Metropolitan Council

Program Evaluation and Audit

PBF Dial-A-Ride Providers

December 18, 2007

BACKGROUND

Minnesota Statute 473.371 defines the transit goal for the Metropolitan Council as providing a basic level of mobility for all citizens within the metropolitan area. To assist in this objective, the Council uses Performance-Based Funding (PBF) contracts to support Dial-a-Ride (DAR) paratransit services in areas that lack regular route public transportation services. Currently, the Council administers 18 contracts to provide PBF subsidies to 11 local governments, non-profits and private providers of DAR services. The Minnesota Department of Transportation (MnDOT) initiated eight of these contracts in the 1970s and early 1980s; however administration of the contracts transferred to the Regional Transit Board in 1988. The Regional Transit Board was the predecessor of Metro Transit and Metropolitan Transportation Services. In 2006, PBF contractors were paid $3,062,808 in subsidies from the Council.

PBF contracts are not assigned through bid as these transit services are initiated by local communities. After a local community decides on establishing or has established a Dial-A-Ride service, it may then appeal to the Council for funding assistance through the PBF program. To continue to receive funding, each PBF contractor must submit an annual management plan that outlines the service area, target population, promotion of services, expected ridership and estimated financial assistance necessary to operate. Contract administrators in the Metropolitan Transportation Services (MTS) division review these management plans and determine any necessary changes prior to contract renewal. Contracted PBF providers are required to operate according to their stated management plan.

Furthermore, PBF providers must adhere to the National Transit Database (NTD) standards applicable to public transportation providers. According to the NTD, the PBF transportation program is 'Purchased Transportation' and is obligated in advance to be public transportation. All ridership statistics associated with PBF programs are reportable to the NTD as federal funding to the Council is based on these statistics. PBF contractors are required to submit ridership statistics including hours of service, number of miles operated (revenue and non-revenue), passengers carried, operating revenue collected, and costs of service to MTS each month. Monthly reports to MTS also serve as requests for payment from PBF providers; contractors are only paid upon the receipt of a monthly report.

A previous audit report (2007-48) covered findings from the review of PBF contracts held by the nonprofit, Senior Community Services. This report will present the findings related to all other PBF contracts under review. The following page includes a table summarizing contract information for the programs under review. Certain PBF contracts were excluded from parts of this audit including DARTS in Dakota County, Scott County, and the Osseo Circulator. DARTS and Scott County were excluded from the review of financial and ridership data because they were audited twice in the past two years during reviews of county ADA providers (audit reports 2005-28 and 2006-24). The Osseo contract was excluded because the program is part of the Maple Grove Dial-A-Ride system, which is contracted under a different program. The Osseo PBF contract was set up in order to expand Maple Grove DAR service to residents of Osseo.

Table 1. PBF Contracts Under Review

Contract #	Contractor	Subcontractor	Service Area	2007 Contract Amt.
SG-2007-008	Anoka County Traveler	First Transit	Anoka County	$202,310.00
SG-2007-004	Lake Area Bus (LAB)	First Transit	White Bear Lake, White Bear Township, Birchwood, Mahtomedi, Maplewood and Vadnais Heights	$261,749.00
SG-2007-005	Northeast Suburban Transit (NEST)	First Transit	Maplewood, North St. Paul and Oakdale, Hillcrest and Sun Ray Malls	$163,921.00
SG-2007-003	City of Hopkins	Midwest Paratransit	Hopkins	$83,869.60
SG-2007-006	People Responding in Social Ministry (PRISM)		Brooklyn Center, Crystal, Golden Valley, New Hope, Robbinsdale, Eastern Plymouth, Twin Cities	$201,349.00
SG-2007-002	City of Hastings		Hastings	$212,693.30
SG-2007-007	Park People Mover (STEP)		St. Louis Park	$18,403.50
SG2007-009	Anoka County Volunteer		Anoka County, Twin Cities area	$30,864.00
SG-2007-010	Carver County Transit (CARTS)		Carver County	$289,473.00
SG-2007-013	Human Services Inc. (H.S.I.)		Washington County	$382,185.00
SG-2007-011	DARTS		Dakota County	$430,554.00
SG-2007-015	Scott County		Scott County	$540,287.00

Purpose

The purpose of this audit is to review PBF contracts and examine contractor adherence to agreed upon terms of service, which are in line with public transportation policies and statutes. This audit will specifically examine the accuracy of reported ridership data, population served by PBF providers, promotion of services, fare collection policies and systems, use of Council owned vehicles (where applicable), and coordination of PBF systems with other forms of public transit.

Scope

The scope of the engagement will include all current PBF contracts. The audit will focus on the following processes:

- assignment and renewal of PBF contracts,
- promotion of DAR services and ridership population served,
- use of Council provided vehicles in providing services (where applicable),
- DAR service area, and
- reported ridership and financial data.

