

AUDIT REPORT

DUTCHESS COUNTY

DEPARTMENT OF PUBLIC WORKS

DIVISION OF PUBLIC TRANSIT

LIMITED SCOPE REVIEW

PAYROLL EXPENSES, VEHICLE INVENTORY, REPAIR AND MAINTENANCE SERVICES

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Comptroller's Summary

Background and Organization

The Dutchess County Division of Public Transit (DCPT) is under the auspices of the Dutchess County Department of Public Works (DPW). The county budget provides all funding for general operation. The total expended in 2016 was \$7,610,668.39.

The county has contracted with First Transit Inc. for the management and operation of the County's public transit system. The current contract is effective for the period April 1, 2014 through December 31, 2017 with the county's option to renew for one additional year.

First Transit Inc. employs a full-time Resident General Manager and staffing (through its wholly owned subsidiary Transit Management of Dutchess County Inc.) for the day-to-day operational matters of the bus system, including, bus operators, mechanics, maintenance and other shop personnel, dispatching, office accounting and administrative personnel. According to the contract, "The cost of any compensation (wages, salary and benefits) payable to all such personnel, with the exception of the RGM (Resident General Manager) and Manager's central office staff, shall be an obligation of the County and an operating expense of the Division of Public Transit." In addition, Dutchess County employs a Transit Administrator to oversee compliance with all federal, state, and local regulations and adherence to the operating budget for the Division of Public Transit.

Contract provisions for the management and operating expenses are shown at Exhibit I.

Audit Scope, Objective and Methodology

An audit was performed to review selected 2016 expenditures incurred by the Dutchess County Division of Public Transit. Payroll and related expenses, Vehicle Inventory, Repair and Maintenance Services were reviewed.

- Payroll and related expenses included: salary costs totaling \$3,843,017.17 and employee benefits and reimbursements totaling \$1,427,996.79.
- Vehicle Inventory as listed on the County's financial management system totaled \$12,392,273.83 as of 2/17/17.
- Repair and Maintenance Services included: Repairs/Alt to Vehicle Equipment totaling \$141,052.92 and Parts & Supplies- Auto, Equipment totaling \$233,338.75.

A sample of selected 2016 vendor invoices for payroll expensed, vehicle maintenance, repairs, towing and tires were reviewed, as well as the duties of certain fiscal and maintenance staff members. Information was also derived from the financial documentation, contract pricing, vehicle maintenance processes, inventory, invoicing and staff interviews.

Summary of Findings/Recommendations

- ❖ The department's documentation and records reviewed were readily available and generally found in good order.
- ❖ The department's payroll process and payment of related expenses were found to be in good order and with internal controls in place.
- ❖ The processes and procedures for vehicle repairs and maintenance demonstrated a good system of internal controls and segregation of duties.
- ❖ Additional efforts were recommended for invoicing and invoice review to correctly identify vehicles.
- ❖ Additional efforts for the proper posting of payments should be put in place prior to year-end to identify and correct any errors.
- ❖ Improvements should be made to provide verification of inventory recorded.

Detailed Findings

Review of Selected Processes, Procedure and Expenditures

Payroll

Salary costs reviewed for 2016 totaled \$3,843,017.17 consisted of management \$188,340.00; and Operations Staff \$3,563,322.07; and for the Dutchess County Department of Public Works Transit Administrator \$91,355.10. The DCPT work force on average consists of seventy-seven people who are overseen by the General Manager and the Dutchess County Department of Public Works Transit Administrator. Approximately ten salary employees, fifteen hourly employees, and fifty-two bus operators comprise the operations staff of DCPT.

DCPT processes for the collection and review of time were examined. Internal controls were in place to ensure verification of information. Once the information is compiled and approved by DCPT it is sent to DPW-Administration for the weekly review and approval. It is then sent to the Comptroller's Office for pre-audit review and subsequent payment. The Comptroller's Office will request additional documentation and justification when necessary.

DCPT prepares and enters invoices for the payment of the employee benefits onto the county's financial management system. Upon review and approval by the department they are submitted to the Comptroller's Office for final review and subsequent payment.

Observations:

- Management costs were correctly recorded in the Professional Services Consultant (4401.105) line item with the exception of one November payment totaling \$15,696.00 which was erroneously recorded in the Professional Services Program (4401.106) line. The Professional Services Consultant line 4401.105 also included two other vendor payments for Consultant services. These two vendor payments were appropriate based on the contract agreements for development of a grant application (\$4,500) and training for the maintenance and repair of vaulting equipment (\$5,500). Exhibit II is a summary of these payments which resulted in the recording of \$182,645.00 in the 4401.105 line item.
- The Operations Staff costs were correctly recorded in the Professional Services Program 4401.106 line item with the exception of an insurance payment of \$5,070.16 (which should have been charged to the Non-Employee Benefits 4755 line item) and the November management contract payment totaling \$15,696.00 (which should have been charged to line item 4401.105). The Professional Services Program line also contained a refund entry from NYS for \$329.90. Exhibit II is a summary of payments which resulted in the recording of \$3,583,757.33 in the 4401.105 line item.
- Payroll related expenses totaling \$1,427,996.79 for employee benefits and reimbursements were examined. Exhibit III is a summary of specific line items and the corresponding amounts for payroll related expenses.

