have implemented have also improved the reliability of the buses.

#### **Recommendation 4**

*Do preventive maintenance inspections closer to the 6,000-mile and 30,000-mile intervals.*

Status - Implemented

Authority Action - The mileage interval for preventive maintenance (PM) inspections at RTS has been modified to allow for a ten percent (+/-) variance from the established 6,000 mile interval or within 90 days from last inspection. The Authority has set a Key Operating Measure goal that 90 percent of the PMs be performed within the 10 percent range. The Director of Maintenance prepares a daily report showing buses with over 5,250 miles or nearing 90 days since the last inspection.

We randomly selected a sample of ten buses that were in the RTS Overhead Shop on June 9, 2005 and reviewed the maintenance history reports and PM inspection reports for the period January 1, 2004 through March 31, 2005. A total of 58 inspections were performed on these 10 buses during the period. We found that 56 (97 percent) of the inspections were performed within RTS' PM inspection mileage interval. We found that one inspection was done 172 miles over the allowed interval and one inspection was done 244 miles under the allowed interval.

#### **Recommendation 5**

*Require mechanics to enter actual labor times for preventive maintenance inspections on the maintenance system, and compare actual performance to the established standard.*

Status - Implemented

Authority Action - Mechanics are now required to enter actual labor times for preventive maintenance inspections on the job card used for input to the current vehicle maintenance information system. Management periodically compares actual performance to the

established standard. We reviewed the preventive maintenance performed during the period January 1, 2004 through March 31, 2005 for a sample of 10 buses. We compared the actual time it took to complete the preventive maintenance as recorded on the inspection form and recorded in the Maintenance System. A total of 58 (43 - 6,000 mile and 15 - 24,000/30,000 mile) preventive maintenance inspections were performed on these 10 buses. We found that 57 of these inspections were performed within the established labor hour standard.

### **Recommendation 6**

*Develop bus repair time standards by collecting historical information in-house, working collaboratively with other transit authorities and reviewing manufacturer guidelines for warranty work. Compare actual repair times to these standards to identify and correct deviations from the standards.*

Status - Partially Implemented

Authority Action - Authority officials stated that RTS participated in a multi-transit company initiative led by Miami-Dade Transit to develop a set of time standards for different bus manufacturer lines. As part of this project, RTS developed some time standards for North American Bus Industries (NABI) buses. However, according to the RTS Director of Maintenance, the Miami-Dade Transit official leading the initiative retired and the initiative was not continued. The Director of Maintenance stated that when a new maintenance system is put into place, it will allow them to determine average repair times based on historical data which their current system does not allow them to do. They will also input the NABI time standards they developed into the new maintenance system. Using the average repair times based on historical data and the NABI time standards, the Authority should be able to compare actual repair times to these standards to identify and correct deviations from the standards. In the meantime, the Authority is not using the NABI standards developed to identify and correct deviations. Authority officials state that the NABI standards developed by RTS are informal at best and have not been confirmed independently by any other transit company.

While the NABI standards may not be confirmed by any other transit company, the Authority should consider the standards they created as a guide to measure performance until other industry accepted standards are developed.

### **Recommendation 7**

*Include indicators for both the effectiveness and the efficiency of all Authority maintenance services in the monthly report to the Board.*

Status - Not Implemented

Authority Action - The Authority's Board receives a monthly report showing various indicators of the effectiveness of bus maintenance activities, such as the number of road calls and vehicle miles per road call. In addition, the report shows some indicators of the efficiency of bus maintenance activities, such as on-time performance. The reports include data for

the current month compared to the same month of the prior year and year-to-date data to the prior year. However, the report does not include other efficiency indicators, such as a comparison of actual repair times to standard repair times. Therefore, the Authority's Board does not receive the information on efficiency standards that were called for in our initial audit. Authority officials add that the information system needed to provide such data to the Board is not yet in place.