Methodology

To determine contractor adherence to agreed upon terms of service, audit activities included the following:

- Federal and State public transportation statutes and guidelines were reviewed.
- PBF contracts, management plans and master lease agreements were analyzed.
- City, County, Council and PBF provider websites were viewed to determine what kinds of information are provided for potential DAR passengers,
- Advertisement materials were collected and reviewed,
- Interviews with MTS staff and PBF contractor staff were conducted.
- Backup documentation to reported ridership statistics was collected and reviewed.
- PBF provider contracts and management plans were reviewed according to public transit statute and guideline requirements, both State and Federal, with particular emphasis on advertisement of services and target ridership population
- PBF contractors were contacted in 'secret shopper' calls to set up ride appointments in order to confirm service availability to the general public
- Fare policies as stated in management plans were compared to advertised fare policies as well as reported fares
- A subset of providers were evaluated for adherence to strict public use of Council vehicles, according to the Master Lease Agreement
- A spatial analysis was prepared of transportation services using GIS

Assurances

This audit was conducted in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the US Government Accountability Office's *Governmental Audit Standards*.

FINDINGS

Some ridership documentation is inadequate to confirm reported data.

Audit reviewed backup documentation to reported ridership numbers for April 2007 for all PBF contract programs. Forms of documentation included driver manifests, summary spreadsheets, and database queries. The review found that documentation for three programs was insufficient to tie to reported ridership numbers. These programs included Hopkins, PRISM, and Carver County. The PBF contract requires that complete and accurate backup documentation be maintained by contractors to support reported data.

Multiple programs have insufficient fare controls in place.

For all programs that use some form of fare media other than cash, such as punch cards, ride coupons and tokens, Audit reviewed the presence of proper internal controls to ensure that revenues are secured by contractors. Audit interviewed program staff about the handling of fare media and reviewed applicable documentation. Sufficient control over fare media involves the active tracking of fare media sales, including the inventory of fare media. Audit encountered four programs that lacked sufficient controls over fare media. These programs were Hastings, Hopkins, Lake Area Bus and NEST. These programs sell fare media but do not make an effort to track that fare media is being properly handled and distributed. Poor internal controls in this area create a risk that all revenues are not reported to the Council, and also create a possibility for fraud on the part of contractor employees.

Several PBF contract programs do not provide general public transportation.

According to MTS staff, PBF providers have been instructed that they cannot refuse rides based on age, ability or income if they have capacity available. Audit contacted all PBF providers in order to schedule a ride on their transit service. The Audit caller identified herself as a resident of the program service area, and asked about booking a ride on the transportation service. The STEP and Anoka County Volunteer programs refused service to the Audit caller because they only provide rides for social service and medical trips.

The Lionmobile, a program reported as part of LAB, does not provide service to the general public either. Lionmobile service is restricted to seniors and persons with disabilities. Although ridership numbers are reported as part of LAB, the Lionmobile is a separate Dial-A-Ride program run by the White Bear school district. Lake Area Bus effectively purchases Lionmobile rides by passing on a portion of the money that the Council pays for those rides. Other than the payment from LAB to Lionmobile, the two programs lack any connection.

PBF contracts require that contracted services be general public through the incorporation of NTD reporting standards. Section 6.01 of the PBF contract states that "to maintain its status as an eligible recipient of federal transit funding, the Council and its contractors providing subsidized transit service must report certain data and operation statistics to the National Transit Database. Accordingly, the reporting requirements of the National Transit Database are incorporated in this agreement by this reference." The Council is a

recipient of FTA Urbanized Area Formula Program funds and all recipients of these funds are required to report transit statistics to the NTD for both directly operated and purchased transportation services. PBF contracts are categorized as purchased transportation according to NTD standards. Providers of purchased transportation are "obligated in advance to operate public transportation services" according to NTD standards language.

PBF contract programs are not advertised on the Council Dial-A-Ride website.

The Council publishes a website that includes Dial-A-Ride programs in the metropolitan area. The Hastings and PRISM programs are not advertised on this website despite receiving significant Council funding for their operation. The Hastings program is advertised in other places easily accessible to the general public, for example, the City of Hastings website. However, the PRISM program is not advertised in places that the general public would normally access to find public transportation. PRISM transit services are only advertised on the PRISM nonprofit website, which would only be accessed by existing PRISM clients under most circumstances. Even though PRISM offers service to the general public, that service is not advertised in places accessed by the general public.

Certain communities have multiple Dial-A-Ride programs while others have none. Some Dial-A-Ride programs exist in areas with abundant fixed-route bus transportation.

Audit conducted a spatial analysis of Dial-A-Ride and fixed-route transit systems to detect gaps in services and areas with multiple transit services. Audit identified overlap between H.S.I. and six other Dial-A-Ride programs including Hastings, St. Croix Circulator, LAB, South County, NEST and Woodbury. There is also overlap between Maple Grove DAR and the Senior Transportation program. Three PBF programs exist in areas with extensive fixed-route service; these programs include STEP in St. Louis Park, PRISM and NEST. Audit also identified nine cities or townships with neither fixed-route nor DAR services including Hassan Township, Corcoran, Wayzata, Woodland, Shore View, Arden Hills, North Oaks, Little Canada and Gem Lake. Detailed GIS maps showing the full spatial analysis are included in the appendix to this report.

Reported expenses for the PRISM program are based on an outdated formula that includes inaccuracies.

