CITY AUDITOR'S OFFICE

Transit Service Contracts

June 10, 2016

AUDIT REPORT NO. 1609

CITY COUNCIL
Mayor W.J. "Jim" Lane
Suzanne Klapp
Virginia Korte
Vice Mayor Kathy Littlefield
Linda Milhaven
Guy Phillips
David N. Smith

June 10, 2016

Honorable Mayor and Members of the City Council:

Enclosed is the audit report for *Transit Service Contracts,* which was included on the Council-approved FY 2015/16 Audit Plan. We evaluated compliance with the terms and effectiveness of controls established in the City's transit contracts.

Scottsdale provides bus, trolley and paratransit options through contracted services that were budgeted at $7.2 million in FY 2015/16. The City's transit services are primarily tax-supported, including the local transportation sales tax, with a small portion funded by bus or cab fares.

Cost-effectiveness analyses were not documented for transit-related business decisions and to support the associated recommendations to the City Council. For example, we estimate that trolley service costs three to four times as much as bus service on a per-ride and per-mile basis.

In addition, transit contract administration can be improved. Specifically, contract changes occurred without appropriate documentation, a $100,000 grant reimbursement was not received, $17,000 was paid for data services that were not used, contract files are not centralized and complete, and certain contract terms should be clarified.

We appreciate the cooperation and assistance of the Transportation department during the course of the audit. If you need additional information or have any questions, please contact me at (480) 312-7867.

Sincerely,

Sharron Walker

Sharron E. Walker, CPA, CFE, CLEA
City Auditor

Audit Team:

Kyla Anderson, CIA, CLEA - Senior Auditor
Dan Spencer, CIA - Senior Auditor

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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.

City Auditor's Office

City Auditor 480 312-7867
Integrity Line 480 312-8348
www.ScottsdaleAZ.gov

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.

BACKGROUND

Transit Overview

The City provides transit options through contracted services, and the Transportation Planning and Transit Operations program within the City's Transportation Department is responsible for managing these contracts. The program manager is the named contract administrator for the transit service contracts, and she has designated two staff to assist with their day-to-day management. The approved Transit Operations budget for FY 2015/16 totals $8.2 million, including $7.2 million for transit contracts.

Transit Funding

City of Scottsdale – 0.2% transportation sales tax

Maricopa County – ½ cent Prop 400 funds

State of Arizona – Highway User Revenue Fund (state gas tax).

Federal – Federal Transportation Administration grants

Transit Programs in Scottsdale

The City's transit services are funded by multiple tax-supported sources, as summarized in Table 1. The City's Transportation Fund pays for certain fixed route bus and paratransit services, in addition to the City's trolley program. The Transportation Fund receives monies from the state gas tax through the Highway User Revenue Fund (HURF) and the City's 0.2% local transportation transaction privilege tax. Other transit funding includes Federal Transportation Administration (FTA) grants and Maricopa County's ½ cent regional transportation sales tax (Proposition 400 revenue), which is used for fixed route transit and paratransit services.

Table 1. Transit Service Contracts

FY 2015/16	Fixed Route service		On-Demand service	
	Bus	**Trolley**	**Dial-A-Ride**	**Cab Connection**
Program Management	Valley Metro / City of Phoenix	City of Scottsdale	Valley Metro	City of Scottsdale
Other Funding	$5,015,188 *Prop 400*	$512,628 † *FTA Grants*	$1,110,828 *Prop 400*	$146,832 ** *Prop 400*
Scottsdale Transp. Fund *	$2,165,341	$3,130,734	$125,275	$153,866 **
Est. Ridership	1,459,429	886,721	54,420	41,751

* These contract amounts do not include other direct program costs or City overhead.

† If reimbursement for grant AZ-90-X131 is requested in FY 2015/16.

** Estimated from actual program costs and reimbursements.

SOURCE: Auditor analysis of FY 2015/16 transit contracts, ridership statistics and Cab Connection program information.

Valley Metro manages the Maricopa County Proposition 400 ½ cent sales tax revenue. The 20-year tax is allocated to the Central, East and West regions of Maricopa County and subsequently to cities and towns within each region. Valley Metro spends Prop 400 funds on behalf of the member jurisdictions based upon the Maricopa County Association of Governments (MAG) Regional Transportation Plan (RTP).[1] Over the 20 year life of this tax, Scottsdale is expected to receive $137 million in Prop 400 benefits, primarily for fixed route bus and Americans with Disabilities Act (ADA) related services.

