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City Auditor

HIGHLIGHTS

Highlights of City Auditor Report #1717, a report to the City Commission and City management

WHY THIS AUDIT WAS DONE

We conducted this audit primarily for the purpose of identifying ways in which Dial-A-Ride program costs might be reduced and revenues increased. Our audit also included an evaluation of the effectiveness of StarMetro's monitoring of the contracted transportation service operators used for each of the two paratransit programs and tests of the accuracy and completeness of StarMetro's paratransit cost center accounts.

WHAT WE CONCLUDED

The City's transit system, like that of many governments, operates each year at a deficit. For the fiscal year ended September 30, 2016, StarMetro's net deficit totaled more than \$13 million, according to the City's latest comprehensive annual financial report. Contributing significantly to these amounts are the operating deficits of the City's Dial-A-Ride transportation program. That program's deficit, based on StarMetro reports, totaled more than \$1.8 million for fiscal year 2016.

Our audit indicated that StarMetro has made, and continues to make, efforts to reduce the Dial-A-Ride program's deficits and its resulting contribution to StarMetro's losses. We also identified some other opportunities for further consideration and recommended the implementation of in-person interviews and functional assessments of applicants and clients, the use of a performance measure focusing on productivity, the assessment of premium fares for senior clients without disabilities, enhancements to the contract procurement approach, and the renegotiation of the hourly rate paid for Dial-A-Ride overflow services.

We also found that while StarMetro had monitoring processes in place for contracted transportation service operators, they could be improved by making the written monitoring procedures more descriptive of the work that should be performed and the documentation that should be obtained.

Our audit tests also disclosed opportunities for improving the accuracy and completeness of the cost center accounts established for the Dial-A-Ride program and the transportation disadvantaged program.

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August 31, 2017

Audit of StarMetro Paratransit Services

We found that StarMetro had implemented several strategies to reduce Dial-A-Ride program costs and improve services, and we identified some other opportunities for consideration. We also found that while StarMetro had contractor monitoring processes in place, they could be improved. Further, our audit tests disclosed opportunities for improving the accuracy and completeness of the cost center accounts established for each of the paratransit programs.

WHAT WE RECOMMENDED

To reduce costs or increase revenues of the Dial-A-Ride program, we recommended that StarMetro:

- Continue to pursue the implementation of in-person interviews and functional assessments of applicants.
- Consider the use of a productivity target, such as the number of passenger trips completed per revenue hour. Also, to further ensure the optimal loading of vehicles, StarMetro should consider negotiating trip times and the multi-loading of vehicles.
- Consider charging a reasonable premium rate for trips taken by seniors without qualifying disabilities.
- Enhance the processes used to competitively procure transportation operator services. Such enhancements should include clarifying in requests for proposals the number of contractors to be selected, the provision of additional time for the preparation of proposals, the allowance of proposals which address only those segments of service in which the respondent is qualified and interested, and the completion of contractor performance evaluations so that they are available for consideration during the evaluation of proposals.
- Consider renegotiating the rate paid to the contractor providing Dial-A-Ride overflow services.

To enhance StarMetro's monitoring of the contracted transportation service operators, StarMetro should amend its written monitoring procedures to include an appropriate level of guidance. StarMetro should also prepare and issue reports to the applicable transportation service operators to advise each of the results of the monitoring performed during 2016.

To improve the accuracy and completeness of the cost center accounts, StarMetro should ensure that personnel costs and contractual services costs are charged to the benefiting cost center and that information technology and vehicle maintenance and repair costs are accurately reflected in appropriate cost center accounts.

We would like to acknowledge the full and complete cooperation and support of applicable management and staff of the StarMetro and Administration and Professional Services departments.

Office of the City Auditor

Audit Report



T. Bert Fletcher, CPA, CGMA
City Auditor

Audit of StarMetro Paratransit Services

Report #1717

August 31, 2017

Executive Summary

The City of Tallahassee operates two paratransit programs. These programs, the federally-required Dial-A-Ride program and the state transportation disadvantaged program, provide to eligible individuals curb-to-curb transportation services, generally for a fare amount of \$2.50 per trip. The programs have similar eligibility requirements, except for the service area covered. Generally, the transportation disadvantaged program covers client pick-ups anywhere in Leon County, except for the area covered by the Dial-A-Ride program. The Dial-A-Ride program's service area now includes only the federally-required $\frac{3}{4}$ mile corridor surrounding each general transit fixed route.

The Dial-A-Ride program revenues are limited primarily to the fares collected and the program operates at a deficit each year, while the transportation disadvantaged program is eligible for and receives grant and other revenues sufficient to cover most of the expenses incurred. According to StarMetro reports, expenses for each of the programs for each of the last complete three fiscal years have ranged from approximately \$1.2 million to \$2.1 million. A significant portion of the expenses of each program relates to payments to contracted transportation operators.

We conducted this audit primarily for the purpose of identifying ways in which Dial-A-Ride costs might be reduced and revenues increased. Our audit also included an evaluation of the effectiveness of StarMetro's monitoring of the contracted transportation operators used for each of the two paratransit programs and tests of the accuracy and

completeness of StarMetro's paratransit cost center accounts.

We found that StarMetro had implemented several strategies to reduce Dial-A-Ride program costs and improve services. We also identified some other opportunities for further consideration that resulted in our recommendations for the implementation of in-person interviews and functional assessments of applicants and clients, the use of a performance measure focusing on productivity, the assessment of premium fares for senior clients without disabilities, enhancements to the contract procurement approach used, and the renegotiation of the hourly rate paid for Dial-A-Ride overflow services. We also found that while StarMetro had contractor monitoring processes in place, they could be improved by making the written monitoring procedures more descriptive of the work that should be performed and the documentation that should be obtained.

Our audit tests also disclosed opportunities for improving the accuracy and completeness of the cost center accounts established for the Dial-A-Ride program and the transportation disadvantaged program.

In addition to operating the City of Tallahassee's general transit fixed route and FLEX route transportation services, the City also operates two paratransit programs, the Dial-A-Ride program and the transportation disadvantaged program. Both paratransit service programs provide curb-to-curb, reservation-only, shared ride services to program clients who have met the applicable eligibility requirements. Our audit focused on these two paratransit programs, each of which is described below.

Dial-A-Ride Program

Federal regulations which implement provisions of the Americans with Disabilities Act (ADA), require that each public entity that operates a fixed route system must provide to physically or mentally disabled individuals, who because of their disability cannot utilize fixed route services, complementary paratransit or other special service that is comparable to the level of service provided through the fixed route system. The Dial-A-Ride program is operated by the City in order to meet these requirements. In addition to providing the required services to ADA paratransit eligible individuals, the City has also made program services available to seniors (individuals who are age 60 and over and who do not have a disability).

StarMetro’s Dial-A-Ride program service area includes the required ¾ mile corridor surrounding each fixed route, and until recently, the program’s service area exceeded the required service area and included all of the area within the City limits. According to StarMetro records, the Dial-A-Ride program during fiscal year 2016 provided approximately 98,000 trips to clients.

Dial-A-Ride services are delivered primarily through the use of City-owned vehicles operated, serviced, and maintained by City employees. Also, when the demand for program services exceeds StarMetro’s Dial-A-Ride service capacity, Dial-A-Ride overflow transportation services are obtained from a contracted transportation service operator, Big Bend Transit, Inc. During fiscal year 2016, StarMetro paid to Big Bend Transit, Inc., a total of approximately \$357,000 for Dial-A-Ride overflow services.

Consistent with the federal requirement that the paratransit fare not be more than two times the fixed route fare, the Dial-A-Ride program fare has been set at \$2.50 for each trip, or twice the StarMetro fixed route one-trip fare of \$1.25. Revenues attributable to the Dial-A-Ride program during fiscal years 2014, 2015, and 2016 were limited primarily to fare revenues, which totaled approximately \$186,000, \$179,000, and \$196,000, respectively. StarMetro reported that expenses for fiscal years 2014, 2015, and 2016 totaled approximately \$1.7 million, \$2.1 million, and \$2.1 million, respectively.

Transportation Disadvantaged Program

Chapter 427, Florida Statutes, establishes requirements relevant to the provision of transportation services to transportation disadvantaged persons and establishes the state Commission for the Transportation Disadvantaged (Commission), which is responsible for the statewide coordination of the provision of transportation services to the transportation disadvantaged. The Commission has contracted with StarMetro to serve as the community transportation coordinator (CTC) for the Leon County service area.

As the CTC for Leon County, StarMetro coordinates the provision of transportation services to non-sponsored (i.e., not subject to funding by other agencies) clients participating in the transportation disadvantaged program. Also, StarMetro, as the CTC, arranged for services to be provided to sponsored clients of the Agency for Persons with Disabilities (APD) program. As of July 2017, StarMetro indicated that there were 54 APD clients participating in that StarMetro program.