Vehicle Inventory

The total vehicle inventory amount of \$12,388,466.95 was found on a current Inventory list provided by DCPT. This information was reviewed and compared to the information available on the county's Asset Services inventory report. The DCPT Inventory List is a compilation of information DCPT prepared from a variety of documents and records pertaining to the vehicles located at DCPT. One such document is the Receiving Report which is completed when a vehicle is purchased by DCPT. DCPT completes the form which includes information such as acquisition date, original purchase price, make, model, vehicle identification number and license plate number, etc. The form is signed by the Transit Administrator or General Manager and sent to Central Services, with any additional information regarding the vehicle that may be pertinent. Dutchess County Central Services reviews the information, assigns an asset/inventory number and produces the asset tag, while entering the data into the county's Asset Services. Upon its receipt, the asset tag is attached to the corresponding item by DCPT personnel.

Observations:

In comparing the two listings we found the following anomalies:

- We found six typographical errors regarding tag numbers, vehicle identification numbers, vehicle make, and vehicle numbers for the fifty-two vehicles listed on DCPT. Corrections were made. In addition, we found four VIN numbers that were incorrectly recorded on the County's Asset Services. Corrections were made.
- Thirteen out of fifty-two vehicles had a different acquisition date listed on the DCPT Inventory than the ones listed on Asset Services. (Note: The Department explained the acquisition date on their Inventory List is the date they take possession of the vehicle. The date on Asset Services could sometimes be the date on Notice of Assignment, date listed on the Receiving Report, or possibly date of purchase on invoice.)
- Twenty out of fifty-two vehicles had a different purchase price than the amount listed on Asset Services. [Note: Differences were attributed to what DCPT or Central Services were including in the price such as warranties, graphics or accessories added to the bus, etc.]

Recommendations:

- Careful scrutiny of vehicle information, such as identification numbers, year, make and model of vehicle, etc. on all documentation should be conducted when the item is purchased.
- Receiving Reports should be carefully completed and reviewed by DCPT prior to submission to Central Services, as well as after it is returned with the assigned asset tag number. This will ensure the correct tag is attached to the vehicle and all information accurate. In addition, the information entered on Asset Services also should be reviewed to verify both DCPT and Central Services are in agreement and have correct vehicle information.
- There should be more uniformity in the reporting of the vehicle purchase price on DCPT's Inventory List and Asset Service. (Note: The department explained that with the inventory review, DCPT and Central Services' will list the vehicle purchase price as the cost of the bus and whatever accessories and warranties are included at the time of purchase. Any additions afterwards (ex. retro-fitting, fare boxes etc.) will be assigned separate asset inventory tag numbers.)

Procedures Review – Vehicle Repair and Maintenance Services

Public Transit maintained good processes for vehicle and maintenance services. Processes were written in detail describing tasks and individuals responsible for performing tasks. We confirmed through visual review that the processes were performed by the individuals responsible. Processes included the initial inspection of the vehicles, the need for repair and the execution of the repair, the completion of work orders to document repairs, the billing of services performed and the on-going purchasing of parts, usage and inventory.

Repair and Maintenance Services

In 2016 - Repairs to Alt to Equip Vehicle amounted to \$141,052.92. Selected invoices totaling \$134,970.32 (\$122,326.62 for maintenance and repairs and \$12,643.70 for towing) were reviewed to ensure the detailed information provided was correct and that services were obtained with the appropriate authorizations in place. Invoices from the vendors typically contain information to identify the vehicle serviced. In all instances, purchase orders and authorizations were in place with the vendors to provide the services.

Observations:

- Of the twenty-one Maintenance and Repair invoices reviewed, errors included an incorrect vehicle listed, one invoice had an incorrect model name, and one has incorrect vendor remittance information. In addition two invoices included towing fees in error.

- Of the thirty-eight towing invoices reviewed, thirty-one invoices had information that was missing or incorrect including VIN #s, vehicle year, plate number, make and model number.

Recommendation:

- Efforts should be made by the department to ensure vendors provide complete and accurate vehicle information on invoices. Additional procedures were requested during our review to enhance accuracy of invoices. This included DCPT contacting vendors to complete invoices properly and additional review by DCPT personnel in reviewing invoices.