Bus Service

In FY 2015/16, Valley Metro and the City of Phoenix operated the following bus routes funded by Prop 400 monies for Scottsdale's benefit:

Route	Name	Est. FY 2015/16 Value to City
17	McDowell Road	$287,824
29	Thomas Road	$512,448
50*	Camelback Road	$115,670
72	Scottsdale/Rural Road	$2,006,128
80*	Northern/Shea	$479,012
81	Hayden/McClintock	$1,499,550
514	Scottsdale Express	$114,556
	Total	**$5,015,188**

*The Scottsdale portion of routes 50 and 80 are jointly paid by Scottsdale and Valley Metro.

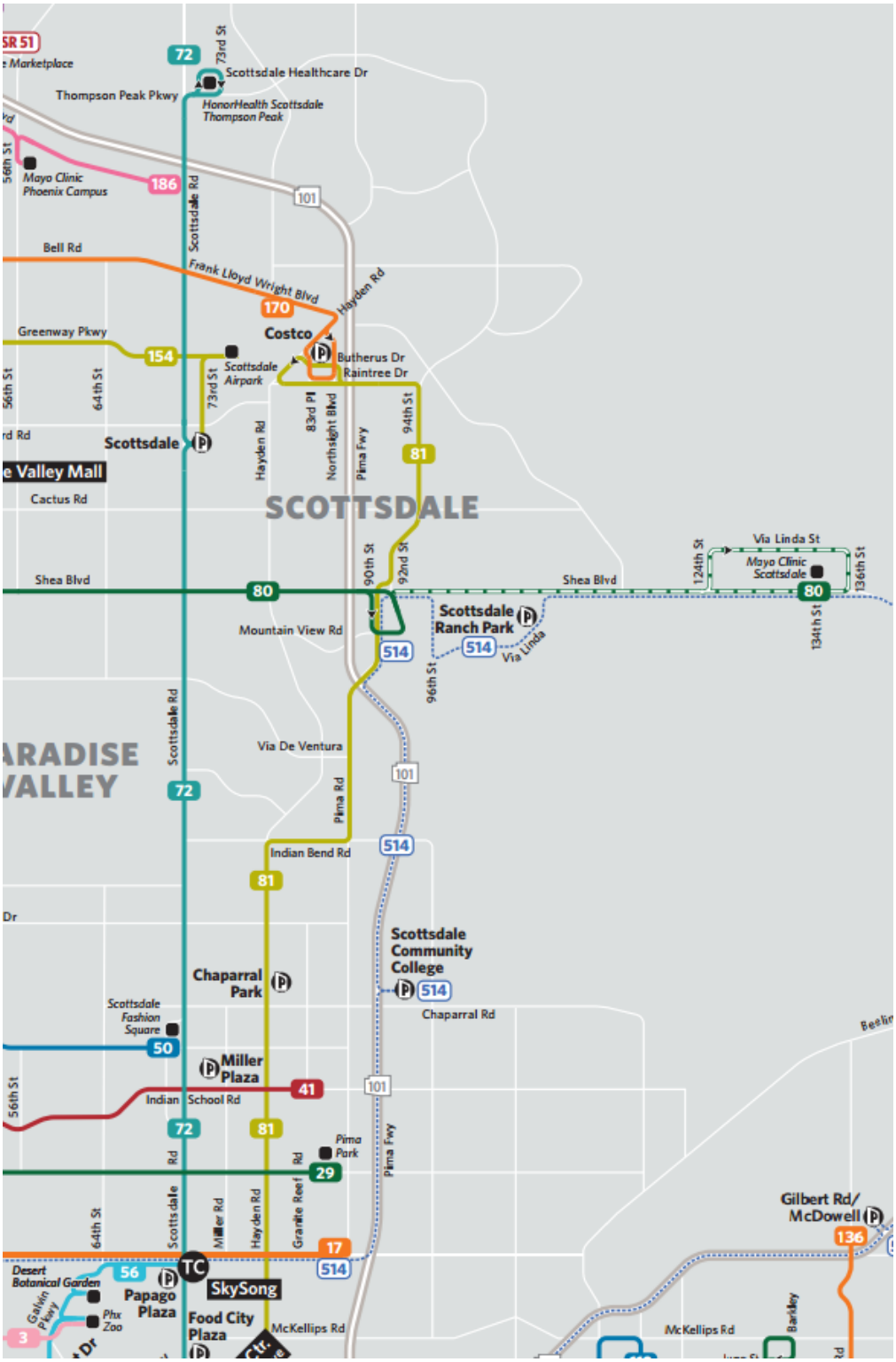
From its Transportation Fund, Scottsdale pays Valley Metro and City of Phoenix to operate the following bus routes:

Route	Name	Est. FY 2015/16 Expense to City
41	Indian School Road	$496,442
50*	Camelback Road	$239,868
56	Priest Drive	$286,987
80*	Northern/Shea	$366,055
154	Greenway Road	$256,208
170	Bell Road	$519,781
	Total	**$2,165,341**

These routes are illustrated in Figure 1 on page 5.

[1] The RTP includes specific capital and operating projects identified for each city based on the concept of geographic equity. On this basis, MAG allocates Prop 400 monies to the regions approximately by population, and then Valley Metro further allocates the percentage for individual jurisdictions.

Figure 1. Bus Routes in Scottsdale



SOURCE: www.ValleyMetro.org

While riders pay fares for fixed route bus services, the service cost is highly subsidized by tax dollars. Valley Metro's estimates for this fiscal year show bus rides in Scottsdale are subsidized by more than 80%. The City initially pays Valley Metro and City of Phoenix bus service contracts based upon their estimates of the program net costs after fares and other revenue are deducted from expenses. At the end of the fiscal year, each entity reconciles actual costs and revenue and either refunds Scottsdale for overpayments or bills for underpayments. Scottsdale has received refunds from Valley Metro and City of Phoenix for at least the last three years.

Refunds from:	Valley Metro	City of Phoenix
FY 2012/13	$12,266	$184,996
FY 2013/14	$142,006	$106,036
FY 2014/15	$27,314	$59,808
Total	**$181,586**	**$350,840**

Trolley

Scottsdale uses a contractor to provide free trolley service in certain areas. The City owns the trolley vehicles and pays for their fuel; the contractor is responsible for operating the routes and providing vehicle maintenance. The trolley contract is currently in the second year of a three-year agreement. The FY 2015/16 contract fee of $3,643,362 includes the Camelback Road trolley route that was added in October 2015.

With 21 trolley vehicles, the City currently provides four trolley routes: Camelback Road, Miller Road, Downtown and Neighborhood routes. The trolley routes are shown in Figure 2, on page 8.

Currently, trolley ridership, which is self-reported by the contractor, is expected to be about 886,700 for this fiscal year. The City has installed a Vehicle Management System (VMS) in each trolley to automate passenger counts and measure other factors like schedule adherence. When activated, the trolley VMS will connect to the region-wide Valley Metro system providing City staff access to the data.

In addition to using Transportation Fund monies for trolley costs, the City has received federal grant funding for trolley operation and preventative maintenance costs. For example, in FY 2015/16, the City received a $60,000 grant for Neighborhood Trolley operating expenses and $285,307 for trolley preventative maintenance.