For transportation disadvantaged non-sponsored clients, the transportation disadvantaged program service area covers passenger trip pick-ups within Leon County, except for those pick-ups within the StarMetro fixed route ¾ mile ADA corridors covered by the Dial-A-Ride program. For transportation disadvantaged sponsored clients (i.e., APD clients), the service area covers all of Leon County.

In delivering services under the transportation disadvantaged program, StarMetro as the CTC provided monthly bus passes to non-sponsored transportation disadvantaged persons who were able to utilize fixed route services. For persons requiring curb-to-curb or door-to-door service, StarMetro engaged transportation operators to provide transportation services, those being Big Bend Transit, Inc., for non-sponsored clients and Sessaly Rose Transit, Inc., for clients sponsored by the APD. During fiscal year 2016, StarMetro paid to Big Bend Transit, Inc., a total of approximately \$385,000 and to Sessaly Rose a total of approximately \$198,000 for the provision of transportation disadvantaged services.

As with the Dial-A-Ride program, fares are collected from many of the riders. Unlike the Dial-A-Ride program, state grant and other funding sources are made available to pay most of the costs of operations. Grants and other revenues for the fiscal years 2014, 2015, and 2016 totaled approximately \$1.8 million, \$1.2 million, and \$1.2 million, respectively. StarMetro-reported expenses for fiscal years 2014, 2015, and 2016 totaled approximately \$1.8 million, \$1.2 million, and \$1.2 million, respectively.

Audit Results

Question No. 1: What steps might be considered to reduce Dial-A-Ride program costs and increase Dial-A-Ride program revenues?

The City’s transit system, like that of many governments, operates each year at a loss. For the fiscal year ended September 30, 2016, StarMetro’s net loss totaled more than \$13 million, according to the City’s latest comprehensive annual financial report. Contributing significantly to these losses are the operating deficits of the City’s Dial-A-Ride transportation program. That program’s deficit, based on StarMetro reports, totaled more than \$1.8 million for fiscal year 2016.

Our audit included a review of the steps that the City has taken to reduce the Dial-A-Ride program’s contribution to StarMetro losses. Our audit also included research and other work designed to identify for the City’s consideration additional deficit reduction steps.

StarMetro’s Dial-A-Ride Program Deficit Reduction Efforts

StarMetro has made, and continues to make, efforts to reduce the Dial-A-Ride program’s deficits and its resulting contribution to StarMetro’s losses. Ongoing and recent efforts include:

- StarMetro has applied for and has been awarded \$155,844 in grant funding to help cover a portion of the costs associated with the purchase of services from contracted transportation service operators.

- StarMetro has changed its operator recruitment focus and is now employing individuals who are qualified drivers, but who do not have a commercial driver’s license (CDL). StarMetro anticipates some savings in salary costs will be possible. Over the period of one year, the annual savings could total \$3,120 for each of the approximately 36 full-time drivers, resulting in a maximum total annual savings of approximately \$112,000.
- At the time of our audit, StarMetro was in the early phases of implementing a volunteer driver program. One volunteer driver had been engaged and StarMetro was considering ways to more effectively promote the program. For one volunteer driver working eight hours per week for one year, the annual savings would total approximately \$5,000.
- StarMetro employs a travel trainer who provides transportation information and fixed route travel training to senior and disabled citizens and to groups at agencies and facilities serving the elderly. Such training can encourage citizen transition from the more costly Dial-A-Ride program to fixed route transportation.
- StarMetro has adopted a new procedure addressing paratransit service application approval and records retention. The new procedure requires that in order to retain their eligibility, clients must now submit a new application and be recertified every three years. The recertification process allows the City to verify the continuing eligibility of those using paratransit services.

We commend StarMetro on the actions taken to reduce the Dial-A-Ride program’s operating deficits.

Other Opportunities for Consideration

Our audit included research and tests that disclosed other potential opportunities for reducing the Dial-A-Ride program’s operating deficits. These opportunities include:

- StarMetro’s existing paratransit service application process involves the self-reporting of the ADA applicant’s ability to use the fixed

route service, coupled with a medical professional's certification that the applicant does have a disability. Currently, an in-person interview and functional assessment of the applicant is not required. Absent the conduct of the in-person interviews and assessments, errors in the making of applicant eligibility determinations may be made. Such errors may lead to StarMetro providing, at significant cost, curb-to-curb transportation to individuals who could utilize, at less cost, fixed route services for at least some of their trips. StarMetro management indicated steps to implement the interviews and assessments had begun. **We recommend that StarMetro continue to pursue the implementation of in-person interviews and functional assessments.**

- According to best practice information, paratransit service providers often use productivity targets to measure and encourage increases in production. One such productivity target or measure is the number of passenger trips completed per hour. We found that StarMetro does not routinely utilize the trips per hour performance measure as a means to evaluate and improve the productivity of the Dial-A-Ride program. **We recommend that StarMetro consider the development and use of a productivity measure, such as the number of passenger trips completed per hour.**
- The ADA does not prohibit transit operators from providing paratransit services to individuals who are not disabled, and the City has elected to do so. That is, as indicated above, the City provides curb-to-curb services to persons age 60 and over who are not disabled or unable to utilize the fixed route system. Under the City's fare structure, these individuals pay the same fare as the ADA-qualified individuals, that being \$2.50 per trip. **We recommend that StarMetro consider charging a reasonable premium rate for trips taken by seniors without qualifying disabilities.**
- A competitive procurement process was used in selecting contracted transportation service

operators. Our audit indicated that the competitiveness of the process may be enhanced by: (1) ensuring that the request for proposal (RFP) is clear with respect to the number of contracts to be awarded; (2) increasing the number of days between RFP issuance and the date proposals are due to allow RFP consideration by a wider range of vendors; (3) rather than requiring that all respondents address all transportation services, allow respondents to address only those services they wish to provide, and (4) ensuring the completion of vendor performance evaluations so that they are available as a resource when vendor proposals must be evaluated and scored. **We recommend that StarMetro consider in its next RFP these changes in procurement approach.**

- The contract rate for Dial-A-Ride program overflow services was set at \$45 per hour. Our audit tests indicated that the \$45 per hour rate may be excessive and that savings in the Dial-A-Ride program could result should this rate be renegotiated. **We recommend that the City consider renegotiating the Dial-A-Ride program overflow compensation rate.**

Question No. 2: Has the performance of the contracted transportation service operators been effectively monitored?

As indicated above, the City has engaged transportation service operators to assist in providing the transportation services required under the transportation disadvantaged program and to provide overflow services for the Dial-A-Ride program. During fiscal year 2016, the amounts paid to these contractors for Dial-A-Ride and transportation disadvantaged program services totaled approximately \$940,000.

StarMetro is responsible for monitoring the contractual performance of these contractors, and we found that StarMetro does have reasonable contract monitoring processes in place. However, our review of StarMetro's monitoring processes did disclose opportunities for improvement as follows:

- StarMetro's written monitoring procedures do not provide guidance as to steps the monitor should take to evaluate the contractor's compliance with the contract terms or specify the related documentary evidence of compliance that the monitor should obtain. The procedures also do not describe the steps to be taken to report the results of the monitoring activities. Absent the availability of more descriptive procedures, the scope and nature of the monitoring work performed may not be consistently sufficient. **We recommend that the existing monitoring procedures be amended to include an appropriate level of guidance.**
- StarMetro staff indicated that a letter is usually sent to the contractor to advise it of the findings of the StarMetro monitoring efforts. However, with respect to the monitoring completed during fiscal year 2016, our audit disclosed that a written summary or report was not prepared for either of the two monitored contractors. Absent the issuance of the reports, issues requiring contractor attention may not be timely addressed. **We recommend that reports be prepared and issued to the contractors to advise each as to the results of the monitoring performed during 2016.**

Question No. 3: Are accurate and complete cost center records maintained for the Dial-A-Ride and transportation disadvantaged programs?

In the City's accounting records, cost centers have been established for each of the several divisions of the StarMetro department, including the Dial-A-Ride program cost center and the transportation disadvantaged program (CTC) cost center. For fiscal year 2016, approximately \$1 million in total costs had been recorded in the Dial-A-Ride cost center accounts and approximately \$1.1 million in total costs had been recorded in the transportation disadvantaged program accounts. Most of the costs recorded in the Dial-A-Ride accounts related to personnel costs (approximately \$760,000) and most of the costs recorded in the transportation disadvantaged accounts related to contractual services (approximately \$737,000).