According to the PRISM transportation program manager, a formula is applied to general ledger costs to determine reportable expenses. Audit review of April 2007 expenses found that insurance costs were overstated by 30%. The program manager explained to Audit that this is due to the expense formula being some years old and probably outdated. Audit reviewed the true cost of PRISM insurance and compared it to the reported insurance expenses over the life of the policy. According to Audit analysis, PRISM should only report $4,873.08 in further insurance expense up through April 2008, which would be an equal monthly amount of $974.62.

H.S.I. revenues are understated between 4% and 7%.

Documentation of revenues for April 2007 was compared to reported revenues and Audit found that reported revenues were understated by 4%. H.S.I. staff provided Audit with documentation of revenues between January and June 2007. When Audit compared this documentation to MTS reports, it was found that reported revenues were understated by 7.24%. Current PBF contracts indicate that the Council will pay for expenses less all other revenues up to a maximum subsidy amount and that the maximum subsidy amount is not a minimum guarantee. Reporting the full amount of documented revenue would have decreased the Council payment to H.S.I. according to PBF contract guidelines.

H.S.I. ridership data has been inaccurately entered into the MTS database used for federal reporting.

MTS staff enters ridership data for PBF contractors into a database every month for the purpose of tracking ridership data that is reported to the FTA at the end of the year. In 2006, H.S.I. staff reported ridership numbers for ADA trips and PBF trips separately. In 2007, the reporting method was changed so that H.S.I. reported total trips including both PBF and ADA, and then ADA trips were reported separately as well. Because MTS contract staff was unaware of this reporting change, the number of PBF rides entered in the database was actually the total number of rides. When MTS contract staff added together the PBF and ADA rides, they were effectively double-counting the ADA rides. For every month in 2007 the number of ADA rides has been counted twice resulting in grossly inaccurate ridership numbers. Audit has reviewed this issue with MTS contract staff and determined that the data entry error has not resulted in inaccurate federal reporting or overpayment to H.S.I.

Hopkins reported mileage is estimated despite the availability of actual mileage.

Hopkins staff report mileage based on an estimate rather than using the actual mileage data available from Midwest Paratransit. The estimate is based on a mileage study done years ago by City of Hopkins staff, and while it most likely prevents mileage from being materially misstated, its use is inferior to actual mileage data.

Anoka Volunteer riders are able to make appointments directly with volunteer drivers and there is no way for Anoka staff to verify these rides.

Veterans who live in Anoka County are able to call volunteer drivers directly to make an appointment for a ride. Many of these rides are to the VA Medical Centers in Minneapolis and St. Cloud which involves trips going 50 to 100 miles. Volunteer drivers submit mileage reports for reimbursement for these trips, but there is no way for Anoka County to verify that the trips occurred.

Audit reviewed volunteer driver manifests for April 2007 for any indications that volunteer drivers were misstating veteran trips. Audit identified one volunteer driver who submitted multiple same-day long-distance trips to veterans. On April 4, 2007, this particular driver reported making two separate trips to the VA in Minneapolis, totaling 108 miles and between six and fifteen hours of volunteer service. On April 24, 2007, this same driver indicated two more trips to the Minneapolis VA totaling 144 reimbursable miles and 9 hours of volunteer service. It seems unlikely that the volunteer driver was

unable to coordinate these trips or refer a request to another volunteer driver. Anoka Volunteer program has over 30 volunteer drivers.

CARTS provides charter service on occasion, but does not exclude certain costs associated with these trips from reported expenses.

CARTS provides charter services very rarely, for example no charter service was provided in the month examined by Audit. However, certain costs attributable to charter service are not excluded from expenses reported to MTS. While drivers charge their labor to a separate account code, there is no provision for separately accounting for gas, vehicle maintenance or other expenses attributable to charter services. All ridership data, including expenses, related to charter trips is strictly prohibited from reporting by the PBF contract. Carver County should devise methods of separate accounting that would satisfy this contractual requirement.

CONCLUSIONS

1. Almost all PBF contractors are deficient in one or multiple areas of contract compliance. The fact that contract non-compliance is so widespread indicates a need for greater supervision by Council staff.

Audit reviewed all PBF contractors for basic compliance in the reporting of rides, fares, revenues, expenses and mileage. Audit also checked for the presence of adequate internal controls over cash fares and fare media, ability to control for charter services, and other items depending on the program. Only the Anoka County Traveler program showed compliance in reporting and adequate controls across all areas reviewed. Every other program had deficiencies in one or multiple areas. The table below summarizes the areas of compliance and internal control reviewed by Audit, as well as the findings for each individual program. The issues that Audit came across most frequently involved non-compliance in ridership reporting and inadequate control over fare media. The attached appendix shows the individual findings for each program.

Table 2. PBF Contract Program Scorecard

Program	*Non-compliance in reported…*					*Poor internal controls in…*			
	Rides	**Fares**	**Expenses**	**Revenues**	**Mileage**	**Cash handling**	**Fare media**	**Charter trips**	**Ride reporting**
Anoka Traveler									
Anoka Volunteer	x								x
Carver County	x							x	
H.S.I.				x					
Hastings							x		
Hopkins	x			x			x		
Lake Area Bus	x						x		
NEST							x		
PRISM	x		x					x	
STEP	x								

MTS staff has been very helpful and receptive in correcting problems discovered during this audit. However, many of the contractor issues Audit encountered are linked to a general lack of oversight and review by the Council. PBF contracts require contractors to maintain accurate backup documentation, but in many cases that documentation has never been reviewed by Council staff to verify reporting. Audit frequently encountered contractor staff that was unaware that their documentation and internal controls were inadequate. Overall, the findings from this report indicate a need for greater contractor oversight from the Council.