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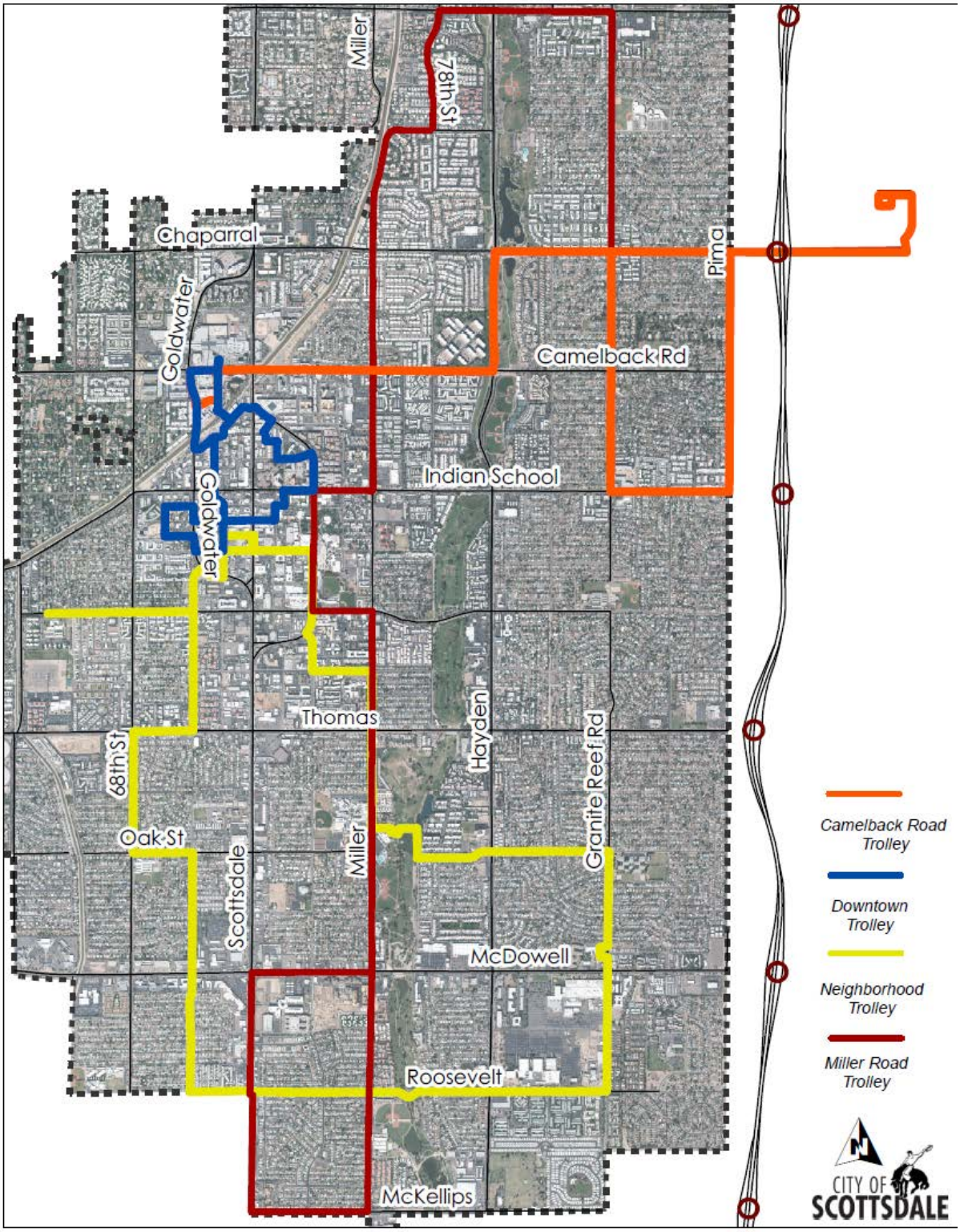
Figure 2. Trolley Routes in Scottsdale



SOURCE: City of Scottsdale Transportation Department

Dial-A-Ride

The federal Americans with Disabilities Act (ADA) requires transit agencies to provide alternative transportation (paratransit) services mirroring available public transit for people with disabilities who are unable to independently use public transit. For ADA-certified individuals, Valley Metro operates the East Valley Dial-A-Ride (EVDAR) program. In addition, the program also serves non-ADA certified individuals with disabilities and senior citizens aged 65 or older.[2] ADA-certified individuals can use this on-demand service for $4 per ride and non-ADA certified riders pay mileage rates. The Dial-A-Ride program provides individual cab rides, but must be scheduled at least one day in advance.

In FY 2015/16, Scottsdale's ADA-certified rides funded by Prop 400 are expected to total $1,110,828. Valley Metro bills the City for its non-ADA rides; for FY 2015/16, these rides are expected to total $125,275. As with the bus service, Valley Metro reconciles the year-end actual expenses and revenues and then refunds or bills the City for any difference. The City has received a refund the last few years.

Dial-A-Ride Refunds	
FY 2012/13	$277,821
FY 2013/14	$117,358
FY 2014/15	$91,744
Total	**$486,923**

Cab Connection

The City also offers the Cab Connection program as another paratransit option. For eligible citizens who use this on-demand cab service, the City subsidizes 80% of the cab fare up to a total of $10. Cab Connection is more flexible than the Dial-A-Ride program because rides do not have to be scheduled in advance. However, the Cab Connection participant may pay a higher cab fare when traveling longer distances. Transportation staff manages the Cab Connection program, the cost of which is paid by the Transportation Fund. Program participants are provided taxi vouchers, which the cab companies then submit to the City for reimbursement.