As described below, our audit tests disclosed opportunities for improving the accuracy and completeness of the Dial-A-Ride program and the transportation disadvantaged program cost center accounts:

- Labor level transfers were not recorded in the City's electronic timekeeping system (MyTime) when employees assigned to the general transit (fixed route) cost center drove Dial-A-Ride routes. Similarly, labor level transfers had not been utilized to allocate to the Dial-A-Ride cost center a portion of the personnel costs associated with the management of the paratransit programs. All such management costs (approximately \$340,000) had instead been recorded in the transportation disadvantaged program cost center. As a result, in these instances, the personnel costs recorded in the Dial-A-Ride cost center were understated and the personnel costs recorded in other cost centers (i.e., the general transit cost center and the transportation disadvantaged cost center) were overstated. **We recommend that StarMetro begin using MyTime system labor level transfers, as necessary, to record personnel costs in the appropriate cost center accounts.**
- The amounts paid for the services rendered by Big Bend Transit, Inc., were not accurately recorded in the Dial-A-Ride and CTC cost center accounts. Our analysis of the payments made to Big Bend Transit, Inc., during fiscal year 2016 disclosed that none of the approximately \$357,000 in Dial-A-Ride program contractual service charges had been charged to the Dial-A-Ride cost center. These amounts were instead charged to other cost centers, including approximately \$168,000 which was incorrectly recorded as CTC program costs. **We recommend that StarMetro take the steps necessary to ensure that contractual service payments are accurately recorded in the correct cost center accounts.**
- Other expenses normally associated with the operation of paratransit programs, such as the Dial-A-Ride program and the transportation

disadvantaged program, include information systems expenses and vehicle maintenance and repair expenses. We noted that no information systems expenses and very little (\$63) in garage expenses had been charged to and recorded in either of the applicable cost centers. **We recommend that StarMetro ensure that information technology and vehicle maintenance and repair expenses are reflected in the appropriate cost center accounts.**

We would like to acknowledge the full and complete cooperation and support of applicable management and staff of the StarMetro and Administration and Professional Services departments.

Background

The City of Tallahassee operates a public transportation system providing fixed route, FLEX route, and paratransit services. These services, provided by the City’s StarMetro department, are outlined below:

- Fixed route services consist of routes fixed as to course, schedule, and pick-up and drop-off locations. StarMetro operates 15 weekday fixed routes, 12 Saturday fixed routes, five fixed routes on Sundays, and five fixed routes each Monday through Saturday night.
- FLEX routes provide curb-to-curb pick-up and drop-off within the respective designated areas of operation, as well as connections to the City’s fixed route system. FLEX routes include the Lake Jackson FLEX route and the Southside FLEX route. FLEX route services are provided Monday through Friday during set hours (i.e., the Lake Jackson FLEX route operates during peak commute hours, and the Southside FLEX route operates from 6:00 a.m. to 6:30 p.m.). FLEX route services are available to the public on a “call-ahead” basis and there are no eligibility requirements.
- The City operates two paratransit programs, the Dial-A-Ride program and the transportation disadvantaged program. Both paratransit

service programs provide curb-to-curb, reservation-only, shared ride services to program clients who have met the applicable eligibility requirements.

As indicated under the *Scope, Objectives, and Methodology* section of this report, our audit focused on questions relating to the two paratransit programs. Each of these programs is described in more detail below.

DIAL-A-RIDE PROGRAM

Title 49 Code of Federal Regulations (CFR) §37.121, which implements provisions of the Americans with Disabilities Act (ADA), requires that each public entity that operates a fixed route system must provide to physically or mentally disabled individuals, who because of their disability cannot utilize fixed route services, complementary paratransit or other special service that is comparable to the level of service provided through the fixed route system to individuals without disabilities. The Dial-A-Ride program is operated by the City in order to meet these requirements. Succeeding paragraphs provide additional details regarding the Dial-A-Ride program’s eligibility determination process, service area, trip scheduling, fares, and service delivery.

Eligibility Determination Process – Dial-A-Ride

Title 49 CFR §37.123 establishes the ADA paratransit eligibility standards, which provide that eligible individuals include those whose physical or mental impairment preclude them from independently boarding, riding, or disembarking from any readily accessible vehicle on the regular fixed route system. StarMetro has established a program application submission and review process for determining whether individuals are qualified for Dial-A-Ride services under the Americans with Disabilities Act (i.e., ADA paratransit eligible). As of July 2017, according to StarMetro staff, approximately 2,100 ADA-paratransit eligible clients were participating in the Dial-A-Ride program.

In addition to providing services to ADA paratransit eligible individuals, the Dial-A-Ride program has made program services available to seniors (individuals who are age 60 and over). As

of July 2017, StarMetro indicated that there were 42 senior clients in the Dial-A-Ride program.

Service Area – Dial-A-Ride

At a minimum, the complementary paratransit service area must cover trip origins and destinations within corridors with a width of ¾ of a mile on each side and at the end of each fixed route. StarMetro’s Dial-A-Ride program service area includes the required ¾ mile corridor surrounding each fixed route, and until recently, the program’s service area exceeded the required service area and included all of the area within the City limits. However, effective October 2016, the service area was modified and new program applicants whose trip origins and destinations fall within the City limits, but outside the ¾ mile corridor, are to be assigned to the transportation disadvantaged program (this program is described more fully below). Further, existing Dial-A-Ride clients, whose trip origins and destinations typically fall outside the ¾ mile corridor, are to be transitioned over the next three years to the transportation disadvantaged program. StarMetro management indicated that these changes were made to improve service timeliness.

Trip Scheduling – Dial-A-Ride

Federal regulations require that paratransit services shall be scheduled and provided to any ADA paratransit eligible person at any requested time on a particular day in response to a request for service made the previous day. Regulations indicate that reservations may be taken by a reservations agent or by mechanical means. Regulations also indicate that pick-up times may be negotiated with an individual, but the transportation provider cannot require an ADA paratransit eligible person to schedule a trip to begin more than one hour before or after the individual’s desired pick-up time.

In accordance with these requirements, Dial-A-Ride requests for service are received and reservations are made by staff within the City’s Call Center. These requests for service must be received by no later than 5:00 p.m. of the day preceding the day of service. StarMetro management indicated that the requested pick-up times are accepted and alternatives are not negotiated with any customers. Also, in

accordance with federal regulations, no limits or priorities have been established with respect to trip purpose.

Fares – Dial-A-Ride

Consistent with the federal requirement that the paratransit fare not be more than two times the fixed route fare, the Dial-A-Ride program fare has been set at \$2.50 for each trip, or twice the StarMetro fixed route one-trip fare of \$1.25. Revenues attributable to the Dial-A-Ride program during fiscal years 2014, 2015, and 2016 consisted primarily of fare revenues, which totaled approximately \$186,000, \$179,000, and \$196,000, respectively.

Service Delivery – Dial-A-Ride

As required by federal regulation, Dial-A-Ride program services are provided by StarMetro during the same days and hours of service as are provided by the fixed route system. Dial-A-Ride services are delivered primarily through the use of City-owned vehicles operated, serviced, and maintained by City employees. Also, when the demand for program services exceeds StarMetro’s Dial-A-Ride service capacity, Dial-A-Ride overflow transportation services are obtained from a contracted transportation service operator, Big Bend Transit, Inc. During fiscal year 2016, StarMetro paid to Big Bend Transit, Inc., a total of approximately \$357,000 for Dial-A-Ride overflow services. [As indicated below under the Transportation Disadvantaged Program heading, the City has also engaged Big Bend Transit, Inc., (under the same contract) to provide transportation services for individuals participating in the transportation disadvantaged program.]

For purposes of Dial-A-Ride program service delivery, a trip is considered to have been delivered on-time if the Dial-A-Ride vehicle arrives no earlier than five minutes before the scheduled pick-up time and no later than 30 minutes after the scheduled pick-up time. Generally, the drop-off time is to occur no later than 60 minutes after passenger pick-up.

To account for the costs of Dial-A-Ride program service delivery, City management has established within the StarMetro department accounts, a cost center for the Special Transportation (Dial-A-Ride)

division. As shown in more detail in Table 4 on page 19, charges recorded in this cost center for fiscal years 2014 and 2015 totaled approximately \$1.4 million each and in fiscal year 2016 approximately \$1 million. *As noted in subsequent sections of this report (please see the report headings, Personnel Costs, Unclassified Contractual Services, and Other Expenses), our audit tests disclosed opportunities for improving the accuracy and completeness of the Dial-A-Ride cost center accounts.*

Table 1 below provides information relative to Dial-A-Ride program service delivery during the last three complete fiscal years. As shown in the Table, the number of Dial-A-Ride program trips, vehicle miles, vehicle hours, and expense have all increased over the last three fiscal years. StarMetro management has attributed the increases to the growth of the City’s “Baby-Boomer” population.

Note 1: City expense, fully allocated, was calculated by StarMetro. The amount is calculated based on estimates and actual cost center account totals, where available.

