

HHT Committee

From: Eggert, Bill <Bill.Eggert@rsmus.com>
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To: HHT Committee
Subject: MDOT Audit Report Presentation Final 03.22.18.pptx
Attachments: MDOT Audit Report Presentation Final 03.22.18.pdf

Councilmember Crivello,

Pease find attached the RSM presentation for our review of the Maui DOT.

If you have any questions, let me know.

Thanks
Bill

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PERFORMANCE AND FISCAL AUDITS OF THE MAUI DEPARTMENT OF TRANSPORTATION



Housing, Human Services, and Transportation Committee

March 27, 2018

Presentation Agenda

- Introductions
- Audit Overview
 - Audit Objective
 - Program Background
 - Audit Scope
- Audit Results
 - Key Themes and Observations
 - Summary of Procedures Performed
 - Detailed Procedures and Results
- Q&A

Introductions

- Bill Eggert, Director
- Lily Rogers, Manager
- Michael Groh, Transit Planner II

AUDIT OVERVIEW

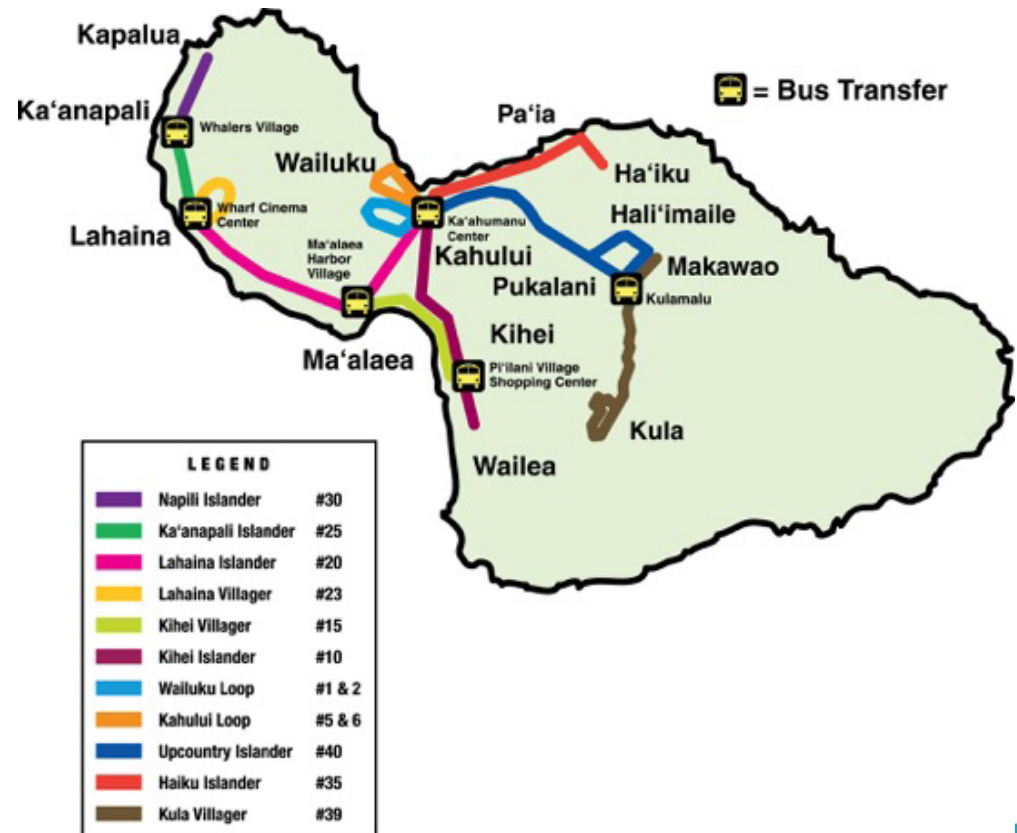
Audit Objective

To provide the Council and the Department with a management tool to identify long-term, decision-making solutions to improve the cost-effectiveness, operational efficiency, and quality and reliability of program services to benefit the Department and the general public.

Program Background – Fixed Route

Fixed Route Bus Service:

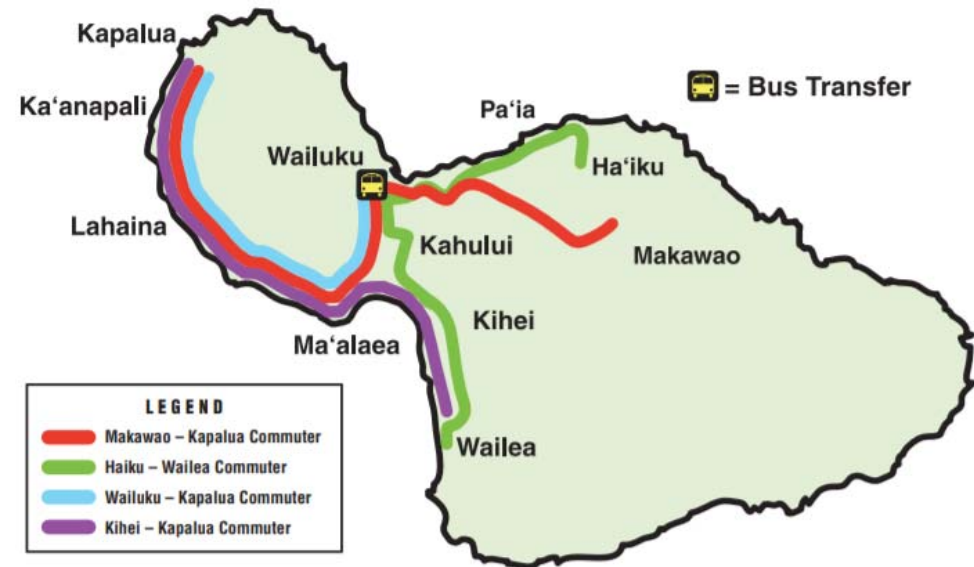
- 13 bus routes provide service in and between various Central, South, West, Haiku, Kula and Upcountry Maui communities
- Routes operated 7 days/week, including holidays
- Service operated by Roberts Hawaii (Roberts)
- Funded by the County of Maui



Program Background – Commuter

Commuter Bus Service:

- 4 Commuter Service routes:
 - Haiku-Wailea
 - Makawao-Kapalua
 - Wailuku-Kapalua
 - Kihei-Kapalua
- Operated 7 days/week, including holidays
- Service operated by Roberts Hawaii (Roberts)
- Funded by the County of Maui



Program Background – ADA Paratransit (Paratransit)

- ADA Paratransit Bus Service
 - Advance reservation, curb to curb service
 - Available for eligible persons with disabilities who are unable to use the regular fixed route public transit service
 - Service available within $\frac{3}{4}$ miles of fixed route corridor
 - Service contracted to Maui Economic Opportunity, Inc. (MEO)