Cab Connection is estimated to provide more than 41,000 rides this fiscal year, with almost 16,000 of those trips for ADA-certified individuals. Monthly, Valley Metro reimburses the City for ADA-certified Cab Connection rides using ADA-designated Prop 400 funds. These Prop 400 reimbursements are expected to total almost 50% of the $300,000 paid to taxi companies. The Cab Connection staff recently discovered a taxi company had been overbilling for rides that did not occur or for more than the trip cost. Program costs are expected to be $200,000 less in FY 2015/16 than the prior fiscal year, partly because of removing this company from the program.

Transit Contract Expenditures

As summarized in Table 2, on page 9, the Valley Metro contract expenses have decreased this fiscal year by more than $700,000. The lower contract cost occurred because Valley Metro

[2] The EVDAR program includes the cities of Chandler, Mesa, Tempe and Scottsdale and the Town of Gilbert. Valley Metro conducts the ADA certifications.

now pays for Route 81 – Hayden/McClintock with Prop 400 monies. Previously, Scottsdale paid for this route. In contrast, the trolley contract expenses increased more than $780,000, largely due to adding the Camelback Trolley Route. The City of Phoenix contract total for FY 2015/16 is higher due to anticipated program cost increases.

Table 2. Transit Contract Expenses

	FY 2013/14	FY 2014/15	Budgeted FY 2015/16
Valley Metro *	$819,262	$992,103	$286,985
City of Phoenix *	$1,381,907	$1,694,655	$1,878,356
Trolley contract	$2,563,812	$2,856,520	$3,643,362
Total	**$4,764,981**	**$5,543,278**	**$5,808,703**

* Valley Metro and City of Phoenix amounts are net of the related fiscal year reimbursements.

SOURCE: Auditor analysis of Scottsdale general ledger information and FY 2015/16 transit contracts.

OBJECTIVES, SCOPE, AND METHODOLOGY

An audit of Transit Service Contracts was included on the City Council-approved fiscal year (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.

The audit scope included transit contracts and related amendments that are currently in effect, including:

- 2013-047-COS with the Regional Public Transportation Authority (RPTA, or Valley Metro) and the four associated amendments for fixed route bus service, East Valley Dial-A-Ride service, reimbursement for paratransit service and capital improvements funded with state Proposition 400 tax money in addition to federal New Freedom and 5307 grant funding for trolley operations and capital improvements.
- 14RP041 and three change orders with Dunn Transit for trolley operations.
- Contracts with City of Phoenix:
    - 2014-054-COS and the three amendments for fixed route bus service.
    - 2013-045-COS, 2013-140-COS and 2014-009-COS and related amendment for federal grants for trolley vehicle preventative maintenance.
    - 2014-019-COS for federal grants for trolley vehicle preventative maintenance, trolley route operating assistance and a capital project.
    - 2014-089-COS for vehicle management system equipment installation.

To gain an understanding of the City's administration of transit contracts, we interviewed Transportation Department personnel, including the Transportation Director and the Transit Planning & Transit Program Manager, as well as operations staff. We also interviewed the Valley Metro Revenue Generation & Financial Planning Manager and a Valley Metro Management Analyst.

In addition, we reviewed:

- The City's general ledger detail reports for Transit programs from FY 2013-14 through February 2016.
- RPTA Transit Life Cycle Program, which provides implementation guidance for the Maricopa Association of Governments' Regional Transportation Plan.
- City Auditor's Office reports *Trolley Services* Audit No. 1004 and *Cab Connection* Audit No. 0611.
- City of Scottsdale Single Audit Reports for fiscal years ended June 30, 2014 and 2015.
- Administrative Regulations, including 215 *Contract Administration*.

To evaluate contract compliance we compared terms for the separate Valley Metro, City of Phoenix and Dunn Transit contracts to available documentation for deliverables and staff processes. To assess the effectiveness of contract administration we reviewed staff methods

for evaluating contract deliverables and compliance. Further, we verified contract payments and reimbursements made and received by the City. Additionally, we evaluated the cost effectiveness of City's Cab Connection program in comparison to Valley Metro's RideChoice Program and the City's trolley program in comparison to the region's bus system.

Our audit found that cost effectiveness analyses are not documented to support business decisions and the associated recommendations to City Council, and contract administration can be improved.

We conducted this audit in accordance with generally accepted government auditing standards as required by Article III, Scottsdale Revised Code §2-117 et seq. 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Audit work took place from February to May 2016.