Source: PeopleSoft general ledger accounts, StarMetro-prepared worksheet, and StarMetro-prepared annual Federal Transit Administration NTD reports, as applicable. As noted under the Scope, Objectives, and Methodology heading, we did not audit the NTD reports.

CUTR Report

StarMetro engaged a consultant, the Center for Urban Transportation Research of the University of South Florida (CUTR), to analyze StarMetro Dial-A-Ride program services and policies. Based on that analysis, suggestions for service improvements were made and potential cost-saving measures were identified. In particular, in its March 2016 report, CUTR suggested that StarMetro consider requiring as part of the eligibility determination process, functional assessments and re-certifications of clients, the use of an expanded travel trainer program, the implementation of an enhanced trip negotiations procedure, and the establishment of an expanded volunteer driver program. Our audit included a review of the steps taken by the City to further consider these recommendations. More detailed descriptions of these strategies are provided in other sections of our audit report.

**TRANSPORTATION
DISADVANTAGED PROGRAM**

Part I of Chapter 427, Florida Statutes, establishes requirements relevant to the provision of transportation services to transportation disadvantaged persons. Provisions of that chapter define transportation disadvantaged persons as those who, because of physical or mental disability, income status, or age, are unable to transport themselves or to purchase transportation and are, therefore, dependent upon others to obtain access to health care, employment, education, shopping, social activities, or other life-sustaining activities. Provisions of that chapter also establish the state Commission for the Transportation Disadvantaged, which is responsible for the statewide coordination of the provision of transportation services to the transportation disadvantaged.

| Table 1 Dial-A-Ride Program Selected Operational Statistics Fiscal Years 2014, 2015, and 2016 | | | |
|--|-------------|-------------|-------------|
| | FY 2014 | FY 2015 | FY 2016 |
| Number of Trips (One-Way) | 87,950 | 82,320 | 98,037 |
| Vehicle Revenue Miles | 515,792 | 482,552 | 589,821 |
| Vehicle Revenue Hours | 35,265 | 34,244 | 40,974 |
| Fare Revenues | \$185,626 | \$179,377 | \$195,621 |
| City Expense | \$1,387,416 | \$1,374,678 | \$1,437,788 |
| City Expense, Fully Allocated (Note 1) | \$1,658,174 | \$2,055,287 | \$2,088,450 |
| Fully Allocated, Cost per Trip | \$18.85 | \$24.97 | \$21.30 |
| Fully Allocated, Cost per Mile | \$3.21 | \$4.26 | \$3.54 |
| Fully Allocated, Cost per Hour | \$47.02 | \$60.02 | \$50.97 |
| On-Time Performance | 78.8% | 80.6% | 84.7% |

Community Transportation Coordinator

Under the law, among other duties, the state Commission for the Transportation Disadvantaged is responsible for approving a community transportation coordinator (CTC) for each designated service area in the state. Leon County is such a designated service area, and StarMetro has been approved to serve as its CTC. The applicable contract between the City (StarMetro), as CTC, and the Commission for the Transportation Disadvantaged covered the period July 1, 2012 through June 30, 2017.

As CTC for Leon County, StarMetro’s duties pursuant to law and contract include, but are not limited to:

- StarMetro is to develop a Transportation Disadvantaged Service Plan (TDSP) for approval by the Tallahassee-Leon County Transportation Disadvantaged Coordinating Board. In response to this requirement, a TDSP covering the period 2012 through 2017 has been developed and approved. Various provisions of the TDSP are discussed in more detail in succeeding paragraphs.
- StarMetro is to provide or arrange transportation disadvantaged services. To address this duty, StarMetro has provided monthly bus passes to transportation disadvantaged persons who are able to utilize fixed route services. For persons requiring curb-to-curb or door-to-door service, StarMetro has contracted with two transportation operators to provide transportation services. Big Bend Transit, Inc., has been engaged to provide services to non-sponsored transportation disadvantaged persons (i.e., transportation disadvantaged persons whose travel expense is not paid through other federal, state, or local funding sources), and Sessaly Rose Transit, Inc., has been engaged to provide transportation services to sponsored clients of the state Agency for Persons with Disabilities (APD). During fiscal year 2016, StarMetro paid to Big Bend Transit, Inc., a total of approximately \$385,000 and to Sessaly Rose a total of approximately \$198,000 for the provision of transportation disadvantaged services.

Eligibility Determination Process - CTC

The TDSP describes the process to be followed to determine the eligibility of non-sponsored persons for transportation services. In sum, individuals follow the same application process as described earlier in this report for the Dial-A-Ride program. To qualify for services, the individual’s trips must be non-sponsored (i.e., not subject to funding by other agencies) and the person must demonstrate that he or she:

- Is 60 years of age or older, or
- Has a disability that prevents him or her from driving, or
- Is low income, as evidenced by receipt of Food Assistance or Medicaid program assistance, or
- Is solely dependent on others for transportation.

As of July 2017, according to StarMetro staff, approximately 2,500 non-sponsored clients were participating in the transportation disadvantaged program.

As indicated above, StarMetro, as the CTC, also arranged for services to be provided to sponsored clients of the APD. For these individuals, eligibility was determined by APD, not by StarMetro. As of July 2017, StarMetro indicated that there were 54 APD clients participating in the program.

Service Area - CTC

For transportation disadvantaged non-sponsored clients, the Transportation Disadvantaged program service area covers passenger trip pick-ups within Leon County, except for those trips with both pick-up and drop-off locations within the StarMetro fixed route ¾ mile ADA corridors covered by the Dial-A-Ride program. For transportation disadvantaged sponsored clients (i.e., APD clients), the service area covers all of Leon County.

Trip Scheduling - CTC

The TDSP provides that requests for transportation can be made by calling the CTC (the City’s Call Center) and that all trips must be requested no later than the last business day before the day of travel. As authorized by law and rule, the TDSP provides

a prioritization of non-sponsored trips, as follows: (1) medical, (2) employment/education, (3) nutrition/life sustaining, (4) social/recreation, and (5) personal business.

Fares and Other Revenues - CTC

As with the Dial-A-Ride program, fares are collected from many of the riders. Unlike the Dial-A-Ride program, state grant and other funding sources are made available to help pay most of the cost of operations. The fares and other revenues for the Transportation Disadvantaged program were as follows:

- The fare amount to be paid by *non-sponsored* clients (co-pay) for each one-way trip is \$2.50. Fares were collected and retained by the contracted transportation operator (Big Bend Transit, Inc.) and used as credits (reductions) in the monthly invoices submitted to the City. StarMetro indicated that the fares collected totaled approximately \$57,000, \$40,000, and \$43,000 for state fiscal years 2014, 2015, and 2016, respectively.
- To assist transportation disadvantaged persons, who are not participants in other federal, state, or local programs providing transportation assistance (such as, for example, the City's Dial-A-Ride program and the state APD) the state established the state Transportation Disadvantaged Trust Fund, from which state grants are allocated to each county to assist in the funding of paratransit services for transportation disadvantaged persons. For the Leon County service area for state fiscal years 2014, 2015, and 2016, trip and equipment grant proceeds totaled approximately \$511,000, \$514,000, and \$514,000, respectively.
- For state fiscal years 2014, 2015, and 2016, APD payments to the City for services rendered under APD contracts totaled approximately \$243,000, \$276,000, and \$259,000, respectively. (Note: In fiscal year 2014, the CTC also received approximately \$614,000 for the non-emergency transportation of other sponsored state Medicaid clients. In Leon County, those services are no longer provided by the CTC.)

- In addition to the funding provided during fiscal years 2014, 2015, and 2016 by the trip and equipment grants and the APD contract, the CTC received financial assistance from Leon County, other state grants, and the City.

• **Service Delivery – CTC**

According to the TDSP, general service hours for the Transportation Disadvantaged program are 4:30 a.m. to 10:00 p.m. seven days a week, with emergency service available upon request. As indicated above, in delivering services the CTC provided monthly bus passes to non-sponsored transportation disadvantaged persons who were able to utilize fixed route services. For persons requiring curb-to-curb or door-to-door service, StarMetro engaged transportation operators to provide transportation services, those being Big Bend Transit, Inc., for non-sponsored clients and Sessaly Rose Transit, Inc., for clients sponsored by the APD.

The TDSP indicates relative to on-time performance that:

- With respect to drop-off, 95% of clients should be delivered no earlier than sixty minutes before their scheduled appointment time.
- For pick-ups inside the City, except during peak travel time (Monday to Friday, 6:30 a.m. to 9:00 a.m. and 3:00 p.m. to 6:00 p.m.), 95% of clients should spend no more than one hour traveling in a vehicle.
- For pick-ups outside the City, except during peak travel time, 95% of clients should spend no more than one and one-half hours traveling in a vehicle.