Program Background – Human Services Transportation

- Human Services Transportation (HST) Grant Program:
 - Transportation services provided by MEO via County of Maui grant appropriation
 - 10 programs with specific eligibility criteria:
 - Senior Services Transportation (20,168 trips in FY17)
 - Nutrition Program Transportation (18,530 trips in FY17)
 - Ka Lima O Maui, Easter Seals and ARC of Maui Transportation (13,027 trips in FY17)
 - Employment Transportation (15,581 trips in FY17)
 - Rural Shopping Shuttles (67,390 trips in FY17)
 - Youth Transportation Program (122,702 trips in FY17)
 - Maui Adult Day Care (20,079 trips in FY17)
 - Community Transportation Needs (1,716 trips in FY17)
 - Ala Hou – On the Move Again (5,237 trips in FY17)
 - Transportation for Dialysis Treatment (34,691 trips in FY17)

Program Background - Budget

DOT Budget by Funding Source

Department Budget					
	Administration Program		Human Services Transportation	Public Transit Program*	
FY	General Fund	Highway Fund	General Fund - Grant to MEO	Highway Fund	Total**
2018 (Adopted)	\$1,194,759	\$400,000	\$6,180,013	\$10,860,015	\$19,307,002
2017 (Adopted)	\$1,496,103	\$400,000	\$6,180,013	\$10,365,515	\$19,113,846
2016 (Actual)	\$790,442	\$0	\$6,705,483	\$10,300,215	\$18,468,355
2015 (Actual)	\$830,446	\$440,875	\$6,000,440	\$9,877,021	\$17,820,997
2014 (Actual)	\$551,932	\$1,000,000	\$5,825,670	\$9,678,295	\$17,728,112
2013 (Actual)(Actual)	\$520,044	\$855,000	\$6,237,414	\$10,724,132	\$19,008,805
**Totals include \$672,215 appropriation each year for Air Ambulance Program					

DOT Budget by Program

*Public Transit Program Budget – Highway Fund					
FY	Fixed Route	Paratransit	Commuter Service	Other Costs	Total
2018 (Adopted)	\$7,552,125	\$2,060,515	\$1,047,375	\$200,000	\$10,860,015
2017 (Adopted)	\$7,192,500	\$2,060,515	\$997,500	\$115,000	\$10,365,515
2016 (Actual)	\$7,192,500	\$2,000,500	\$997,500	\$109,715	\$10,300,215
2015 (Actual)	\$6,850,000	\$2,000,500	\$950,000	\$76,521	\$9,877,021
2014 (Actual)	\$6,850,000	\$2,279,657	\$950,000	-\$401,362	\$9,678,295

Audit Scope

- Performance and Fiscal Audit of the Department of Transportation's (DOT) Fixed Route, Paratransit, Human Services Transportation, and Commuter Service transit programs, with a focus on:
 - The design and operating effectiveness of certain DOT internal controls over monitoring contractors and grantees
 - Contractor and grantee compliance with certain contract and grant agreement provisions
 - Services provided under all programs and identification of any duplicate services
 - Existing contract requirements and identification of opportunities for the County to enhance its practices for future RFPs, contracts and grant agreements
 - The DOT's operational and financial performance

AUDIT RESULTS

Note: the results presented in these slides are a summary of our results and do not capture the entirety of our observations and recommendations, which are available in the full Performance and Fiscal Audits of the Department of Transportation Report

Key Themes and Results

In evaluating the DOT, we identified several planning, facility and technology upgrades that are in development and would serve as a baseline for existing processes. We also identified several unique aspects of the transit system that were important factors considered throughout our analysis. These factors include:

- All of the Fixed Route services, in regard to this audit, will have automated passenger counter and automated vehicle location (“APC/AVL”) capabilities
- All Paratransit and HST services utilize EcoLane technology that provide all trip information.
- Commuter services (seven buses operating on four routes) is self-reporting (i.e. manual)
- The DOT owns all of the buses for Fixed Route services, but the contractor, Roberts Hawaii (“Roberts”), operates the service and maintains and stores vehicles.
- Roberts and MEO effectively have a monopolies on contracted services currently provided. The Requests for Proposals will act as future negotiations but will change when a future bus base is constructed on County-owned land
- The central transportation hub for the Fixed Route services is currently located at the privately-owned Queen Kaahumanu Shopping Center in Kahului, Maui.

Key Themes and Results - Continued

The primary objective of this review was to provide the County with information to utilize in long-term decision making to improve the overall quality, reliability, effectiveness and efficiency of the DOT's programs. We identified the following key observations for the County's consideration, as a result of this review:

- The County or other responsible governing bodies over the DOT should establish clear program goals and objectives, and implement transit planning and fare policies that align with approved objectives. Without clearly established objectives and policies, performance measures may be ineffective at measuring performance and driving strategic change.
- The DOT's services, fleet and fares are consistent with peer agencies, with the exception of the Paratransit service monthly fare pass; this pass is inconsistent with most agency practices and may be abused by patrons.
- The DOT, with limited resources, has effectively overseen the primary service operations of each program; however, due to resource constraints, certain controls and monitoring mechanisms have not been implemented to effectively oversee contractor / grantee compliance and other measures of program performance. The DOT should further evaluate the cost benefit of implementing additional controls and monitoring processes to oversee contractors and grantees.

Summary of Procedures Performed

Planning and document review (contracts, performance reports, etc.)

Walkthroughs and informational interviews at DOT, MEO, and Roberts

Documentation of DOT, MEO, and Roberts processes and controls

Work plan and audit procedure development

Evaluation of DOT internal controls and monitoring

Evaluation of contractor / grantee compliance and contract enhancement opportunities

Analysis of DOT operational and financial performance via peer agency review

Duplicate service analysis

Service Planning and Route Analysis (Scope items §6.b.ii and §6.b.iv)

Scope Objective: Evaluate the DOT's methodology for service planning

Procedure Overview: Obtained and evaluated the DOT's existing policies and practices for service planning and benchmarking against transit best practices

Observation: The existing Fixed Route and Commuter Service planning policy does not establish service standards, nor does it provide a governing framework or comprehensive methodology for monitoring performance and evaluating services changes.