FINDINGS AND ANALYSIS

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

Full cost analyses were not available for business decisions affecting the different transit programs. For example, these would include comparisons of the City's Cab Connection program to similar programs offered through Valley Metro, free trolley service to fared trolley service, and bus to trolley unit costs.

A. A full cost analysis of the Cab Connection program has not been completed and compared to the cost of using Valley Metro's RideChoice program.

Valley Metro offers RideChoice, an on-demand cab program for disabled and elderly citizens that is similar to the City's Cab Connection program. Currently, four East Valley cities participate in the RideChoice program which uses a reloadable debit card that is subsidized at 70-75% by the member cities.

Since the Cab Connection program provides a redundant service to Valley Metro, a full cost analysis of the program should be completed annually and compared to the RideChoice program cost.

Currently for FY 2015/16, we estimate that the City's average Cab Connection cost of $7.42 per ride was $1.39 less per ride than the RideChoice program, as shown in Table 3 on page 14. However, Transportation management is contemplating making a change to the Cab Connection program next year. For example, ADA-certified program participants may be directed to use the Dial-A-Ride program, which is generally a less expensive option for them to receive individual cab rides.

If the program changes, without the Prop 400 reimbursement for ADA-certified participants, the City's cost for the remaining Cab Connection users would increase dramatically, to an average of $11.97 per ride. This comparison is summarized in Table 3 on page 14.

Based on this fiscal year's costs, we estimate Cab Connection administrative costs would need to decrease by approximately 26% to keep the program cost-effective.

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Table 3. Cab Connection and RideChoice Comparisons

FY 2015/16 *	Cab Connection Program	RideChoice Program **	Cab Connection if program change is made †
Net Program Expense	$309,911	$367,836	$309,911
Total Rides Taken	41,751	41,751	25,896
Cost per Ride	$7.42	$8.81	$11.97

* Estimated for full year based on nine months of actual data, net of ADA reimbursement.

** If the City of Scottsdale had participated in the program.

† Currently the City is reimbursed by Valley Metro for the ADA-certified participants. Therefore, there is no additional cost to the City for these participants.

SOURCE: Auditor analysis of Valley Metro-provided RideChoice program information and City staff-provided Cab Connection program information.

B. A limited cost comparison of free to fare-based trolley service prepared in 2009 has not been updated or validated.

The City currently provides free trolley service because Transportation Department management believes that it would be more expensive to collect fares than what would be earned. However, we were unable to find research comparing the cost-effectiveness of free transit service to fare-based transit services.

There are costs associated with fare collection that offset the revenue gained. For example, a Valley Metro representative stated their fare boxes cost $27,000 to purchase and there are also recurring armored car expenses. Completing an analysis using current estimates of fares, expenses and ridership data could determine whether it is more cost effective to collect fares or offer free service. Transportation staff prepared a limited analysis in 2009 but did not document how the estimates used were determined. Also, staff has not updated the information although several free trolley routes have been added in recent years. This type of analysis should be completed regularly as the variables change over time.

C. A full cost analysis of bus service compared with trolley service has not been completed. The analyses completed by Transit staff did not contain all relevant direct expenses, such as employee costs and asset depreciation. We analyzed the estimated FY 2015/16 expenses for City bus and trolley service to calculate the per-mile and per-ride costs of each.

As shown in Table 4 on page 15, our analysis estimates trolley service has a three to four times higher cost per ride and cost per mile to the City.

Table 4. Estimated FY 2015/16 Unit Costs of Bus and Trolley Service

	Bus Service	Trolley Service
Scottsdale Expenses		
Contract	$2,165,341	$3,643,362
Payroll	$147,190	$221,542
Depreciation	-	$915,250
Fuel	-	$276,548
Total	**$2,312,531**	**$5,056,702**
Miles Reported	1,422,178	681,215
Total Cost Per Mile	**$1.63**	**$7.42**
Rides Reported *	1,459,429	886,721
Total Cost Per Ride	**$1.58**	**$5.70**

* Buses are equipped to automatically count passengers, while trolley drivers manually count their passengers.

SOURCE: Auditor analysis of: City's general ledger, payroll, contract, asset and trolley data, and Valley Metro's ridership and mileage data.

Recommendation:

The Transportation Director should work with staff to complete program cost analyses with sound methodology and assumptions as the basis for transit-related business decisions. The up-to-date analyses should be provided to City Council to support decision-making.