To account for costs of the Transportation Disadvantaged program, City management has established a cost center for the CTC division. As shown in more detail in Table 5 on page 19, charges recorded in this cost center for fiscal years 2014, 2015, and 2016 totaled approximately \$1.4 million, \$1 million, and \$1.1 million, respectively. *As similarly noted above relative to the Dial-A-Ride program, our audit tests disclosed opportunities for improving the accuracy and completeness of the cost center accounts. Those opportunities are described in subsequent sections*

of this report (please see the report headings, Personnel Costs, Unclassified Contractual Services, and Other Expenses).

Table 2 below provides information relative to the Transportation Disadvantaged program service delivery during the last three complete fiscal years.

| | FY 2014 | FY 2015 | FY 2016 |
|--|-------------------------|-------------|-------------|
| Number of Trips (One-Way) | 61,142 | 52,319 | 45,559 |
| Vehicle Revenue Miles | 461,298 | 342,378 | 381,353 |
| Driver Hours | 53,620 | 40,556 | 31,439 |
| Fare Revenues | \$57,018 | \$39,714 | \$42,581 |
| Grant and Other Revenues | \$1,764,483 (Note 1) | \$1,166,758 | \$1,157,839 |
| City Expense (Note 2) | \$1,821,501 (Note 1) | \$1,206,472 | \$1,200,420 |
| Bus Pass Expense (Note 3) | \$163,788 | \$173,506 | \$147,701 |
| City Expense (Net of Bus Pass Expense) | \$1,657,713 | \$1,032,966 | \$1,052,719 |
| Cost per Trip | \$27.10 | \$19.74 | \$23.11 |
| Cost per Mile | \$3.59 | \$3.02 | \$2.76 |
| Cost per Hour | \$30.92 | \$25.47 | \$33.48 |

Note 1: In fiscal year 2014, the CTC provided non-emergency transportation services to state Medicaid clients and received \$613,189 in payments for services. In Leon County, those services are no longer provided by the CTC.

Note 2: City expense is calculated by StarMetro and reported annually to the Commission for the Transportation Disadvantaged. The amount includes selected cost center account totals and allocations of other direct and indirect costs.

Note 3: Monthly bus passes are issued to certain clients who are able to use the fixed route system. The amount shown as bus pass expense represents StarMetro’s estimate of the cost incurred in providing the fixed route system transportation to program clients.

Source: PeopleSoft general ledger accounts, and StarMetro-prepared Annual Operating Reports to the Commission for the Transportation Disadvantaged, as applicable. As noted under the Scope, Objectives, and Methodology heading, we did not audit these reports.

**PARATRANSIT
INFORMATION SYSTEM**

The City utilizes the Trapeze PASS application for paratransit operations. The application is used to record paratransit client information and to book, schedule, dispatch, and report paratransit trips.

***Scope, Objectives,
and Methodology***

The scope of this audit focused on StarMetro paratransit operations during the period October 1, 2015, through September 30, 2016. The objective of this audit was to answer the following three questions:

- 1) What steps might be considered to reduce Dial-A-Ride program costs and increase Dial-A-Ride program revenues?
- 2) Has the performance of the contracted transportation service operators been effectively monitored?
- 3) Are accurate and complete cost center records maintained for the Dial-A-Ride and transportation disadvantaged programs?

To facilitate the accomplishment of our audit objectives, we performed audit procedures, which included but were not limited to:

- We obtained an understanding of related federal and state laws, rules, regulations, City policies and procedures, and paratransit plans.
- We reviewed industry information relevant to paratransit operation, including but not limited to the Guidebook for Measuring, Assessing, and Improving Demand-Response Transportation (Guidebook).¹
- We reviewed prior City audits and selected other government audits relevant to paratransit operations.
- We reviewed and considered reports of other entities.

¹ Transit Cooperative Research Program, TCRP Report 124, Guidebook for Measuring, Assessing, and Improving Performance of Demand-Response Transportation, KFH Group Inc., 2008.

- We obtained an understanding of the StarMetro department's organization and the transportation services it provides.
- We obtained an understanding of the accounts established and used to budget and track the actual direct costs of operating the paratransit programs.
- We obtained an understanding of Trapeze system controls sufficient to enable us to plan and accomplish our audit objectives.
- For reference and background purposes, we obtained and read StarMetro annual reports to the Federal Transit Administration (relative to the Dial-A-Ride program) and the Commission for the Transportation Disadvantaged. The scope of our work did not include an audit of these reports.
- We reviewed the processes used to competitively award the most recent transportation operator contracts and determined the extent to which those processes complied with City purchasing procedures and encouraged competition.
- We reviewed the procedures used by StarMetro to monitor transportation operators' compliance with terms of the current contracts.
- For a selection of riders transported by the Dial-A-Ride program, we reviewed the documentation demonstrating the eligibility of the rider.
- We obtained an understanding of the procedures used to help ensure the economical scheduling and execution of trips.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results

Question No. 1: What steps might be considered to reduce Dial-A-Ride program costs and increase Dial-A-Ride program revenues?

The City's transit system, like that of many governments, operates each year at a loss. For the fiscal year ended September 30, 2016, StarMetro's net loss totaled more than \$13 million, according to the City's latest comprehensive annual financial report. Contributing significantly to these losses are the operating deficits of the City's Dial-A-Ride transportation program. That program's deficit, based on StarMetro reports, totaled more than \$1.8 million for fiscal year 2016.

The Dial-A-Ride program's contribution to StarMetro's losses is attributable, at least in part, to the fact that the fare amount that can legally be charged for the required curb-to-curb service is much less than the cost of providing the service. With respect to the fare amount, the City, as noted previously, has set the Dial-A-Ride fare amount at the maximum allowable amount of \$2.50 per trip for disabled clients, while StarMetro estimates the cost of a Dial-A-Ride program trip during fiscal year 2016 averaged \$21.30 (see Table 1).

Our audit included a review of the steps that the City has taken to reduce the Dial-A-Ride program's contribution to StarMetro losses. Those steps are discussed under the next report heading.

Our audit also included research and other work designed to identify for the City's consideration additional deficit reduction steps. These additional steps are discussed in a subsequent section of this report.

STARMETRO'S DIAL-A-RIDE PROGRAM DEFICIT REDUCTION EFFORTS

StarMetro has made, and continues to make, efforts to reduce the Dial-A-Ride program's deficits and their resulting contribution to StarMetro's losses. Ongoing and recent efforts are described below:

- Grant Funding for Overflow Services. As indicated in the Background section of the report, when the demand for services exceeds the service capacity of StarMetro, StarMetro utilizes a contracted service operator to provide the Dial-A-Ride program services (Dial-A-Ride overflow services). During fiscal year 2016, StarMetro paid approximately \$357,000 for Dial-A-Ride program overflow services. To offset some of these costs, StarMetro applied for and has been awarded \$155,844 in grant funding to help cover some of these contractual service payments.
- Change in Operator Recruitment Focus. StarMetro has changed its driver recruitment focus and is now employing individuals who are qualified drivers, but who do not have a commercial driver's license (CDL). (The size and loads of the StarMetro vehicles are small enough that operators without a CDL can be employed.) As drivers without a CDL are compensated at a lower hourly rate than operators with a CDL, StarMetro anticipates some savings in salary costs will be possible. The starting pay for a driver without a CDL is \$12.00 per hour, while the starting pay for a driver with a CDL is \$13.50 per hour. Over the period of one year, the annual savings could total \$3,120 for each of the approximately 36 full-time drivers, resulting in a total annual savings of approximately \$112,000.
- Volunteer Driver Program. At the time of our audit, StarMetro was in the early phases of implementing a volunteer driver program. One volunteer driver had been engaged and StarMetro was considering ways to more effectively promote the program. The use of volunteer drivers rather than compensated drivers would allow a reduction in the salaries expense associated with the Dial-A-Ride program. Each hour contributed by a volunteer driver results in an estimated savings of at least \$12.00 (the starting hourly rate paid to a driver without a CDL). For a volunteer driver working eight hours per week for one year, the savings realized through one volunteer driver would total approximately \$5,000 in one year.
- Travel Training. StarMetro employs a travel trainer located at the Senior Center. StarMetro management indicated that the trainer provides transportation information and fixed route travel training to senior and disabled citizens and to groups at agencies and facilities serving the elderly. The goal of the training is to eliminate customer fear and uncertainty regarding the use of fixed route transportation. Such training can encourage citizen transition from the more costly Dial-A-Ride program to fixed route transportation.
- Eligibility Recertifications. StarMetro has adopted a new written procedure addressing paratransit service application approval and records retention. The new written procedure memorialized the existing requirement that in order to retain their eligibility, clients must submit a new application and be recertified every three years. The adoption of the written policy should better ensure the completion of the recertifications and the retention of the applicable records. The recertification process allows the City to verify the continuing eligibility of those using paratransit services.

We commend StarMetro on the actions taken to reduce the Dial-A-Ride program's operating deficits.