- **Recommendation:**

- Enhance existing policies to align with transit best practices and establish formal program objectives to govern overall program performance management, considerations may include:
 - Service standards by program
 - Service performance monitoring
 - Service performance evaluation
- Establish a Paratransit service program policy

Service Planning and Route Analysis (Scope items §6.b.ii and §6.b.iv)

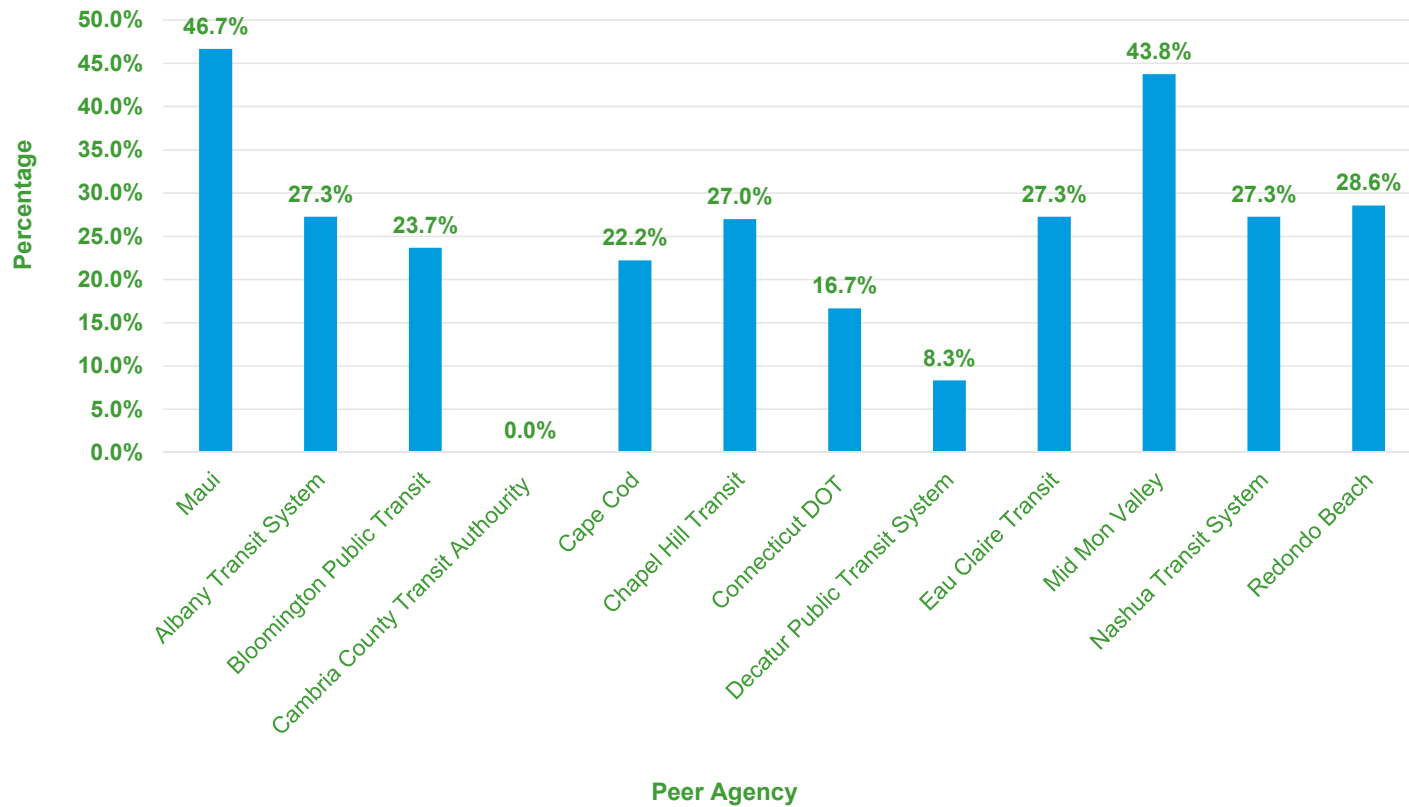
Scope Objective: Evaluate the existing services and fleets for appropriateness for the County's population and transportation needs.

Procedure Overview: Evaluated the DOT's existing service and fleet, including key metrics and performance measures.

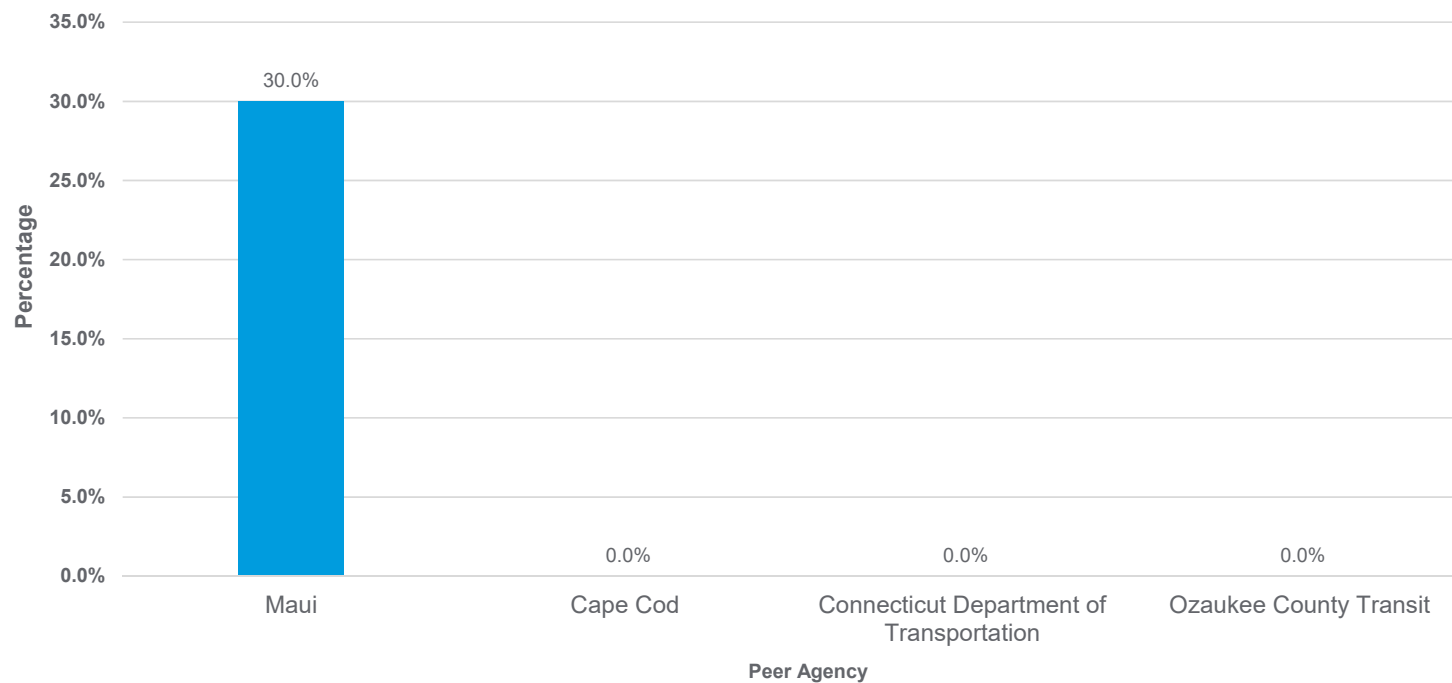
Observations:

- Routes operated are the minimum required to meet passenger demand with the maximum headways required to provide regular service
- Most routes operate with 1-hour headways (measurement of time between vehicles), with some routes at certain times of the day operating with 1.5 to 2-hour headways. This means that service is available during the hour but may be unattractive to choice riders as riders will need to plan around the schedule, which is also typical of peer systems.
- Maui has the highest spare ratio compared to its peers (see slides 18-19), and the number of vehicles is adequate to serve the network and meets the demand for normal operations and shifts in demand due to cruise ships or special events.
- The size of these vehicles is reflective of standard transit operations of peer agencies

Percentage of Spare Vehicles for Fixed Route Bus Service



Percentage of Spare Vehicles for Commuter Bus Service



DOT Cost Analysis (Scope item §6.b.i.4)

Scope Objective: Evaluate program costs and benchmark against comparable agencies.