2. The PBF program has conflicting goals and requirements that result in inconsistencies between contract language and program procedures.

The PBF program is referred to as community-based Dial-A-Ride because the programs are initiated by local communities. As a result, the local community controls the program including setting fare policies, service hours and area, determining the target population,

type of service provided, and many other business aspects. At the same time, statute requires that the Council pay for about 60% of the costs associated with these programs. This basic conflict results in inconsistent practices in dealing with PBF contracts. For example, Audit was told by MTS staff that payments to PBF contractors are block grants and are made in full despite actual expenses and revenues. At the same time, the PBF contract clearly states that the maximum subsidy is not a block grant. PBF contracts state that the Council should pay expenses less all other revenues, indicating that the Council is the funder of last resort. MTS staff has stated in interviews that PBF programs are local programs, and the Council is just providing some funding. However, the Council is providing the majority of funding and without the benefit of having a say in fare policy, types of service, or reciprocity between PBF and other transit programs.

3. The system of Dial-A-Ride programs and fixed-route transit in the metropolitan area needs improved coordination as there are areas of program overlap, while at the same time other areas lack any public transportation.

The PBF program developed over time with different contractors being added over several decades based on the application of community-based programs and the availability of funding. Funding for PBF contractors has continued from year to year despite changes in fixed-route and other transportation options. Audit analyzed Dial-A-Ride availability for areas of program overlap and program gaps and identified numerous cities with multiple DAR and fixed-route systems while other cities lack any transportation. Better coordination could improve efficiencies and increase transportation availability.

RECOMMENDATIONS

Program Evaluation and Audit recommendations are categorized according to the level of risk they pose for the Council. The categories are:

- **Essential** – Steps must be taken to avoid the emergence of critical risks to the Council or to add great value to the Council and its programs. Essential recommendations are tracked through the Audit Database and status is reported twice annually to the Council's Audit Committee.
- **Significant** – Adds value to programs or initiatives of the Council, but is not necessary to avoid major control risks or other critical risk exposures. Significant recommendations are also tracked with status reports to the Council's Audit Committee.
- **Considerations** – Recommendation would be beneficial, but may be subject to being set aside in favor of higher priority activities for the Council, or may require collaboration with another program area or division. Considerations are not tracked or reported. Their implementation is solely at the hands of management.
- **Verbal Recommendation** – An issue was found that bears mentioning, but is not sufficient to constitute a control risk or other repercussions to warrant inclusion in the written report. Verbal recommendations are documented in the file, but are not tracked or reported regularly.

1. **(Essential) MTS should conduct periodic reviews of documentation to reported ridership and operations statistics from PBF contractors.**

PBF contractors have shown consistent issues with basic contract compliance. The PBF contract requires that accurate backup documentation be maintained to verify reporting, however documentation has not been reviewed consistently by the Council. Given the importance of ridership statistics for Council funding, MTS should determine an appropriate model of reviewing monthly report data to ensure contract compliance and the accuracy of reported data. Contractors should be held accountable to the requirements of the PBF contract.

Management Response:
MTS understands the importance of accurate reporting and will implement new procedures for auditing all service contracts on a routine basis. The scope of the audit will include sampling and validation of passenger counts and other procedures designed to test for overall contract compliance.

2. **(Significant) PBF contractors who provide charter service should be required to indicate this in the annual management plan, along with their method for separating out costs attributable to charter service.**

Charter services are excluded from all federal reporting and the expenses related to charter service should be separated from the expenses reported to the Council. Any PBF contractor that chooses to provide charter service should demonstrate the ability to account for non-PBF expenses in a manner that is satisfactory to the Council and ensures

that the PBF payments are not being used to cross-subsidize private transportation or other services.

Management Response:
MTS will advise CARTS of the need to exclude the reporting of all costs, ridership and revenue associated with charter services for 2007 and all future years. Additionally, CARTS will be advised of the requirement to use a vehicle other than those owned by the Council to deliver charter services.

3. (Essential) MTS should require improvement of contractor internal controls over fare media.

Four PBF programs use fare media without adequate tracking and inventory systems. These programs are Hastings, Hopkins, LAB and NEST. While it is preferable that fare media be numbered, all fares need to be tracked in some manner as they are the equivalent of cash in transportation systems.

Management Response:
MTS will meet with Hastings, Hopkins, LAB and NEST to identify and implement the changes necessary to properly track and account for all fare revenue.

4. (Essential) MTS should discontinue funding of the Anoka Volunteer, STEP, and Lionmobile programs.