OTHER OPPORTUNITIES FOR CONSIDERATION

Our audit included research and tests of operations that disclosed other potential opportunities for reducing the Dial-A-Ride program's operating deficits. These opportunities are described in succeeding subheadings.

Functional Assessments

StarMetro's existing paratransit service application process involves the self-reporting of the ADA applicant's ability to use the fixed route service, coupled with a medical professional's certification that the applicant does have a disability. Currently, an in-person interview and functional assessment of the applicant is not required. The purpose of the in-person interview and functional assessment is to determine whether the applicant, notwithstanding the disability, may be able to utilize fixed route

services for at least some of their trips (e.g., trips to or from locations where there are adequate sidewalks, bus shelters, etc.).

In the CUTR Report, CUTR recommended that StarMetro begin requiring applicants to attend in-person interviews and functional assessments during which StarMetro would verify application information and conduct functional assessments. StarMetro has not yet established a requirement for in-person interviews and functional assessments. However, StarMetro management indicated steps to implement the interviews and assessments had begun.

Absent the conduct of the in-person interviews and assessments, errors in the making of applicant eligibility determinations may be made. Such errors may lead to StarMetro providing, at significant cost, curb-to-curb transportation to individuals who could utilize, at less cost, fixed route services for at least some of their trips. **We recommend** that StarMetro continue to pursue the implementation of in-person interviews and functional assessments.

Productivity Targets

According to the Guidebook, paratransit service providers often use productivity targets to measure and encourage increases in production. One such productivity target or measure is the number of passenger trips completed per revenue (or vehicle) hour (trips per hour). The Guidebook indicates that this measure is considered by many paratransit operators to be the most important single measure of system effectiveness. The Guidebook states that the productivity of the majority of the systems reviewed ranged from 2.0 to 4.0 trips per hour. We found that StarMetro does not routinely utilize the trips per hour performance measure as a means to evaluate and improve the productivity of the Dial-A-Ride program.

Based on information provided by StarMetro, we calculated the Dial-A-Ride program productivity level for fiscal year 2016. Based on our calculation, as shown below in Table 3, the actual number of trips per hour for fiscal year 2016 totaled 2.39 trips per hour. As illustrated in the Table, we noted that a relatively modest increase in productivity from 2.39 to 2.50 trips per hour could

produce an estimated \$90,000 reduction in total operating cost, assuming StarMetro’s Dial-A-Ride operating cost per revenue hour does not change.

| | Trips per Hour | No. of Trips | Total Vehicle Hours | Total Operating Cost (In 1,000s) | Operating Cost per Trip | Operating Cost per Revenue Hour |
|----------------------------------|----------------|--------------|---------------------|----------------------------------|-------------------------|---------------------------------|
| 2016 Actual | 2.39 | 98,037 | 40,974 | \$2,088 | \$21.30 | \$50.97 |
| Projected | 2.50 | 98,037 | 39,215 | \$1,998 | \$20.38 | \$50.97 |
| <i>Change (Actual-Projected)</i> | .11 | 0 | (1,759) | \$90 | \$.92 | \$0 |

Source: Actual Information Obtained from Table 1.

We recommend that StarMetro consider the development and use of a productivity measure, such as the number of passenger trips completed per revenue hour. A target measure, once established, could be used on a daily basis to ensure that vehicles are optimally loaded, as well as for periodic City Commission and management evaluations of Dial-A-Ride program productivity. As a means to further ensure the optimal loading of vehicles and the resulting improvements in productivity, **we further recommend:**

- The City consider negotiating with clients with respect to the trip times. StarMetro currently schedules trips based on client request and does not address with clients alternative times that may be both acceptable to the client and more efficient for StarMetro.
- The City consider the multi-loading of vehicles. The multi-loading of vehicles involves the scheduling of trips without regard to program funding source. Currently, the City loads vehicles based on the program (i.e., only Dial-A-Ride trips are scheduled on Dial-A-Ride vehicles and only transportation disadvantaged trips are scheduled on transportation disadvantaged vehicles).

Premium Fares

As indicated in the Background section of this report, the ADA requires that fixed route transit operators, such as the City, provide curb-to-curb transportation services to individuals whose disability prevents them from using the fixed route system. As noted above, the fares charged to such individuals may not exceed twice the fare charged for fixed route services. As also noted previously, the City’s Dial-A-Ride program fare for ADA-qualified customers has been set within the regulatory limit at \$2.50.

The ADA does not prohibit transit operators from providing paratransit services to individuals who are not disabled, and the City has elected to do so. That is, as indicated in the Background section, the City provides curb-to-curb services to 42 persons age 60 and over who are not disabled or unable to utilize the fixed route system. According to StarMetro staff, Dial-A-Ride provided during fiscal year 2016 a total of approximately 800 trips to individuals in this category. Under the City’s fare structure, these individuals paid the same fare as the ADA-qualified individuals, that being \$2.50 per trip.

ADA regulations do not prohibit the City from charging Dial-A-Ride program customers, who are not ADA-eligible, a premium fee more commensurate with the cost of the service. To assist the City in covering more of the cost of providing these Dial-A-Ride services, **we recommend** that StarMetro consider charging a reasonable premium rate for trips taken by seniors without qualifying disabilities.

Competitive Procurement Processes

As indicated in the Background section of this report, the City has engaged two transportation operators, Big Bend Transit, Inc., and Sessaly Rose Transit, Inc., to provide some of the paratransit services required of the City in connection with its roles as both the operator of the Dial-A-Ride program and as the Community Transportation Coordinator for the state’s transportation disadvantaged program. Both contractors have had long-term relationships with the City, with the current contracts’ terms scheduled to run from April 1, 2015, through March 31, 2018.

In connection with the awarded contracts, as noted in the Background section of the report, the City has assigned to Big Bend Transit, Inc., the responsibility for transporting the non-sponsored clients who are eligible for assistance under the transportation disadvantaged program. The City also purchases from Big Bend Transit, Inc., assistance for the Dial-A-Ride program to the extent that the demand for Dial-A-Ride program services exceeds the City’s in-house capacity. During fiscal year 2016, the City paid Big Bend Transit, Inc., a total of approximately \$1,093,000 for various transportation operator services, including approximately \$385,000 paid for transportation disadvantaged program services and approximately \$357,000 paid for Dial-A-Ride program services.

As also noted previously, the City has assigned to, Sessaly Rose Transit, Inc., the responsibility for transporting clients of the Agency for Persons with Disabilities program (i.e., sponsored clients). During fiscal year 2016, the City paid to Sessaly Rose Transit, Inc., a total of approximately \$198,000 for transportation services.

Our audit included a review of the competitive processes leading to the City’s award of the current contracts to Big Bend Transit, Inc., and Sessaly Rose Transit, Inc. Based on test results, the City’s purchasing procedures were followed in selecting the transportation operators. However, in future procurements of transportation operator services, consideration of the following opportunities may allow the City to recognize some savings in operating the Dial-A-Ride and the transportation disadvantaged programs:

- Responses to the request for proposals were submitted by Big Bend Transit, Inc., Sessaly Rose Transit, Inc., and one other vendor. The contract was first awarded to Big Bend Transit, Inc., whose proposal was scored the highest by the selection committee. However, that decision was subsequently revised and contracts were awarded to the two highest scoring vendors, the incumbent contractors, Big Bend Transit, Inc., and Sessaly Rose Transit, Inc. Big Bend Transit, Inc., received 94.75 points; Sessaly Rose Transit, Inc.,

received 83.25 points; and the third respondent received 60.0 points.

The award of the contract to multiple vendors was consistent with Addendum No. 1 to the RFP, as the Addendum discloses the City's intent to award multiple contracts. However, that intent was not made clear in the initial RFP and was not disclosed publicly until the issuance of the Addendum on January 20, 2015, just two days prior to the proposal due date of January 22, 2015. It is possible that some potential proposers may have not responded because the RFP was not clear as to the intent to award multiple contracts. That is, had it been made clear, earlier through the initial RFP (i.e., prior to the addendum), or had additional time to provide responses been given after the addendum was issued, that the services were to be split among multiple vendors, other vendors may have pursued the submission of a response to the RFP.

We recommend that in future RFPs the intent to award multiple contracts be made clear and with sufficient public notice.

- The RFP was issued on December 10, 2014, and the proposals were due 43 days later on January 22, 2015. The provision of additional time so that other vendors could better consider the RFP may have produced additional qualified vendors, thereby increasing the competition for these services. The increased competition may have disclosed opportunities for more economical pricing. **We recommend** that in future solicitations of transportation operator services, StarMetro consider providing additional response time (for example, 60 days).
- The RFP required that each respondent address the provision of and pricing for all services listed in the RFP's scope of services section, including services for the transportation disadvantaged program and the APD program, overflow assistance for the Dial-A-Ride program, as well as other services to include the Southwood Express route and the Lake Jackson FLEX route. To

encourage additional participation and competition in the procurement process, **we recommend** that the RFP be structured to allow to transportation operators to only address the services for which they are qualified and in which they are interested in providing. Also, in scoring the responses, the selection committee **should** rate each respondent proposal on a program-by-program basis.