Procedure Overview: We obtained and reviewed Maui County data on Fixed Route costs and ridership per quarter from FY12-FY18 to identify overall program trends over the period.

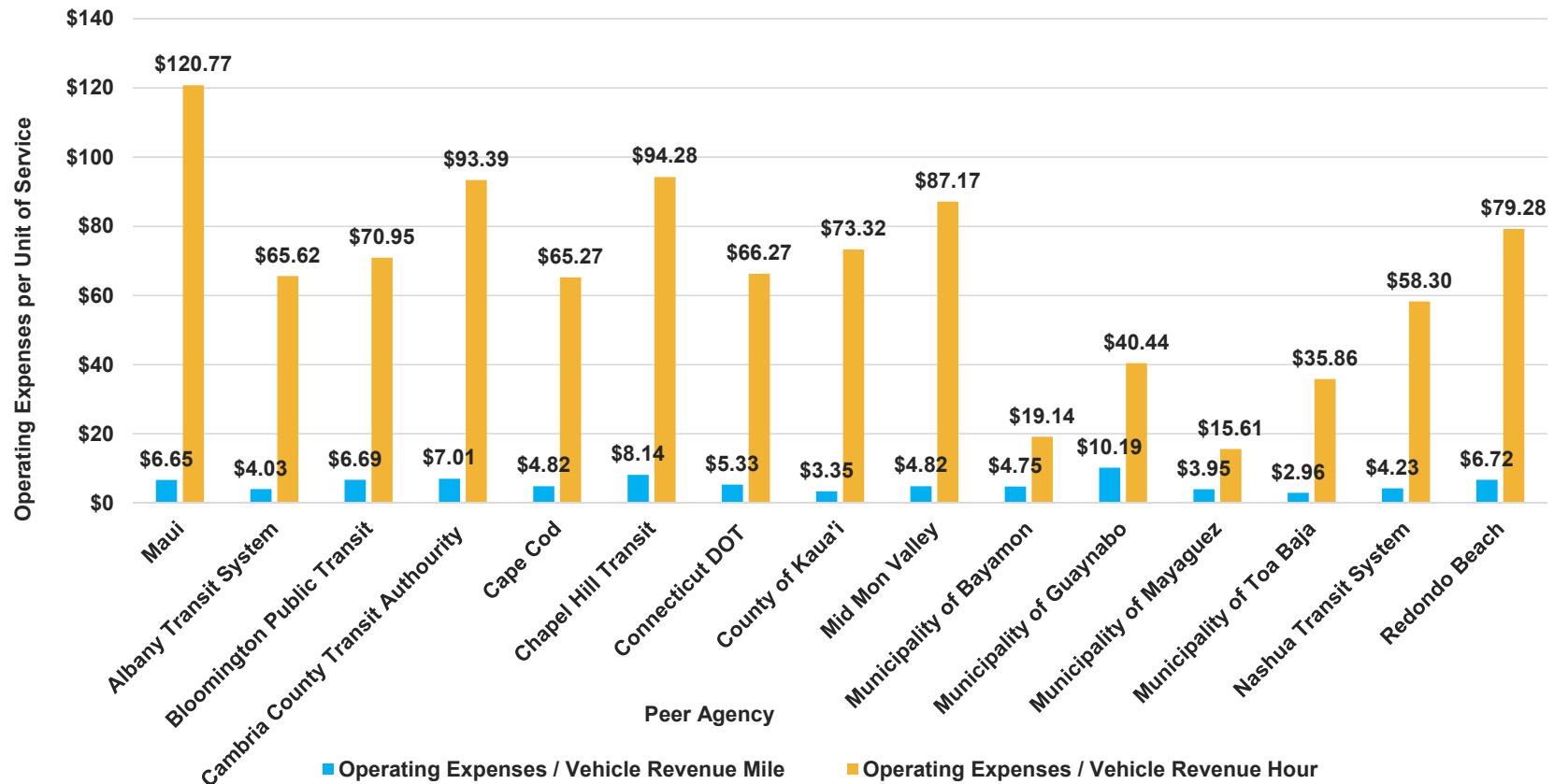
Observation: Ridership for Maui County's Fixed Route service is down overall from FY12-FY18. Costs have remained stable throughout FY12-FY18. Compared to peer agencies, fixed route has high operating expenses per vehicle revenue hour and higher than average operating expenses per vehicle revenue mile.

Recommendation: The DOT evaluate potential factors that may have been related to changes in ridership and continue to monitor service changes, including route changes or fare changes for potential impacts on ridership

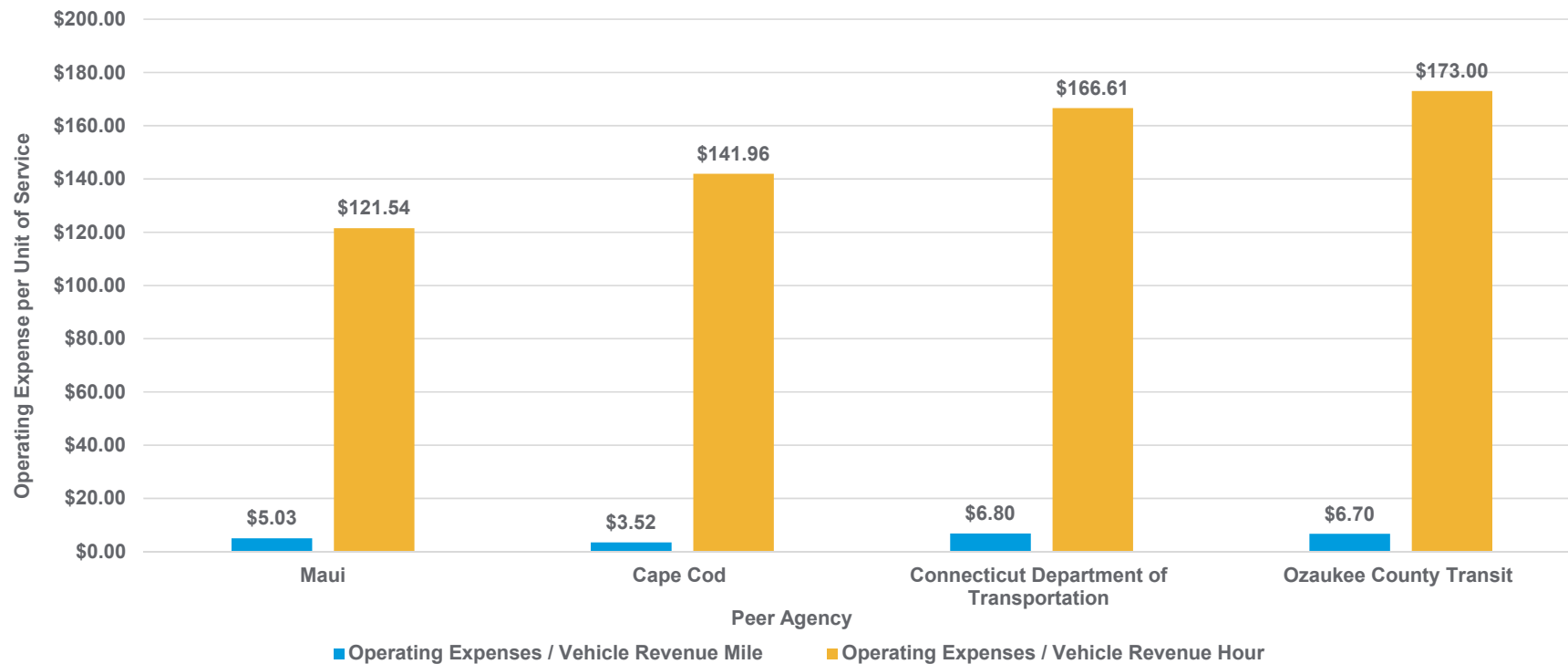
Observation: Compared to peer agencies, Maui County's Fixed Route service experiences high operating expenses per vehicle revenue hour and higher than average operating expenses per vehicle revenue mile (see slides 21-22). This is true although Maui County has a higher farebox recovery ratio for its fixed route services than peer agencies, earning \$1 per fixed route trip.