### **Recommendation 8**

*Require that all invoices over \$10,000 be reviewed and approved by more than one person.*

Status - Implemented

Authority Action - Previously, the Authority's procedures required that the Chief Financial Officer (CFO) or Accounting Manager approve all payments of invoices in excess of \$10,000. The Authority has since modified its disbursement procedures to require that all invoices over \$10,000 be reviewed and approved by both the CFO and either the Accounting Manager or the appropriate Department Head or their designee. The Authority's practice is that the Department Head signs the invoice first and then sends it to the CFO for his signature. However, the Authority did not always follow the new procedure. We reviewed 38 invoices that were each over \$10,000, paid to three consultants. These 38 invoices totaled \$1,164,121. We found that 6 of the 38 invoices (15.8 percent) did not contain the required two approvals.

### **Recommendation 9**

*Ensure the Authority pays for goods and services it has received in accordance with contract terms by:*

- *verifying that the percentage of completion claimed on invoices, and the hours billed, are reasonable based on contract deliverables;*
- *determining that vendors' prices and charges comply with contract terms before approving an invoice for payment; and*
- *withholding retainage required by Authority contracts.*

Status - Implemented

Authority Action - The Authority's claim voucher format currently requires that the official signing the claim voucher attest to the accuracy of the invoice and certify that the goods or services being invoiced are appropriate and have been received. To further strengthen controls, upon notification of contract execution by the Authority, vendors providing contracted services are specifically advised that their invoices must be accompanied by documentation of hours worked and percentage of deliverables completed. In addition, current procedures already require that vendors' prices and charges comply with contract terms before invoices are approved for payment. The Authority's accounts payable financial system will not approve

payments for purchase order based invoices that do not meet a three way match of the purchase order, receiving records, and the invoice with respect to quantity, unit price, and extension. With respect to invoices that are not preceded by a purchase order, to further strengthen internal controls all staff involved in auditing invoices must sign off that they have verified that all goods have been received and that prices charged are in compliance with contract terms. In addition, the Authority's claim voucher format now includes a check off box and sign off by the Accounts Payable Clerk to indicate that all invoice price extensions are correct. When required by contract, retainage is withheld from vendor payments in order to ensure completion of contractual obligations.

We reviewed three vendor's contracts and invoices to determine if the percentage of completion and hours worked were documented and that retainage was appropriately withheld. We reviewed ten invoices paid between January 2004 and April 2005 for these three vendors totaling \$393,440. Eight of the invoices examined appropriately documented the reasonableness of the percentage of completion charged and hours worked and the labor rates were documented. The Accounts Payable Clerk had checked off and signed that prices agreed with contract terms, and retainage was withheld from seven invoices examined. Three invoices for one vendor did not require retainage be withheld. We also reviewed 267 invoices from three vendors that are based on fixed prices for parts and services. The invoices totaled \$213,372.28 and were paid during the period April 2004 through March 2005. We verified that the prices paid on the invoices agreed with the contract amounts for those items.

#### **Recommendation 10**

*Review the exceptions we identified related to grant funds, and refund the grant funds for costs unrelated to Rochester Central Station.*

Status - Implemented

Authority Action - Authority officials reviewed the nearly \$28,000 in exceptions we identified and concurred that they represented non-project related expenses. The Authority refunded, through adjustments to future drawdowns, the grant funds that had been drawn related to these non-project related expenses.

#### **Recommendation 11**

*Develop procedures that ensure staff allocate costs to the proper accounts and charge only appropriate costs against grant funds.*

Status - Implemented

Authority Action - To ensure costs are charged to proper accounts, the Authority instructed its legal counsel to segregate charges by each project and to invoice each project separately. In addition, the Authority modified its claim voucher to include a check off box and sign off by the Accounts Payable Clerk to indicate that the costs are charged to the proper account. We reviewed 28 invoices for legal services totaling \$319,669.84 that were paid between June

2004 and March 2005. All invoices contained a detailed description of the work done and were broken down by each specific project and were recorded against the proper account.

**Recommendation 12**

*Include all contracts worth \$5,000 or more in the annual procurement contract report, including contracts approved on behalf of the Genesee Transportation Council.*

Status - Implemented

Authority Action - The annual procurement contract report that the Authority sent to the Office of the State Comptroller for the year ended March 31, 2005 included revenue contracts and contracts approved on behalf of the Genesee Transportation Council.