These three programs do not provide transportation service to the general public, making them non-compliant with FTA requirements and prohibited from federal reporting. At the same time, all three programs exist in areas with other forms of public transportation available. The Anoka Volunteer program covers the same area as the Anoka Traveler, however it also delivers Anoka residents to locations outside the metropolitan area and in the twin cities area. The twin cities have fixed-route and train transportation available, but the Volunteer program does not link up with these systems. The STEP program is located in St. Louis Park, an area that has ample fixed-route bus service. The Lionmobile covers an area within the Lake Area Bus service area, but it also delivers seniors to medical centers and social service agencies in the Twin Cities. The Lionmobile does not link up with the many fixed-route transit services in the Twin Cities. These three programs are both unreportable and redundant, and the Council should discontinue financial support of these programs.

Management Response:
MTS is preparing a draft policy for Council consideration. The draft policy includes an implementation plan for dial-a-ride services that facilitates local coordination, provides consistency and equity throughout the seven county service area and maximizes federal funding. Until the Council acts on this proposal, MTS recommends making the following modest changes:
1. The 2008 Anoka County Volunteer funding agreement will be revised to eliminate the subsidy for rides delivered outside of the seven county area.
2. Anoka County will be required to modify procedures so as to establish appropriate internal controls for the Volunteer program by June 1, 2008.

3. *Rides delivered by the Lionmobile, Anoka County Volunteer and STEP are not eligible for federal funding and will not be reported to the National Transit Data base.*

5. (Significant) MTS should advertise all PBF subsidized transit services on the Council's Dial-A-Ride website.

The Council maintains a website including Dial-A-Ride information for the general public. MTS should include service area, fare and contact information for all services subsidized by PBF contracts on Council websites so that members of the general public can access PBF contractor services.

Management Response:
MTS is in the process of updating the Council's website to advertise all PBF subsidized transit services. Information includes the service area, fare structure and contact information.

6. (Essential) MTS should follow the current PBF contract and require that PBF contractors accurately report operating revenue from local funding partners.

The PBF contract indicates that the Council should pay expenses less all other revenues, including fares and other government and private contributions. Currently, the PBF subsidy amount is treated as a block grant that is paid in full while other funding streams are used to balance the costs and revenues. MTS staff has emphasized that PBF programs are local programs that are not controlled by the Council, therefore the Council should not be the funder of first resort. If MTS decides to change contract language to reflect current practices, and at the same time acknowledge that the Council is the majority funder, then the Council should have more control over PBF program management.

Management Response:
MTS has implemented changes in 2008 so as to comply with contract language, which states that the Council is the funder of last resort. Community-based providers have been notified of the change and procedures established so that all local sources, that are dedicated to transit, are reported and netted against expenses prior to calculating the Council's subsidy. The Council will cover the remaining program costs up to the contract established maximum amount.

7. (Essential) MTS should review H.S.I. ridership data and correct the double-counting of ADA trips.

Due to a change in reporting from H.S.I., MTS staff has been double-counting ADA trips in total ridership numbers. This mistake is limited to the current year, 2007, and has not resulted in overpayment to H.S.I. or inaccurate reporting to the FTA. However, H.S.I. ridership numbers need to be corrected in order to prevent overpayment or inaccurate reporting in the future.

Management Response:
H.S.I.'s 2007 ridership numbers have been corrected.

8. (Significant) MTS should study ways to increase efficiency and coordination of Dial-A-Ride and fixed-route transportation system.

Audit conducted a spatial analysis of Dial-A-Ride and fixed-route transportation systems and found areas of overlap and other areas that lacked any means of public transportation. Some cities appear to have extensive fixed-route, and yet they receive Dial-A-Ride service as well. While some suburban communities may have bus lines that are spread out over miles, the presence of numerous fixed-route options indicates that those communities do not need extensive Dial-A-Ride service at the least. According to MTS staff, the department is currently conducting a study to improve the Dial-A-Ride system. Audit recommends that MTS consider the data from this audit when planning changes to the current system.

Management Response:

MTS is conducting a comprehensive study of the Community-Based Programs that should be finalized by the end of 2008. Recommendations will be developed using the following guiding principles:

- *Eliminate duplicative layers of transit service. Reinvest funds in dial-a-ride service in geographic areas that are not suited to fixed route.*
- *Establish a minimal level of general public transit service, throughout the seven county area, in an equitable and consistent manner.*

Results of these audit findings will be considered when developing recommendations for change.

Appendix A:

PBF Contract Findings by Provider

Carver County

Carver County cash fares and fare media are well controlled and accounted for; financial reporting is accurate.

Audit reviewed CARTS fare collection methods for the presence of effective internal control systems. Audit found that fare media is numbered and tracked by management, and that management has implemented adequate safeguards to ensure proper collection of cash fares. CARTS also collects many fares through billing and uses a manual billing system that is rather cumbersome, resulting in bimonthly billing as opposed to monthly. General ledger documentation to monthly reporting was reviewed and found to reflect reported revenues and expenses.

Driver manifests do not accurately document reported ridership.

Audit reviewed a statistically significant sample of driver manifests for April 2007 and found that manifests document 14% fewer rides than reported. This discrepancy comes from group trips that are not accurately or consistently recorded on the driver manifests, and rides for 'meals on wheels' that appear to be reported. Reporting of Meals rides is prohibited.

CARTS provides charter service on occasion, but does not exclude certain costs associated with these trips from reported expenses.