Recommendation: The DOT evaluate potential factors that may have been related to changes in ridership and continue to monitor service changes, including route changes or fare changes for potential impacts on ridership.

Fixed Route Bus Operating Expenses per Unit of Service



Fixed Route Commuter Bus Operating Expenses per Unit of Service



DOT Cost Analysis (Scope item §6.b.i.4)

Scope Objective: Evaluate program costs and benchmark against comparable agencies.

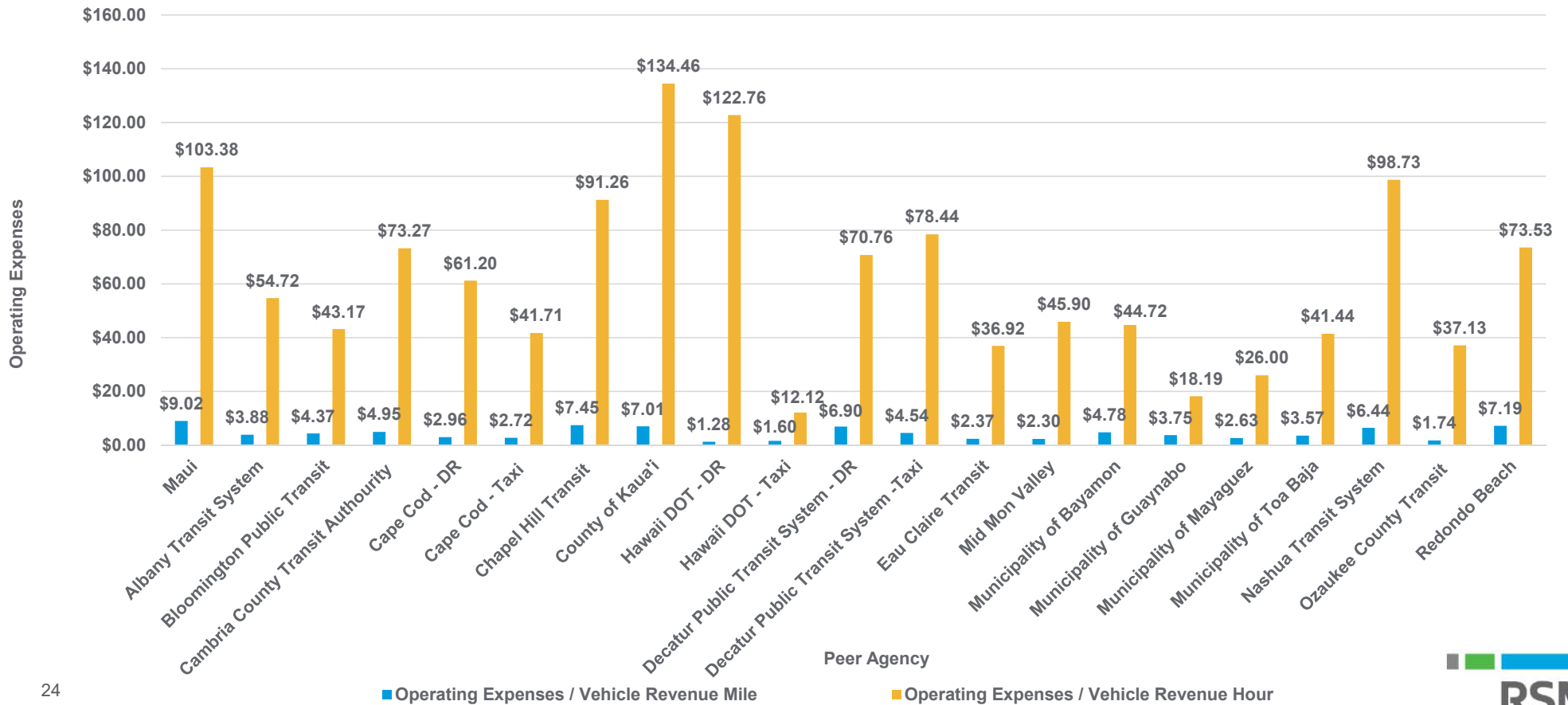
Procedure Overview: For Paratransit services, we reviewed Paratransit operating expenses obtained from 2014 NTD data against those of peer agencies. We also used comparable cost measures to those used in the Fixed Route and Commuter analysis of operating expense per trip, efficiency measures of operating expense per vehicle revenue mile, and operating expense per vehicle revenue hour.

Observation: When evaluating expenses by both revenue mile and revenue hour, Maui County's Paratransit service operating expenses are higher overall than most of its peer agencies. Maui's operating expense per vehicle revenue mile are \$9.02 and operating expenses per vehicle revenue hour are \$103.38, which is in contrast to operating expenses per passenger trip, where Maui has a lower than average cost when compared to peer agencies, \$20.64 per passenger trip (see slides 24-25). This information indicates that that Paratransit customers may be making shorter trips, reducing per trip costs, while still having higher than average operating expenses.