Tires

In 2016, a total of \$233,338.75 was paid from the Parts & Supplies- Auto, Equipment 4102 line item. Of this amount, a total of \$40,704.59 was expended to a tire vendor which we reviewed.

Observation

- Invoices were compared to the actual state bid which contained the tire type (model/size) and pricing. No discrepancies were noted.

Vehicle Inspections and Preventative Maintenance

DCPT utilizes a specialized software system which has the ability of tracking when inspections and preventative maintenance are required on their vehicles by generating pop-up reminders. In addition, there are vehicle folders which contain documentation of all Daily Vehicle Inspection Reports (DVIR) work orders, repairs, inspections, warranty information etc., as well as a sheet with the preventative maintenance schedule for the vehicle.

EXHIBIT I

Selected Payment Provisions –Management Contract between Dutchess County and First Transit Inc.

Per paragraph 5. Payment and Expenses

<u>TERM:</u>	<u>ANNUAL AMOUNT:</u>	<u>MONTHLY AMOUNT:</u>
4/01/2014 to 12/31/2014	\$134,451	\$14,939
1/01/2015 to 12/31/2015	\$183,744	\$15,312
1/01/2016 to 12/31/2016	\$188,340	\$15,695
1/01/2017 to 12/31/2017	\$193,044	\$16,087
Option-1/01/2018 to 12/31/2018	\$197,868	\$16,489

The Manager's fee is inclusive of the following:

- All compensation and benefits for the Resident General Manager;
- Any cost of relocation for the Resident General Manager
- Service of the Region Vice President; and
- Up to eighty (80) hours of Customer Support Staff labor each year. These hours may be applied to, but are not limited to, projects such as:
 - * In-plant bus line inspection services,
 - * Bus operator monitoring services,
 - * Human resource assessments,
 - * Fiscal management, maintenance,
 - * Operations and safety reviews, and
 - * Cash handling audits.

These hours are in addition to the site visits and support from the Region Vice President.

All travel costs for non-resident personnel in service to Dutchess County Public Transit is included in the Manager's fee.

In addition to the above compensation, the County shall provide the necessary operating funds to pay for the operating expenses associated with the operation of the County's public transit system as described in paragraph 17 of this agreement.

Per paragraph 17. Revenues and Expenses

As used herein, the term "operating expenses" of the County's public transit system shall mean and include without limitation all wages, benefits, and compensation of all personnel excluding the Resident Manager of the County's public transit system, all payroll, social security, property and all other taxes pertaining to the operation of the County's public transit system, all rentals, utilities, association dues, all insurance premiums (excluding General Liability) and deductibles, cost of fuel, supplies and parts, repairs, uninsured losses, judgments, settlements, awards and all other charges, costs and expenses incident to the operation of the County's public transit system. Operating expenses shall be an obligation of and paid by the County.

EXHIBIT II
Salary Expenses

Source: 2016 Budget Performance Report

Fund	Account	BPR Amount	
1010	Positions	\$91,355.10	
	Total Amount paid for salary without fringe for the DC Dept. of Public Works Transit Administrator		\$91,355.10
4401.105	Professional Services Consultants	\$182,645.00	
	November Management contract paid from GL4401.106 line item in error		\$15,695.00
	Genfare payment per contract #15-0376-PT		-\$5,500.00
	Millennium payment per contract #16-0316-PL		-\$4,500.00
	Total Amount paid for Management Contract		\$188,340.00
4401.106	Professional Services Program	\$3,583,757.33	
	Payment of CDHP Insurance to incorrect GL line (s/b .4755)		-\$5,070.16
	Refund from NYS for over payment of 1st qtr. MTA tax		\$329.90
	November Management contract paid from GL4401.106 line item in error		-\$15,695.00
	Total Amount paid for Operations Staff		\$3,563,322.07
4401	Professional Services Total		
	Total Salary Expenses		<u>\$3,843,017.17</u>

EXHIBIT III
Payroll Related Expenses

Source: 2016 Budget Performance Report

Fund	Account	BRP Amount
4431	Education Programs	\$1,398.24
4619	Employee Mileage Non-Taxable	\$0.00
4620	Employee Travel & Expenses	\$1,755.60
4631	Training Seminars/Conference	\$85.00
4755	Non-Employee Benefits	\$1,373,847.44
8100	Payments to Retirement System	\$20,440.00
8200	Payments to Social Security	\$6,675.89
8355	Long-Term Disability	\$447.66
8400	Hospital, Medical & Surgery Insurance	\$21,380.88
8450	Optical Insurance	\$220.80
8500	Dental Insurance	\$1,347.84
8800	Life Insurance & Acc Death & Dismemberment	\$364.32
8850	ACC Death & Dismemberment	\$33.12
	Total Payroll Related Expenses	<u>\$1,427,996.79</u>