**Recommendation 13**

*Document the Board's formal approval of the contract for janitorial services.*

Status - Implemented

Authority Action - The Board met and unanimously approved, by resolution, the janitorial contract for RTS, Inc. However, Board approval of this contract occurred after the contract term began on March 31, 2003.

**Recommendation 14**

*Require vendors to supply certificates of insurance if required by the contract.*

Status - Implemented

Authority Action - The requirement for submission of insurance certification has been in place for many years. Staff was instructed to ensure vendors comply with this requirement. The Authority created a new Project Management/Contract Tracking/Tracking Report which added a step to show the expiration dates of insurance certificates which they plan to begin using. We reviewed the contracts for four vendors and verified that the Authority had the required Certificate of Insurance on file and that it was up-to-date.

**Recommendation 15**

*Enhance accountability over bus pass sales at all sales sites, including the Midtown booth, by complying with revised Authority control procedures. Include in these revised procedures a step to reconcile the ending inventory of bus passes sent, sold, and returned as part of the quarterly audit.*

Status - Implemented

Authority Action - To strengthen controls the Authority modified the format of the daily inventory sheet. In addition, quarterly audit procedures now include a reconciliation based on the passes sent, sold, and returned and procedures were added to reconcile that the ending

inventory each day agrees with the beginning inventory the next day. We reviewed the daily sales reports for the Midtown booth from October 1, 2004 through December 31, 2004 and the quarterly audit done on these sales reports. We found that the ending inventory for each day was reconciled to the beginning inventory of the next day and that the number of passes sent, sold, and returned was reconciled. Based on our tests, we concluded that the Authority's revised its control procedures.

### **Recommendation 16**

*Submit all required reports to the Board for approval, and send this Board-approved information to State oversight agencies on an annual basis within the time frame required by Article 9 of the Law and the New York State Code of Rules and Regulations.*

Status - Not Implemented

Authority Action - The Authority has installed a new financial software system and Authority officials state that this software has facilitated year-end closings and preparation of consolidated financial statements. In addition, schedules for the preparation and submission of all required reports have been revised to ensure that all required reports to State oversight agencies are submitted on a timely basis. However, the Authority still does not meet some reporting timelines.

Article 9 of the Public Authorities and Part 201 of the New York Code of Rules and Regulations require the Authority to annually prepare and submit reports to various New York State (State) oversight agencies by June 29 each year. These reports include the following:

- audited financial statements;
- the management comment letter issued in conjunction with its most recent annual audit;
- the State Comptroller's Annual Public Authority Data Request;
- a report on investments;
- a report on procurement contracts; and
- a report on the scope and implementation of prompt payment policy.

For the years ended March 31, 2005 and March 31, 2004, respectively, the Authority submitted the State Comptroller's Annual Public Authority Data Request in a timely manner. However, for the year ended March 31, 2005, the audited financial statements and management comment letter were not included. Instead, draft financial statements were submitted. In addition, the investment guidelines were not submitted. As of September 8, 2005, the audited financial statements and management comment letter for the year ended March 31, 2005 had still not been submitted to the State. For the year ending March 31, 2004, draft financial statements were also submitted. The audited financial statements were not received by the State until September 24, 2004.

Major contributors to this report were Gerald Tysiak, Roger C. Mazula, Wayne Bolton, and Bruce Brimmer.

We would appreciate your response to this report within 30 days, indicating any actions planned to address the unresolved issues discussed in this report. We also thank the management and staff of the Rochester-Genesee Regional Transportation Authority for the courtesies and cooperation extended to our auditors during this process.

Very truly yours,

Carmen Maldonado  
Audit Director

cc: Robert Barnes, Division of the Budget  
Michael Jankowski, Audit Committee Chairman  
Mark Aesch, RGRTA Chief Executive Officer  
Robert W. Frye, RGRTA Chief Financial Officer  
Steven Hendershott, RGRTA Chief Operating Officer