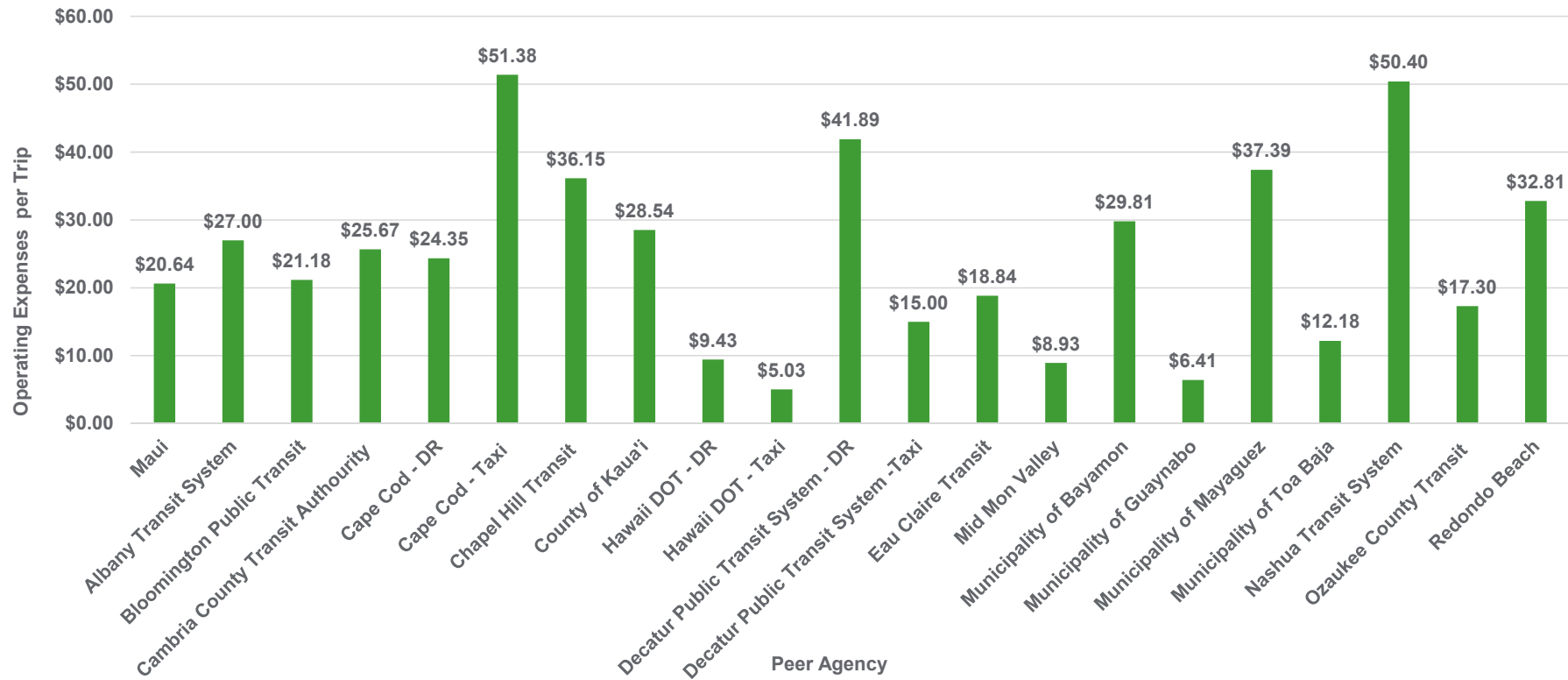
Higher operating expenses may be attributed to Maui County's unique geography as an island, leading to higher fuel costs, geographic isolation of certain areas, and high traffic. Peer island agencies like the County of Hawaii Mass Transit Agency and Kaua'i County both experience even higher operating expenses per revenue hour than Maui County. While it is difficult to attribute specific causes to these cost trends, fundamental geographic constraints likely play a major role.

Recommendation: The DOT continue to review factors that may be contributing to high Paratransit program operating expenses per vehicle revenue mile and further explore performance measures to continuously monitor program efficiency and effectiveness.

Paratransit Operating Expenses Comparison



Operating Expenses per One-way Paratransit Passenger Trip



DOT Funding Analysis (Scope item §6.b.v)

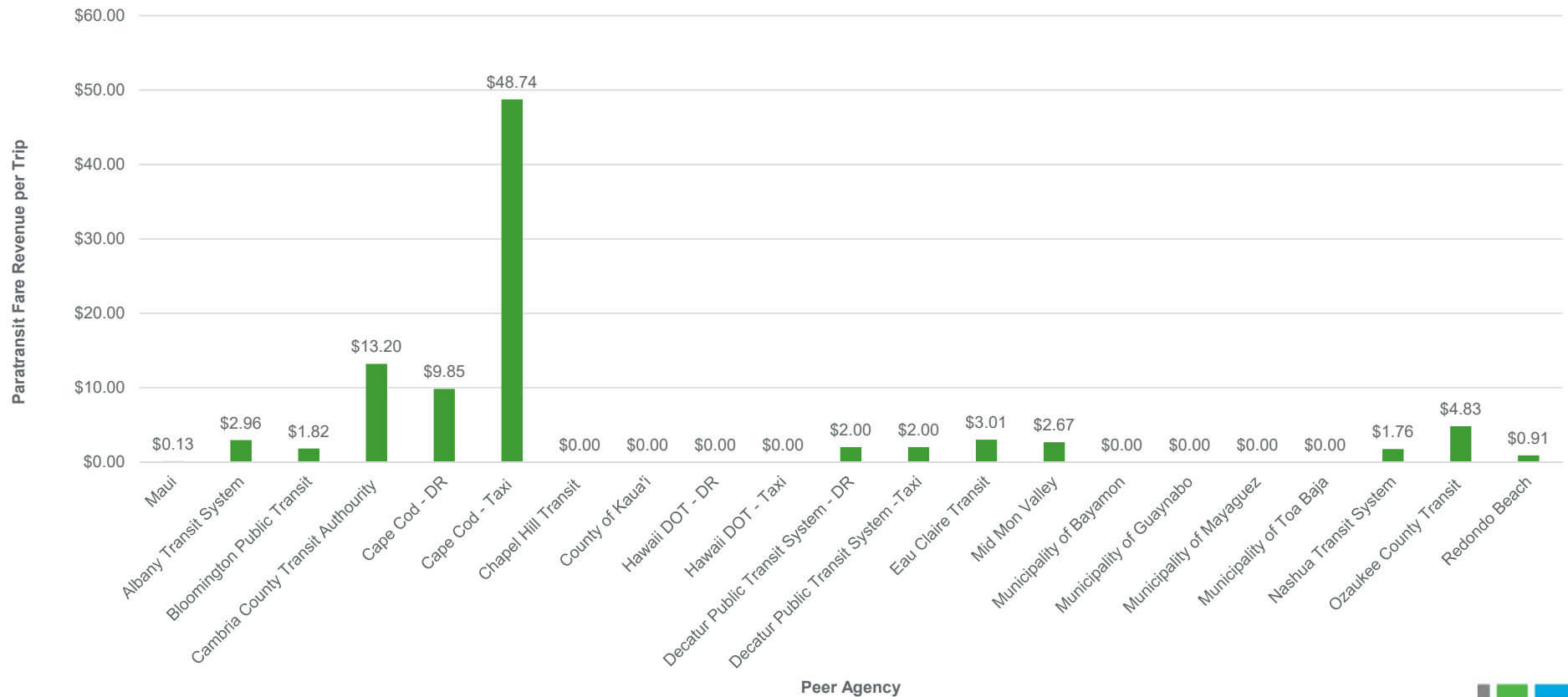
Scope Objective: Review and evaluate the DOT's funding sources and fare structure and determine if current subsidies are comparable to peer agencies.

