



AUDIT HIGHLIGHTS

Transit Service Contracts

June 9, 2016

Audit Report No. 1609

WHY WE DID THIS AUDIT

An audit of Transit Service Contracts was included on the City Council-approved FY 2015/16 Audit Plan.

The audit objective was to evaluate compliance with terms and effectiveness of controls established in the City's transit contracts.

BACKGROUND

Scottsdale provides transit options through contracted services, which were budgeted at \$7.2 million in FY 2015/16.

The City's transit services are primarily funded by tax-supported sources. These include the City's transportation sales tax and Maricopa County's ½ cent 'Prop 400' regional transportation sales tax in addition to state and federal taxes.

Bus Service - Valley Metro and City of Phoenix operate bus routes through Scottsdale. In FY 2015/16, Prop 400 funds are expected to pay about \$5 million for Scottsdale routes, with the City Transportation Fund paying another \$2 million.

Trolley Service - The City operates 4 free trolley routes at an expected FY 2015/16 cost of more than \$3.6 million.

Paratransit - Valley Metro operates the East Valley Dial-A-Ride program for disabled and elderly citizens, which the City supplements with the 'Cab Connection' program.

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WHAT WE FOUND

1. Cost effectiveness analyses were not documented for business decisions and associated recommendations to City Council.

Full cost analyses were not available for:

- The City's Cab Connection program compared to Valley Metro's RideChoice program.
- Free compared to fare-based trolley service.
- Bus service compared to trolley service.

Our analysis estimates trolley service costs three to four times as much on a per-ride and per-mile basis.

2. Transit contract administration can be improved.

Specifically, we found:

- Contract changes occurred without proper documentation and were not reviewed for accuracy.
- A \$100,000 grant reimbursement was not requested timely.
- The City has paid about \$17,000 for data services that were not used.
- The transit service contract files are not complete or centralized.
- Contract terms do not address relevant matters such as allowable expenses and their eligibility period.

WHAT WE RECOMMEND

We recommended the Transportation Director:

- Work with staff to complete program cost analyses and provide the information to City Council to support decision-making.
- Require future contract changes have executed change orders if required, be properly documented and be reviewed for accuracy.
- Ensure program staff timely requests grant reimbursements.
- Ensure that future contracts include deliverable dates and penalties for non-performance. In addition, ensure contract change orders are completed prior to payment being made.
- Ensure staff maintains a centralized contract administration file that is complete.
- Ensure reimbursement expectations are included in future Valley Metro contracts, when applicable.

MANAGEMENT RESPONSE

The Department responded that staff will immediately begin to document analysis to support business decisions in organized, centrally located files and will ensure all recommendations and requirements are met going forward.