CARTS provides charter services very rarely, for example no charter service was provided in the month examined by Audit. However, certain costs attributable to charter service are not excluded from expenses reported to MTS. While drivers charge their labor to a separate account code, there is no provision for separately accounting for gas, vehicle maintenance or other expenses attributable to charter services. All ridership data, including expenses, related to charter trips is strictly prohibited from reporting by the PBF contract. Carver County should devise methods of separate accounting that would satisfy this contractual requirement.

PRISM

Fares are accurately accounted for and effectively controlled by PRISM staff.

Audit reviewed fare collection methods for the presence of effective internal controls. Only cash fares are accepted and they are secured and accounted for effectively by PRISM staff. Audit reviewed fare receipts for April 2007 and found that they accurately reflected fares reported to MTS.

PRISM expenses are based on an outdated formula that includes inaccuracies.

According to the PRISM transportation program manager, a formula is applied to general ledger costs to determine reportable expenses. Audit review of April 2007 expenses

found that insurance costs were overstated by 30%. The program manager explained to Audit that this is due to the expense formula being some years old and probably outdated. Audit reviewed the true cost of PRISM insurance and compared it to the reported insurance expenses over the life of the policy. According to Audit analysis, PRISM should only report $4,873.08 in further insurance expense up through April 2008, which would be an equal monthly amount of $974.62.

Reported ridership numbers included charter service trips.

PRISM transportation program provides charter services on weekends including rides to particular client churches, and rides for a social service program in Minneapolis. These trips accounted for over 1,600 rides in April 2007, over 40% of all rides. These rides were being reported to the Council. However PRISM discussed this issue with MTS and has revised past ridership numbers to exclude charter trips and has agreed to exclude all such trips in the future. MTS staff has also worked with PRISM to devise methods of excluding charter service expenses from reported data.

NEST

Ridership numbers, expenses and revenues are accurately reported to the Council.

Audit compared reported financial data and ridership numbers to backup documentation for April 2007. Billing statements confirmed expenses, and driver manifests and accounting documentation confirmed both rides and revenues.

Certain fare media lack control numbers and are not tracked.

NEST riders can use punch cards or ride tickets as fare media. While punch cards are numbered and their distribution is tracked, ride tickets lack any control number and their sales are not tracked. Ride tickets come in packs of ten and are sold by both drivers and program staff.

Lake Area Bus

Expenses and revenues are accurately reported to the Council.

Audit compared reported financial data and to backup documentation for April 2007. Billing statements confirmed expenses, and driver manifests and accounting documentation confirmed revenues.

Certain fare media lack control numbers and are not tracked.

LAB riders can use punch cards or ride tickets as fare media. Although punch cards are numbered and their distribution is tracked, ride tickets lack any control number and their sales are not tracked. Ride tickets come in packs of ten and are sold by both drivers and program staff.

The Lionmobile, while reported as part of LAB, is a separate program that is not available to the general public and is not reportable under federal guidelines.

The Lionmobile program is part of the White Bear school district and is completely separate from LAB. However, LAB effectively 'buys' the right to report Lionmobile rides by passing on about $10,000 in Council payments to the program annually. The rides LAB gets to report under this arrangement bring in between $24,000 and $30,000 in additional revenue from the Council.

The Lionmobile program is available only to seniors and some individuals with disabilities who live within the White Bear school district. The program is not available to the general public, however program staff will refer ride requests to LAB. Furthermore, Audit compared driver manifests to reported Lionmobile rides and found that manifest documentation showed 5% fewer rides than the number reported. This discrepancy is due to wait listed rides that were counted as fulfilled even though there is no indication of ride completion on the manifest.

H.S.I.

Program expenses are accurately reported; fare media and cash controls are adequate.

Audit compared reported expenses to general ledger documentation and found reported numbers to be accurate. H.S.I. sells ride cards that are numbered and inventoried. Cash fares are effectively handled and accounted for according to interviews with staff and documentation.

H.S.I. revenues are understated between 4% and 7%.

Documentation of revenues for April 2007 were compared to reported revenues and Audit found that reported revenues were understated by 4%. H.S.I. staff provided Audit with documentation of revenues between January and June 2007. When Audit compared this documentation to MTS reports, it was found that reported revenues were understated by 7.24%. Current PBF contracts indicate that the Council will pay for expenses less all other revenues up to a maximum subsidy amount and that the maximum subsidy amount is not a minimum guarantee.

H.S.I. ridership data has been inaccurately entered into the MTS database used for federal reporting.

MTS staff enters ridership data for PBF contractors into a database every month for the purpose of tracking ridership data that is reported to the FTA at the end of the year. In 2006, H.S.I. staff reported ridership numbers for ADA trips and PBF trips separately. In 2007, the reporting method was changed so that H.S.I. reported total trips including both PBF and ADA, and then ADA trips were reported separately as well. Because MTS contract staff were unaware of this reporting change, the number of PBF rides entered in the database were actually the total number of rides. When MTS contract staff added together the PBF and ADA rides, they were effectively double-counting the ADA rides. For every month in 2007 the number of ADA rides has been counted twice resulting in

grossly inaccurate ridership numbers. Audit has reviewed this issue with MTS contract staff and determined that the data entry error has not resulted in inaccurate federal reporting or overpayment to H.S.I.