Procedure Overview: We obtained and reviewed available DOT policies and procedures against best practices, including comparison of revenue and farebox d We also obtained and reviewed existing fare structures and pricing against those of peer agencies.

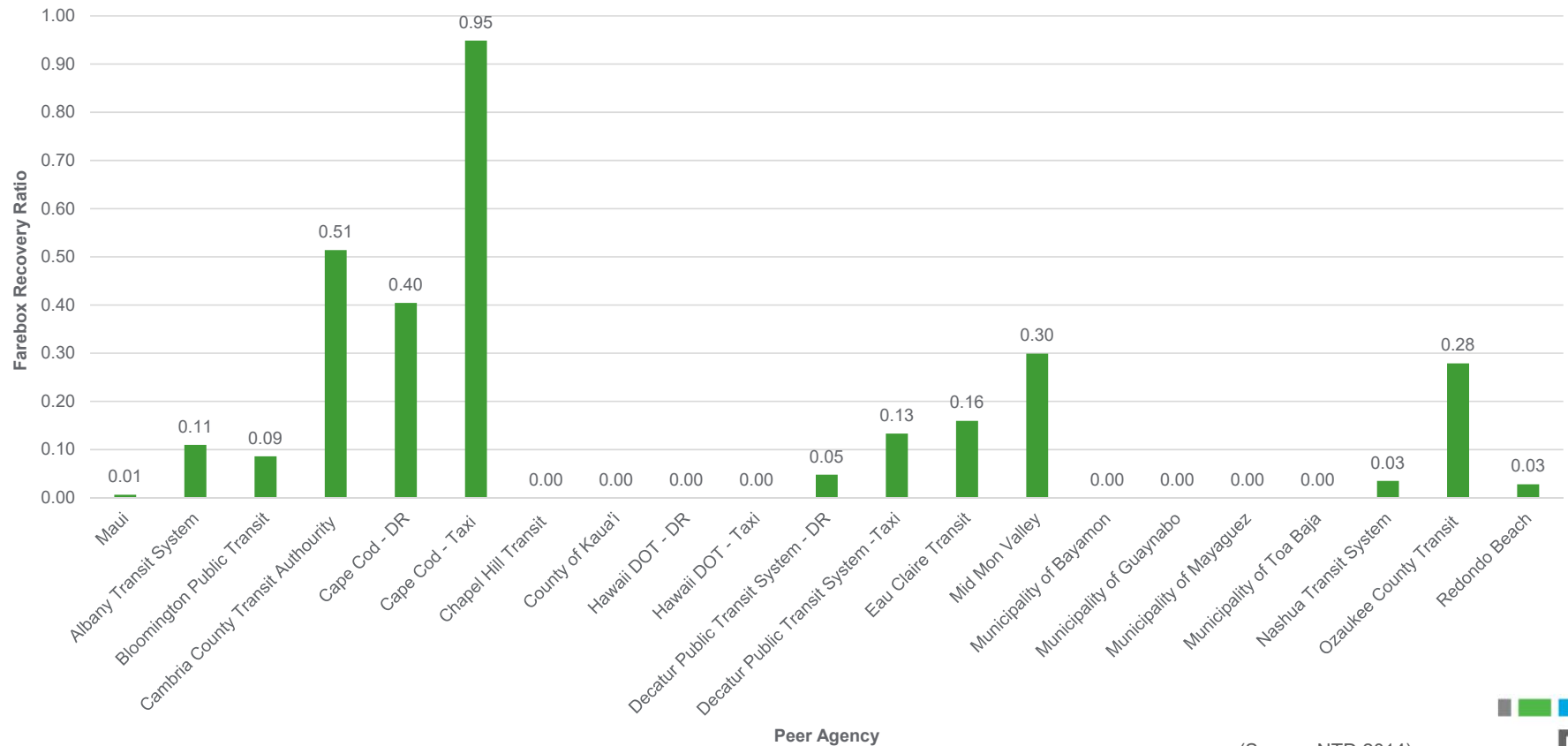
Maui Bus Fares as of January 31, 2018

Fare Type	Cost and Use
Cash Fare	\$2.00 – includes Fixed Route, Commuter and Paratransit
Daily Pass	\$4.00 – includes Fixed Route and Paratransit
Monthly Pass	
General	\$45.00 – includes Fixed Route, Commuter and Paratransit
Student	\$30.00 – includes Fixed Route and Paratransit
Senior (55 years and older)	\$25.00 – includes Fixed Route only
Person with disability	\$30.00 – includes Fixed Route only
Senior ADA Paratransit Pass	\$30.00 – includes Paratransit only

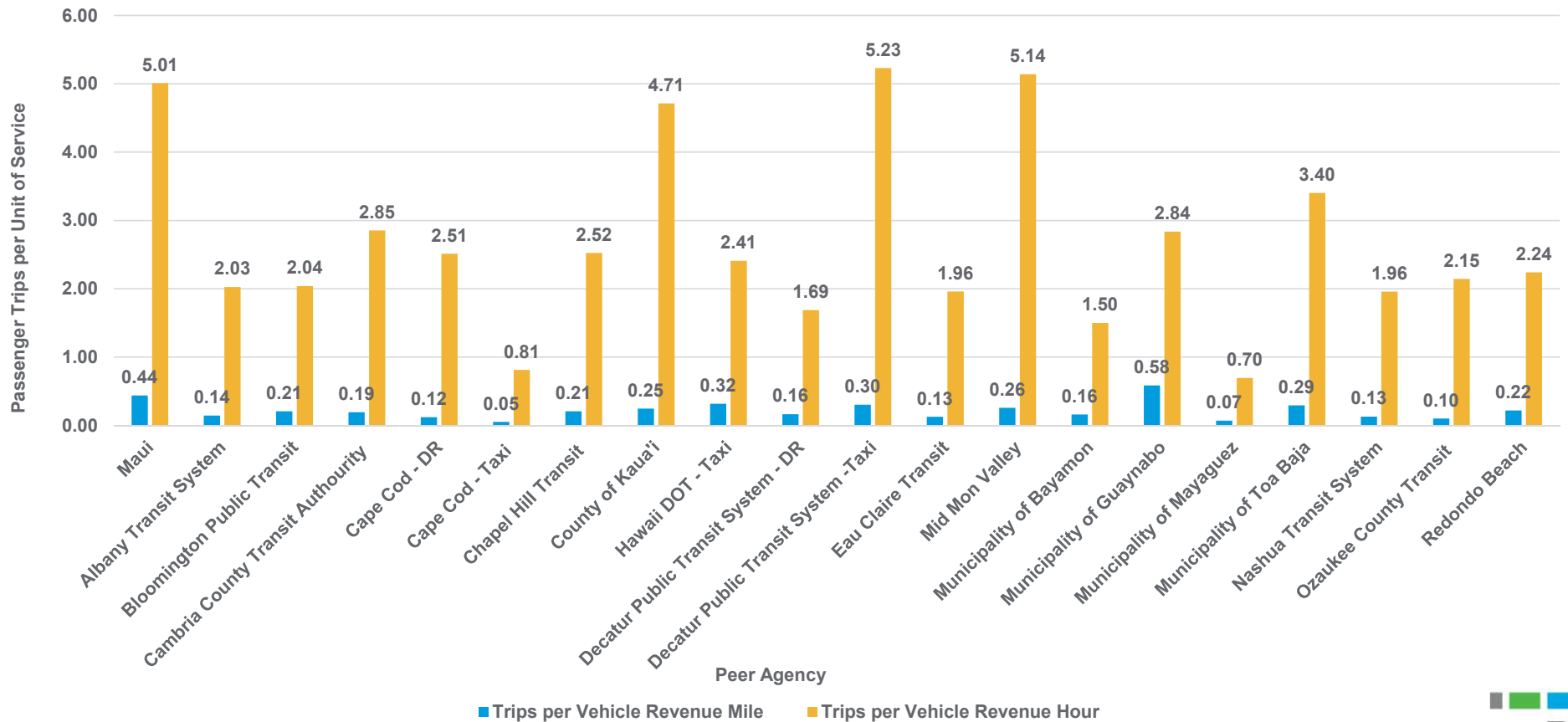
Paratransit Fare Revenue per One-way Paratransit Trip