2. Transit contract administration can be improved.

A contract administrator is responsible for monitoring all aspects of the written contract, maintaining all relevant documentation and complying with City Procurement Code. For the transit contracts, we found instances where contract changes were not properly documented or reviewed for accuracy, a related grant reimbursement was not requested timely, project delays resulted in added costs, contract files are not complete or organized, and contract language can be improved.

A. Contract changes were enacted without proper documentation and not reviewed for accuracy.

1. The contract for City of Phoenix-operated bus service had two change orders that were not properly executed.

- The first amendment, for increased frequency on two bus routes, was not completed until May 2015 although the route changes took effect in

October 2014. This change increased the contract price by $138,488 or 8.6% over the original contract amount.

- The second amendment, for an annual price increase allowed by the contract, was not executed until August 2015 even though the contract changes took effect July 1, 2015. This amendment increased the contract price by $227,513 or 13.0% over the previous contract amount.

In addition, the trolley contract pricing changed without sufficient documentation. The current trolley services contract was signed in September 2014 and one month later a pricing change decreased the City's cost by about $364,000 over the three-year contract term. A spreadsheet and memo in Purchasing's files noted that pricing decreased due to City-approved insurance and surety bond changes that resulted in vendor savings. However, there is no documentation that this change was acknowledged by the vendor and Transportation's Contract Administrator.

Scottsdale Procurement Code requires a fully executed change order prior to the change occurring.

2. The City of Phoenix in August 2015 awarded a grant to Scottsdale passing through funds from the Federal Transportation Administration. In September 2015, the Transit staff requested Council approval of the related contract change order to increase the federal grant pass-through amount by $200,000 for operating assistance for two bus routes.

   However, the applicable bus routes are actually fully paid for by Valley Metro, as noted in the City's separate contracts with Valley Metro and with the City of Phoenix, rather than paid by Scottsdale. This error was discovered when Transit staff was gathering documentation to request reimbursement. Subsequently, the City of Phoenix reissued the grant award to Valley Metro.

> **Pass-Through Grant**
>
> When a non-Federal entity receives a grant award then provides an award to a sub-recipient to carry out part of a Federal program.

B. In FY 2013/14, Valley Metro awarded the City a $100,000 federal New Freedom pass-through grant from the FTA to subsidize the Neighborhood Trolley operating costs, but Transit staff did not request the grant funds timely.

The New Freedom grant agreement, approved by City Council in May 2014, required a 100% match. Because City staff believed that expenditures made prior to City Council approval were ineligible for reimbursement, they informed Valley Metro the City would not be requesting reimbursement until the following fiscal year. For the following fiscal year, the Valley Metro contract amendment awarded the City another $100,000 New Freedom grant, but reimbursement was never received. Valley Metro staff reported that because the City did not timely use the FY 2013/14 grant funds, they reallocated the FY 2014/15 grant to other entities.

The City's master agreement with Valley Metro, signed July 1, 2013, does not include grant effective dates, but it notes that New Freedom-funded projects can incur expenses following the grant approval notice even if prior to the agreement being signed. This contract also indicated that Valley Metro had already received

notice of approval, which made any expenses after July 1, 2013, eligible for reimbursement. In FY 2013/14, the City spent more than $1.5 million for the Neighborhood Trolley and would have been eligible for the full $100,000 reimbursement.

C. Although the City has installed Vehicle Management System equipment in the City's trolleys, it is not yet operational. Despite the delay, the City has paid approximately $17,000 for associated data services that are not being used.

   In September 2014, the City signed a contract with the City of Phoenix for the installation and maintenance of a Vehicle Management System (VMS) console to collect data from the VMS equipment in the City's trolleys. This console, in conjunction with the existing VMS equipment, will automatically count passengers, track vehicle location and monitor on-time performance, among other functions.

   As of May 2016, the VMS console has been installed but is not yet operational. Based upon available documentation, it appears the project delay has been due to multiple factors between the City of Phoenix, the Scottsdale trolley operator and its fiber optic data provider. However there is no documentation prior to August 2015 available to determine the reason for the delay before then.

   Scottsdale has been reimbursing the trolley operator's data service bill since June 2015 at $1,575 per month for a service that is not operational. Additionally, even though these reimbursements, totaling more than $17,000 so far, increased in the trolley contract payments, a contract change order was not completed and signed by all relevant parties. Transit staff indicated that they have been advised there is no recovery recourse.