Hopkins

Hopkins program expenses as reported to the Council are accurate to backup documentation.

Audit reviewed backup documentation to reported expenses for April 2007. No exceptions were noted to the reported expenses.

Driver manifests show 19% fewer rides than reported in April 2007.

Audit compared driver manifests for April 2007 to reported ridership numbers and found a discrepancy of 19%. According to the subcontractor, Midwest Paratransit, this discrepancy exists because the manifests are unable to indicate additional riders. Furthermore, manifests provided to Audit are print outs and not the original driver manifests. Midwest does not maintain the original manifests but they report that the computer manifests are accurate to ridership numbers.

Midwest has since changed its ridership scheduling system, and Audit reviewed a sample of manifests from the new system to ascertain whether the system has improved. Ridership data for October 2007 was reviewed and found to accurately reflect reported data. However, Midwest still does not maintain all driver manifests.

Hopkins fare media lack control numbers and are not tracked.

The City of Hopkins sells punch cards to riders and these punch cards lack any control numbers. These punch cards are also not tracked or inventoried by City staff. The subcontractor, Midwest Paratransit, does not sell any fare media.

Reported mileage is estimated despite the availability of actual mileage.

Hopkins staff report mileage based on an estimate rather than using the actual mileage data available from Midwest Paratransit. The estimate is based on a mileage study done years ago by City of Hopkins staff, and while it most likely prevents mileage from being materially misstated, its use is inferior to actual mileage data.

Hastings

Ridership data reported by Hastings is accurate to backup documentation and an internal control over cash fares is adequate.

Audit reviewed backup documentation to reported rides, revenues, expenses and mileage for April 2007. Reported data tied to backup documentation. Interviews with Hastings staff indicate adequate controls in handling cash fares, including separation of duties and secure storage of fares.

Hastings sells tokens as fare media and the sale of these tokens is not tracked.

While it is impossible to number tokens, it is still important to track and inventory them in some manner. Currently, fare tokens are not inventoried or tracked. According to interviews with Hastings staff, their program was alerted of this deficiency previously by MnDOT auditors and it is working on a plan of corrective action.

Anoka County Traveler

Ridership data reported for the Traveler is accurate to backup documentation; internal control over cash fares and fare media is adequate.

Audit reviewed backup documentation to reported rides, revenues and expenses and found no significant discrepancies. Interviews with program staff and review of backup documentation show that cash and fares are handled properly. The Traveler sells coupon books and used to sell punch cards. Both forms of fare media are numbered and tracked.

Anoka County Volunteer

The Volunteer program is not available to the general public and is not federally reportable.

The Anoka Volunteer program is run separate from the Traveler program and involves matching rides to volunteers who use their own cars to provide transportation. Volunteer drivers are reimbursed for mileage each month. Only social service clients and those going to medical appointments are able to use the service. Eligible riders are not restricted to trips within Anoka County, but make trips as far away as St. Cloud.

Audit staff contacted this program in an attempt to make an appointment for a ride within the service area and service hours. Audit staff was informed that the program is only for seniors and clients of the county. Anoka County staff confirmed this information when interviewed by Audit staff. This program does not fit the description of general public transportation and is not federally reportable.

Anoka Volunteer riders are able to make appointments directly with volunteer drivers and there is no way for Anoka staff to verify these rides.

Veterans who live in Anoka County are able to call volunteer drivers directly to make an appointment for a ride. Many of these rides are to the VA Medical Centers in Minneapolis and St. Cloud which involves trips going 50 to 100 miles. Volunteer drivers submit mileage reports for reimbursement for these trips, but there is no way for Anoka County to verify that the trips occurred.

Audit reviewed volunteer driver manifests for April 2007 for any indications that volunteer drivers were misstating veteran trips. Audit identified one volunteer driver who submitted multiple same-day long-distance trips to veterans. On April 4, 2007, this particular driver reported making two separate trips to the VA in Minneapolis, totaling 108 miles and between six and fifteen hours of volunteer service. On April 24, 2007, this same driver indicated two more trips to the Minneapolis VA totaling 144 reimbursable

miles and 9 hours of volunteer service. It seems unlikely that the volunteer driver could neither coordinate these trips nor refer a request to another volunteer driver. Anoka Volunteer program has over 30 volunteer drivers.

STEP

The STEP transportation program does not fit the definition of general public transit as it only provides rides to medical and social service appointments. The program is not federally reportable.

STEP staff informed Audit that anyone could use the transportation service during an interview. However, Audit staff contacted the program in order to book a ride in the service area and was informed that the service is only available for medical and legal appointments. The program does not provide general public transportation service, and is not federally reportable.

DARTS and Scott County

DARTS and Scott County PBF programs provide general public Dial-A-Ride service.

According to MTS staff, PBF providers have been instructed that they cannot refuse rides based on age, ability or income if they have capacity available. Audit contacted all PBF providers in order to schedule a ride on their transit service. DARTS and Scott County agreed to provide transportation to the Audit caller.