- Section 2.6 of the City's Purchasing Manual provides that vendor performance evaluations are an essential element of the procurement process. The Manual provides that departments/project managers should routinely evaluate vendor performance prior to entering into an optional contract period and at the end of the contract. The Manual indicates that the "Vendor Performance Evaluation" form (available on OurCity@WORK) should be used by the contract administrator (or designee) to support the vendor performance evaluation process. The manager's evaluation is to be provided to the vendor for response, and both the manager's original comments and the vendor response are to become a part of the procurement solicitation or contract file.

Our audit disclosed that although the City had monitored some aspects of the performance of the incumbent contractors (for example, the City had completed an annual review of incumbent contractor compliance with contractual driver and vehicle standards), a complete vendor performance evaluation had not been completed and made available in the procurement file for use in evaluating the past performance of the incumbent contractors. **We recommend** that the vendor performance evaluation process be completed prior to any extension of the current transportation operator contracts and at the end of the contract period, and that the vendor performance form be completed and incorporated into future procurement and contract files, as appropriate. The results of contract monitoring efforts **should** be incorporated into the performance evaluations.

Renegotiation of the Dial-A-Ride Program Hourly Rate

The contract rate for Dial-A-Ride program overflow services was set at \$45 per hour. Our audit tests indicated that the \$45 per hour rate may be excessive and that savings in the Dial-A-Ride program could result should this rate be renegotiated.

More specifically, our analysis of six monthly Dial-A-Ride program overflow service invoices paid during fiscal year 2016 disclosed that the City had paid for these six months approximately \$164,000 for 3,642 hours of service, during which 6,473 trips were completed. In effect, the City paid, on average, approximately \$25 for each of these passenger trips. In contrast to this \$25 per trip rate average, the hourly contract rate paid to Big Bend Transit, Inc., for similar services for transportation disadvantaged clients was \$18.04 per trip for ambulatory clients (\$33.07 per trip for clients in wheelchairs).

Further, in considering the reasonableness of the \$45 per hour Dial-A-Ride program overflow rate, we compared the rate to that proposed by Sessaly Rose Transit, Inc., in connection with the award of the current transportation operator contracts. We noted that Sessaly Rose Transit, Inc., had proposed an hourly Dial-A-Ride program overflow program rate of \$28 per hour or \$16 per passenger.

Our analysis indicated that had an hourly rate of \$28 been paid for the services received during the six months reviewed, the City would have realized savings of approximately \$62,000. Assuming similar savings over a twelve-month period, savings could have approached \$120,000.

Transportation operator contracts include a provision allowing amendment of the contract rate structure on a yearly basis and more frequently as necessary. **We recommend** that the City consider renegotiating the Dial-A-Ride program overflow compensation rate.

As a part of our audit, we also reviewed the preaudit procedures applied to the Dial-A-Ride program overflow services invoices. We noted that while the procedures involved a verification of the number of trips provided, the preaudit processes did not include steps to verify the number of hours

of service provided. As indicated in preceding paragraphs, the amount of compensation paid for Dial-A-Ride program overflow services was based on the number of hours of service provided. To help ensure amounts invoiced by and paid to Big Bend Transit, Inc., are correct, **we recommend** that in preauditing the Dial-A-Ride program overflow service invoices, StarMetro verify the number of hours of service provided.

Question No. 2: Has the performance of the contracted transportation service operators been effectively monitored?

As indicated in preceding sections of this report, the City has engaged transportation service operators to assist in providing the transportation services required under the transportation disadvantaged program and to provide overflow services for the Dial-A-Ride program. The obligations of the City and the contractors are addressed in contracts, with the most recent contracts having a term of April 1, 2015, through March 31, 2018.

With respect to the City’s responsibilities as the Community Transportation Coordinator for Leon County, the City is responsible, pursuant to Rule 41-2.008(2), Florida Administrative Code, for monitoring each transportation operator’s compliance with the terms of the transportation service operator contracts. With respect to the Dial-A-Ride program, we did not locate in governing regulations a contractor monitoring requirement. However, as a best practice, contract monitoring should also address the provision of the Dial-A-Ride program services provided under contract.

We found that it is StarMetro’s practice to monitor the transportation disadvantaged program and Dial-A-Ride program operations of the contractors. Our audit included a review of StarMetro’s monitoring procedures, a review of the documentation relating to the most recently completed monitoring efforts, and interviews of StarMetro staff and management.

Documentation of the monitoring performed during fiscal year 2016 included for both contractors, completed annual vehicle inspection checklists and the completed checklists used in the annual reviews of driver employment and training

records. Other performance monitoring practices of StarMetro included the ongoing tracking of on-time performance, as reflected in Trapeze records, the review and investigation of complaints, and the conduct of periodic customer satisfaction surveys.

As described above, StarMetro does have reasonable contract monitoring processes in place. However, our review of StarMetro’s monitoring processes did disclose opportunities for improvement, as described below:

- StarMetro’s written monitoring procedures list the contract provisions that are subject to monitoring. However, the procedures do not provide guidance as to the steps the monitor should take to evaluate the contractor’s compliance with each significant contract term. For example, although the contract requires contractors to immediately report all collisions and incidents (and the monitoring procedure includes that contract provision), the monitoring procedures do not provide guidance as to the steps that the monitor is to take to verify the contractor’s compliance with the requirement. Such steps may include actions to identify recent accidents (e.g., a current inspection of vehicles for damage, review of the contractor’s maintenance and repair records, a review of state driver license records, etc.) for comparison to StarMetro’s record of reported accidents. The procedures also do not describe the steps to be taken to report the results of the monitoring activities. Absent the availability of more descriptive procedures, the scope and nature of the monitoring work performed may not be consistently sufficient and appropriate. **We recommend** that the existing monitoring procedures be amended to include an appropriate level of guidance.
- StarMetro staff indicated that a letter is usually sent to the contractor to advise it of the findings of the StarMetro monitoring efforts. However, with respect to the monitoring completed during fiscal year 2016, our audit disclosed that a written summary or report was not prepared for either of the two monitored contractors. Staff indicated that the letters for the fiscal year 2016 monitoring reviews may have been

overlooked as a result of recent changes in StarMetro management. Absent the issuance of the reports, issues requiring contractor attention may not be timely addressed. **We recommend** that reports be prepared and issued to the contractors to advise each as to the results of the monitoring performed during 2016.

Question No. 3: Are accurate and complete cost center records maintained for the Dial-A-Ride and transportation disadvantaged programs?

As noted above, Dial-A-Ride program services are delivered primarily through the use of City-owned vehicles operated, serviced, and maintained by City employees. In providing program services through the use of City-owned and operated vehicles, StarMetro incurs various expenses, including the personnel costs associated with the employment of vehicle operators, vehicle maintenance and repair costs, information technology-related costs, and fuel costs. Also, contractual services costs are incurred in connection with the Dial-A-Ride program overflow services provided by Big Bend Transit, Inc.

For the transportation disadvantaged program, City staff and vehicles are not utilized to provide CTC transportation services. Those services are provided by two contracted transportation service operators, those being Big Bend Transit, Inc., and Sessaly Rose Transit, Inc. As a consequence, the major expenses of the transportation disadvantaged program are contractual service expenses.

In the City’s accounting records, cost centers have been established for each of the several divisions of the StarMetro department, including the Dial-A-Ride program cost center and the transportation disadvantaged program (CTC) cost center. Table 4 shows the expenses recorded for the Dial-A-Ride program cost center and Table 5 shows the expenses recorded for the CTC cost center.

| Account | FY 2014 | FY 2015 | FY 2016 |
|-----------------------------------|-------------|-------------|-------------|
| Personnel Costs | \$1,077,322 | \$1,118,983 | \$762,737 |
| Unclassified Contractual Services | 4,857 | 27,755 | 25,397 |
| Other Operating Expenses | 17,626 | 9,516 | 1,958 |
| Vehicle Garage Expense | 527 | 2,566 | 63 |
| Indirect Costs | | | 45,207 |
| Gasoline | 287,083 | 215,858 | 168,891 |
| Totals | \$1,387,415 | \$1,374,678 | \$1,004,253 |

Source: City PeopleSoft general ledger accounts.

| Account | FY 2014 | FY 2015 | FY 2016 |
|-----------------------------------|-------------|-------------|-------------|
| Personnel Costs | \$242,752 | \$251,135 | \$343,874 |
| Unclassified Contractual Services | 1,024,310 | 753,664 | 736,587 |
| Other Operating Expenses | 7,174 | 2,505 | 844 |
| Indirect Costs | | | 12,056 |
| Transfers to Other Funds | 121,000 | | |
| Totals | \$1,395,236 | \$1,007,304 | \$1,093,361 |

Source: City PeopleSoft general ledger accounts.