Paratransit Farebox Recovery Ratio



Paratransit Efficiency Metrics



DOT Funding Analysis (Scope item §6.b.v)

Observation: The County has not established a governing paratransit fare policy that is used to establish parameters around the system's fares, including specific fare structure and pricing, farebox recovery goals, or other considerations for fare alignment with strategic program policies and objectives.

Recommendation: Establish a governing fare policy that establishes overall principles and goals that can be used to inform fare structures, including pricing and payment options, and guide other aspects of the system and DOT management decisions.

Observation: Compared to peer agency NTD data reviewed in fiscal year 2014, the County's Paratransit trip had a high subsidy on a per trip and on a per mile basis, with \$0.13 of revenue per passenger trip. Paratransit farebox recovery for the same period was less than 1%.

Recommendation: Review the existing Paratransit monthly pass fare option and perform a comprehensive analysis of alternative fare structures, such as a zone-based or other tier-based system and implement fares that align with policy for desired farebox recovery or subsidy.

Duplicative Service Analysis (Scope item §6.b.i.1)

Scope Objective: Analyze the contracts and services provided for each program and to determine whether duplicate services exist between programs, and if so, the cost-benefit and impact of eliminating duplication.

Procedure Overview: Review of all programs and services, including user groups, eligibility, and service area.

Observation: Our duplicate service analysis did not result in any specific findings or indication that duplicate services exist or are pervasive across the County's transportation programs. We did observe that certain distinct rider groups who may be eligible for free grant-funded programs may also use the fixed route system for such needs, depending on the rider's ability and geography.

Recommendation: Continue to monitor programs, including an evaluation of the ongoing cost-benefit of a given program and its impact on the community. To the extent the County establishes governing transit planning policies, the County or DOT can evaluate performance against established criteria and inform future transit programming decisions.

DOT Internal Controls, Contract Compliance, and Agreement Analysis

(Scope items §6.b.i.2-4)

Scope Objective: Analyze the contracts and services provided for each program and determine whether services are being fully provided, including specific aspects of the agreement such as on-time performance and training. In addition, the scope required an analysis of the DOT's internal controls and mechanisms for monitoring performance of each program under the service contracts and HST grant agreement.

Procedure Overview: Review of all programs and services, including user groups, eligibility, and service area.

Observation: The DOT has implemented certain internal controls to monitor performance of service contracts. However, certain key controls have not been implemented or are not effectively designed to manage certain risks

Recommendation: Evaluate relevant contract and other program risks and, considering the potential cost benefit, implement additional controls and monitoring processes to oversee contractors and grantees.

Observation: Certain fare revenues earned by Roberts are not formally recorded and reported to the DOT, nor are they currently independently verified.

Recommendation:

- Identify all sources of fare revenue and explicitly require all forms of cash fare sales be supported by internal controls and procedures at the contractor or grantee
- All fare revenues and distinct sources be reported to the DOT and independently verified to the extent possible
- Establish criteria for evaluating reconciling items in the fare revenue reconciliation to ensure variances are reasonably explained and resolved

DOT Internal Controls, Contract Compliance, and Agreement Analysis

(Scope items §6.b.i.2-4)

Observation: HST Grant program expenditures are not monitored and reported at the individual program level, nor does MEO, the current grantee, provide detail support and evidence to the County for expenses incurred and reported under the HST grant program. The County does not independently validate the costs reported were actually incurred and allowable per the grant agreement.

Recommendation: Require each HST grant program's expenditures be accounted for and reported separately to the DOT to allow visibility of program costs and performance measurement. We also recommend that the DOT require best practice documentation to substantiate costs reported by the grantee as part of its existing QAR process or any future process designed

Observation: Commuter bus fleet ridership and revenue are manually reported by Roberts, and the DOT has not established a formal process to independently validate this information to ensure accuracy of reporting on an ongoing basis.

Recommendation: Implement certain controls or procedures to independently validate commuter ridership data reported by vendors.

Observation: The DOT currently uses cash fares or cash for passes on all programs, which requires manual cash handling and counting by the contractors and increases the risk of loss due to misappropriation of assets.

Recommendation: Further evaluate the cost-benefit of implementing electronic fares and fareboxes for the system, as well as potential benefits and adverse impacts to the overall program. We recommend that the DOT consult transit best practices and guidance available from public resources to understand the various benefits of electronic fare systems, including those which will provide more visibility to critical data that is not currently verifiable by the DOT.

DOT Internal Controls, Contract Compliance, and Agreement Analysis (Scope items §6.b.i.2-4)

Observation: Certain contract provisions were out of compliance when inspected during our review. Examples include:

- Certain employees at both Roberts and MEO were paid below the prevailing wage rates that were in effect at the time of the payroll period
- Certain preventative maintenance (PM) documents were not implemented or available as required by the contract

Recommendation: Implement certain controls or procedures to independently validate contract compliance.

Observation: Four of eight drivers inspected at Roberts had criminal convictions identified on their background check, and neither Roberts nor the County have established policies or standards for disqualifying offenses or criteria for evaluating background checks.

Recommendation: Establish a policy for minimum standards of contracted personnel, specifically related to disqualifying offenses for certain positions, and incorporate those requirements into future agreements.

QUESTIONS AND ANSWERS?