Appendix B:

Coordination of PBF System

Dial-a-Ride services are intended to provide public transportation in areas of the seven County metro area not covered by regular route services. Per our analysis of current PBF contracts using GIS mapping software, there are three areas of concern:

- PBF Service Overlap
- PBF Service Gaps
- Fixed Route and PBF Overlap

PBF Service Overlap (by PBF contract & City)

The following PBF contracts have overlapping service areas with other Dial-a-Ride services sponsored by the Council, resulting in duplicative payments for transportation service.

County	Dial-A-Ride Programs		Overlap Cities
Anoka	Anoka Traveler	Anoka Volunteer	Anoka County
Dakota	DARTS	Hastings TRAC	Hastings
Hennepin	Maple Grove	Senior Transportation Prgm.	Osseo
			Maple Grove
Washington	H.S.I.	St. Croix Circulator	Bayport
			Oak Park Heights
			Stillwater
	H.S.I.	LAB	White Bear Lake
			Birchwood Village
			Mahtomedi
	H.S.I.	South County	Cottage Grove
			Newport
			St. Paul Park
	H.S.I.	NEST	Oakdale
	H.S.I.	Woodbury	Woodbury

PBF Service Gaps (by City)

The following Cities are currently not being serviced by PBF contracts.

Hennepin County

Hassan Township, Corcoran, Wayzata, Woodland, Bloomington*, Eden Prairie*, Richfield*

Ramsey County

Mounds View*, New Brighton*, Shore View, Arden Hills, North Oaks, Little Canada, Gem Lake

*contains some fixed route service

Fixed Route and PBF Service Overlap (by PBF contract)
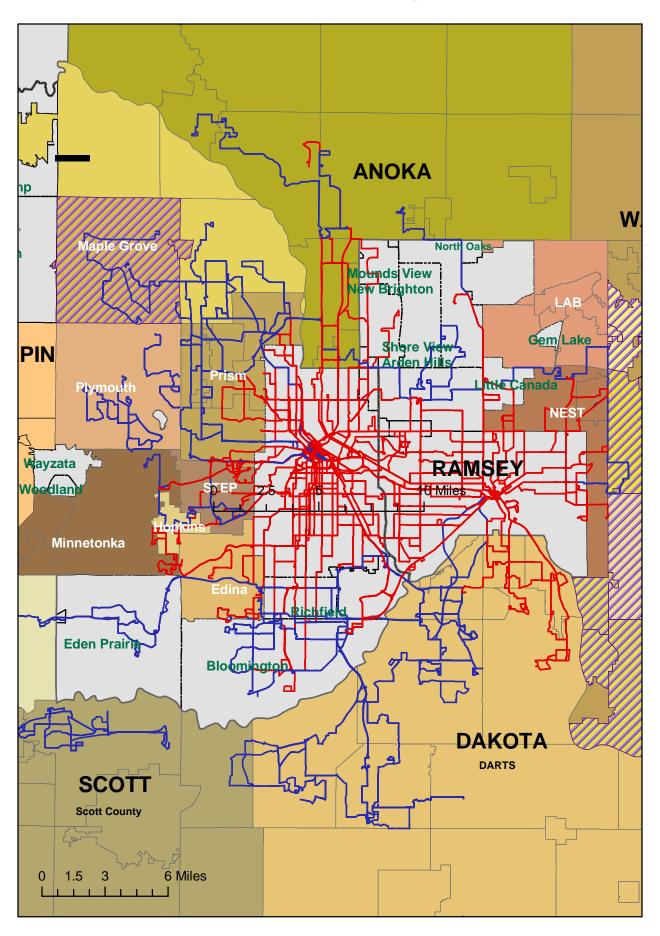
The following PBF contract service areas contain fixed route services; it is not clear if PBF service is necessary in these areas.

STEP
PRISM
NEST

Please see the GIS maps on the following pages for a visual representation of the descriptions above. The GIS maps show areas of Dial-a-Ride service overlap in strips. Areas with no Dial-a-Ride services are colored gray.

PBF and Fixed Route Service Areas

ANOKA

W

Maple Grove

North Oaks

Mounds View
New Brighton

LAB

PIN

Gem Lake

Plymouth

Prism

Shore View
Arden Hills

Little Canada

Wayzata

NEST

Woodland

RAMSEY

STEP

2.5

5

10 Miles

Hopkins

Minnetonka

Edina

Richfield

Eden Prairie

Bloomington

SCOTT

DAKOTA

Scott County

DARTS

0   1.5   3   6 Miles

2007-31 PBF Dial-a-Ride Providers: created by Kristy Swanson

PBF CONTRACT AREAS

ANOKA

Anoka County Traveler

Anoka County Volunteer

WASHINGTON

HSI

Senior Transportation

Hassan Twshp

North Oaks

Corcoran

Maple Grove

Mounds View
New Brighton

LAB

HENNEPIN

Plymouth

Prism

Shore View
Arden Hills

Gem Lake

Little Canada

NEST

West Hennepin

Wayzata
Woodland

STEP

RAMSEY

St. C

Minnetonka

Hopkins

Woodbury

Edina

Richfield

Eden Prairie

Bloomington

South County

CARVER

CARTS

DAKOTA

DARTS

Hastings

SCOTT

Scott County

| 0 | 3 | 6 | 12 Miles |

2007-31 PBF Dial-a-Ride Providers: created by Kristy Swanson