D. The transit service contract files are not complete and centralized.

   Currently, two contract administrators manage the transit contracts, with one person managing the service and maintenance aspects and the other managing the operations. Between the two, contract administration files are kept in a mix of print and digital files in various locations making locating the files difficult.

   Keeping all contract documents in a centralized location and accessible to the contract administrators and their supervisor would be more efficient. Further, a centralized location would help ensure continuity in the event of a change in responsibilities and ease compliance with record retention requirements.

   In addition, some contractually required reports are not being requested or received. For example, the trolley contract requires the contractor provide a driver training and drug testing report monthly. While this information may be available from the contractor on-demand, the reports should be maintained in the contract administrator file to demonstrate compliance. Further, emails and verbal discussions that are important to contract administration are not being retained or documented. For example, there was no documentation that the City of Phoenix could not accommodate the City's request to increase the frequency of Route 50 – Camelback Road. However, this was one of the factors cited in eliminating the bus route and creating a new trolley route, which substantially increased the trolley operator's contract.

E. The City's contracts with Valley Metro do not specify that Valley Metro will reimburse ADA-certified Cab Connection costs. While both Transit management and Valley Metro staff indicated that this reimbursement will continue, this agreement is not in writing as part of the contract. The ADA-certified Cab Connection reimbursement is expected to total more than $100,000 for FY 2015/16.

Recommendations:

The Transportation Director should:

A. Require future transit contract changes have a fully executed change order prior to allowing service changes. Further, all contract changes that result in a price change should be formalized and signed by both the vendor and the Contract Administrator. In addition, future contract change orders should be reviewed for accuracy prior to submitting them for City Council approval.

B. Ensure program staff timely request reimbursement for grants. Future grant contracts with Valley Metro should include the grant effective period to clarify the reimbursement eligibility period.

C. 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.

D. Ensure staff maintains a centralized contract administration file that is kept on the City's shared network drive where both contract administrators have access to the files and the information will be backed up nightly. Further, ensure that the contract administrator is maintaining a complete file, requesting and maintaining all deliverables required in the transit contracts, and documenting relevant email and verbal discussions.

E. Ensure that reimbursement for ADA-certified Cab Connection trips is included in future Valley Metro contracts, when applicable.

MANAGEMENT ACTION PLAN

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

Recommendation:
The Transportation Director should work with staff to complete program cost analyses with sound methodology and assumptions as the basis for transit-related business decisions. The up-to-date analyses should be provided to City Council to support decision-making.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION: Staff will immediately begin to document analysis to support decisions made, beginning with the recent Camelback Trolley Route service initiation and all decisions forward of that. In addition, staff will identify such analysis in more specific organized centrally located files.

RESPONSIBLE PARTY: Transportation Planning and Transit Operations Manager

COMPLETED BY: 7/1/2017

2. Transit contract administration can be improved.

Recommendations:

The Transportation Director should:

A. Require future transit contract changes have a fully executed change order prior to allowing service changes. Further, all contract changes that result in a price change should be formalized and signed by both the vendor and the Contract Administrator. In addition, future contract change orders should be reviewed for accuracy prior to submitting them for City Council approval.

B. Ensure program staff timely request reimbursement for grants. Future grant contracts with Valley Metro should include the grant effective period to clarify the reimbursement eligibility period.

C. 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.

D. Ensure staff maintains a centralized contract administration file that is kept on the City's shared network drive where both contract administrators have access to the files and the information will be backed up nightly. Further, ensure that the contract administrator is maintaining a complete file, requesting and maintaining all deliverables required in the transit contracts, and documenting relevant email and verbal discussions.

E. Ensure that reimbursement for ADA-certified Cab Connection trips is included in future Valley Metro contracts, when applicable.

MANAGEMENT RESPONSE: Agree

PROPOSED RESOLUTION: Beginning immediately, the Transit Group will ensure all above suggestions/requirements are met, and will continue to be met indefinitely. The filing system for this group is already being developed and will be implemented with file locations changed by October 2016 and will continue henceforth.

RESPONSIBLE PARTY: Transportation Planning and Transit Operations Manager

COMPLETED BY: 10/31/2016

City Auditor's Office
7447 E. Indian School Rd., Suite 205
Scottsdale, Arizona 85251

OFFICE (480) 312-7756
INTEGRITY LINE (480) 312-8348

www.ScottsdaleAZ.gov/auditor

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