These cost center accounts are made available for budgetary control, financial reporting, grants management, and cost control purposes. The amounts recorded therein are also incorporated into worksheets used by management to prepare regulatory reports to the Federal Transit Administration and to the state Commission for the Transportation Disadvantaged. As described below, our audit tests disclosed opportunities for improving the accuracy and completeness of the Dial-A-Ride program and the transportation disadvantaged program cost center accounts:

Personnel Costs

- As indicated in Table 4, most of the expenses incurred in the operation of the Dial-A-Ride program related to personnel costs. Our audit tests addressed the processes established to ensure the accurate recording of personnel costs in the correct cost center. Those tests disclosed that labor level transfers (i.e., timesheet entries made to ensure benefiting cost centers are charged for work performed) were not recorded in the City’s electronic timekeeping system (MyTime) when employees assigned to the general transit (fixed route) cost center drove Dial-A-Ride routes. As a result, in these instances, the personnel costs recorded in the Dial-A-Ride cost center were understated and the personnel costs recorded in the general transit cost center were overstated. Our audit tests of 52 routes (driven over a two-day test period) disclosed that the compensation paid relative to 24 of the 52 routes was incorrectly charged to the general transit cost center rather than to the benefiting Dial-A-Ride cost center because the routes had been driven by employees assigned to the general transit cost center. StarMetro staff acknowledged that Dial-A-Ride program routes may be driven by employees assigned to the general transit cost center, and it was not the practice of StarMetro to record labor transfers in those instances.

- As shown by Table 5, the personnel expenses recorded in the CTC division cost center totaled \$343,874 for fiscal year 2016. These expenses reflect the total amount of salaries and benefits paid to employees with managerial responsibilities for both the Dial-A-Ride division and the CTC division. To better reflect the operating costs of each of the programs, labor level transfers should be used to allocate these costs to the benefiting cost centers.

Unclassified Contractual Services

- The amounts paid for the services rendered by Big Bend Transit, Inc., were not accurately recorded in the Dial-A-Ride and CTC cost

center accounts. Our analysis of the payments made to Big Bend Transit, Inc., during fiscal year 2016 disclosed that none of the approximately \$357,000 in Dial-A-Ride program contractual service charges had been charged to the Dial-A-Ride cost center. These amounts were instead incorrectly charged to other cost centers, including approximately \$168,000 charged to the CTC cost center, approximately \$186,000 charged to the StarMetro administration cost center, and approximately \$3,000 charged to the general transit cost center. Our analysis also disclosed other charges to the CTC cost center totaling approximately \$59,000, which were unrelated to CTC program functions.

Other Expenses

- Other expenses normally associated with the operation of paratransit programs, such as the Dial-A-Ride program and the transportation disadvantaged program, include information systems expense and vehicle maintenance and repair expenses. We noted that no information systems expense had been recorded in either of the applicable cost centers. We also noted that while \$63 had been allocated to the Dial-A-Ride program cost center for garage expense, that amount of expense does not appear reasonable in view of the expected maintenance and repair costs of the vehicles operated by the City for the benefit of the Dial-A-Ride program.

Absent the recording of costs accurately and completely to the correct cost centers, City general ledger accounting records cannot be reliably used to track, report, and manage the direct costs of operations. **We recommend** StarMetro:

- Begin using MyTime system labor transfers, as necessary, to record personnel costs in the appropriate cost center accounts.
- Take the steps necessary to ensure that contractual service payments are accurately recorded in the correct cost center accounts.

- Ensure that information technology and vehicle maintenance and repair expenses are reflected in the appropriate cost center accounts.

Conclusion

We conducted this audit primarily for the purpose of identifying ways in which Dial-A-Ride costs might be reduced and revenues increased. Our audit also included an evaluation of the effectiveness of StarMetro's monitoring of the contracted transportation operators and tests of the accuracy and completeness of StarMetro's Dial-A-Ride program and transportation disadvantaged program cost center accounts.

We found that StarMetro had implemented several strategies to reduce Dial-A-Ride program costs and improve services. We also identified some other opportunities for further consideration and recommended the implementation of in-person interviews and functional assessments of applicants and clients, the use of a performance measure focusing on productivity, the assessment of premium fares for senior clients without disabilities, enhancements to the contract procurement approach used, and the renegotiation of the hourly rate paid for Dial-A-Ride overflow services.

We also found that while StarMetro had contractor monitoring processes in place, they could be improved by making the written monitoring procedures more descriptive of the work that should be performed and the documentation that should be obtained.

Our audit tests also disclosed opportunities for improving the accuracy and completeness of the cost center accounts established for the Dial-A-Ride program and the transportation disadvantaged program.

Acknowledgements

We would like to acknowledge the full and complete cooperation and support of applicable management and staff of the StarMetro and Administration and Professional Services departments.

Appointed Official's Response

City Manager:

We appreciate the Auditor's review of StarMetro's Paratransit Services. StarMetro has been working to improve service delivery and reduce trip costs while addressing the growing demand for paratransit service. The audit provides numerous observations and recommendations that will be helpful to StarMetro in improving its service. I appreciate the City Auditor and StarMetro staff for their commitment to evaluating and improving this important community service, and I am looking forward to implementation of the action items. I would like to thank the Auditor and his staff for their professional approach and thorough evaluation.

Appendix A – Management’s Action Plan

| Action Steps | Responsible Employee | Target Date |
|---|------------------------------|-------------------|
| Objective A: Reduce Dial-A-Ride program costs and increase Dial-A-Ride program revenues. | | |
| 1) StarMetro will continue to evaluate the implementation of in-person interviews and functional assessments. | A. Rosser | March 31, 2018 |
| 2) StarMetro will implement the use of the number of passenger trips completed per revenue hour as a performance goal and measure. The target measure, once established, will be used on a daily basis to ensure that vehicles are optimally loaded, as well as for periodic Commission and management evaluations of Dial-A-Ride program productivity. | N. McMillan | January 31, 2018 |
| 3) The City will consider negotiating with clients with respect to trip times. | N. McMillan | March 31, 2018 |
| 4) The City will consider the multi-loading of vehicles. | N. McMillan | March 31, 2018 |
| 5) StarMetro will consider charging a reasonable premium rate for trips taken by seniors who do not have qualifying disabilities. | Terry Lowe Angela Baldwin | March 31, 2018 |
| 6) Following consideration of recommended changes in policy, StarMetro will present for action by the City Commission an updated Dial-A-Ride Plan. | Angela Baldwin | March 31, 2018 |
| 7) In future procurements of the services of transportation service operators, StarMetro will ensure: <ul style="list-style-type: none"> • Any intent to award multiple contracts will be made clear in the RFP and with sufficient public notice. • Consideration is given to providing no less than 60 days between the RFP issuance date and the response due date. • Consideration is given to allowing vendors to address only those services they wish to provide. | A. Rosser | March 31, 2018 |
| 8) With respect to the transportation operator contracts, StarMetro will ensure the completion of the vendor performance evaluations before entering any optional contract period and at the end of the contract period. | A. Rosser | December 31, 2017 |
| 9) The City will consider renegotiating the Dial-A-Ride program overflow compensation rate. | Terry Lowe A. Rosser | January 31, 2018 |
| 10) In preauditing the Dial-A-Ride program overflow service invoices, StarMetro will verify the number of hours of service provided. | A. Rosser | January 31, 2018 |

| | | |
|---|---------------------------|-------------------|
| B. Ensure the effective monitoring of transportation operator service contracts. | | |
| 1) StarMetro’s contract monitoring procedures will be amended to include an appropriate level of guidance relative to the procedures to be performed, the documentation to be obtained, and the reporting processes to be followed. | A. Rosser | December 31, 2017 |
| 2) Monitoring reports will be prepared and issued to the contractors to advise each as to the results of the monitoring performed during 2016. | A. Rosser | December 31, 2017 |
| Objective C: Ensure cost center records for paratransit programs are accurate and complete. | | |
| 1) StarMetro will begin using MyTime system labor level transfers, as necessary, to ensure that personnel costs are charged to the appropriate cost center accounts. | K. Kindell N. McMillan | October 31, 2017 |
| 2) StarMetro will take the steps necessary to ensure that contractual service payments are accurately recorded in the correct cost center accounts. | K. Kindell A. Rosser | October 31, 2017 |
| 3) StarMetro will ensure that information technology and vehicle maintenance and repair expenses are reflected in the appropriate cost center accounts. | K. Kindell M. Vaughan | October 31, 2017 |

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