

ULSTER COUNTY COMPTROLLER'S OFFICE

Elliott Auerbach, Comptroller



November 30, 2016

Audit of Ulster County Area Transit Ridership Data and Revenue Collections

The mission of the Ulster County Comptroller's Office is to serve as an independent agency of the people, to protect the public interest by monitoring County government and to assess and report on the degree to which its operation is economical, efficient and its financial condition sound.

ULSTER COUNTY OFFICE OF THE COMPTROLLER

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Elliott Auerbach
Comptroller



Evan Gallo, Esq.
Deputy Comptroller

Alicia DeMarco, CPA
*Director of Internal Audit &
Control*

November 30, 2016

Dear County Officials:

Following herewith is our audit of the Ulster County Area Transit's ("UCAT") policies and procedures pertaining to passenger fares, cash receipts, and recording and reporting ridership information.

We conclude that UCAT has put into effect strong internal controls surrounding the recording of passenger fare and ridership information, as well as the cash receipt process. UCAT has implemented recommendations made from a 2009 audit report issued by the Office of the Ulster County Comptroller ("Office"), which have led to strengthened internal controls encompassing the current audit areas. We noted one finding while reviewing information included in the quarterly filing to the Statewide Mass Transportation Operating Assistance ("STOA") formula fund to which a recommendation was provided.

The reports issued by this Office are an important component in accomplishing the development and promotion of short and long-term strategies to achieve reduced costs, to improve service delivery, and to account for and protect the County's assets. These reports are expected to be a resource and are designed to identify currently emerging fiscally related problems and to provide recommendations for their improvement.

The Office conducted this audit and produced this Report in accordance with the Comptroller's authority as set forth in Article IX, Section 57, first paragraph, and Sections 57(A) and (G) of the Ulster County Charter, as well as applicable State laws, rules, and regulations.

If we can be of assistance to you, or if you have any questions concerning this Report, please feel free to contact us.

Respectfully submitted,

Ulster County Comptroller

Background

Ulster County Area Transit was originally Ulster County Rural Transportation. The transition to UCAT occurred in 2002 when Ulster County used Job Access Reverse Commute Funds to assume responsibility over the Lester Lines service between New Paltz and Newburgh. UCAT provides public transportation throughout Ulster County and connecting services to nearby Orange and Dutchess Counties. With about a dozen departure locations located throughout the County, the transit service offers reliable and economic travel to all residents. All UCAT buses are wheelchair equipped to better facilitate the transportation of physically challenged passengers.¹



UCAT receives Federal Transit Authority grants, as well as STOA formula funds from the NYS Department of Transportation. Receipt of such funds entails compliance with both federal and state laws and regulations, including the reporting of statistical data. The federal funds are generated from reporting in the National Transit Database Program and the distribution is based on a population to population density formula. The STOA funding is based on a per revenue passenger and per revenue mile basis and is reported and paid quarterly.



Our Office performed an audit of UCAT in May of 2009, which produced several recommendations for improvements to internal controls. Since the issuance of our initial audit report, UCAT has introduced procedures regarding Fare Collection, Deposit & Reconciliation, and Daily Driver Reports (DDR) & Cash Verification.

Line and Bus Information: As of June 30, 2016, UCAT had a fleet size of 26 buses, including 4 para buses and 2 para vans, which traveled over one million revenue miles.²

Ridership Information: During 2015, UCAT had over 430,000 passengers and received over \$495,000 in passenger fares on its 21 routes, including 4 para transit routes.³

General Budget Data: The 2016 budget called for \$6.14 million in expenditures and \$4.51 million in revenues. The majority of expenditures came from personnel and benefit costs (\$3.91 million) and the purchase of vehicles (\$1.02 million). Federal and state aid of \$3.95 million represented most of the budgeted revenue.⁴

¹ See "Ulster County Area Transit Audit Report," by the Office of the Ulster County Comptroller (May 14, 2009)

² Information was received by the Office of the Comptroller from interviews and discussions with the Interim Director of UCAT during the audit period

³ See "2015 Ulster County Annual Reports of the Executive Departments," by the Ulster County Executive

⁴ See *in* Ulster County's Adopted Budget (2016). Available at <http://ulstercountyny.gov/sites/default/files/2016%20Adopted%20Operating.pdf>

Objectives

The purpose of this audit was to evaluate the effectiveness of internal controls over the receipt and recording process for ridership data and bus fares. Our audit specifically sought:

- To determine with reasonable assurance that passenger ridership data has been accurately reported during the audit period; and
- To determine with reasonable assurance that passenger fare revenues were accurately reported during the audit period

Scope, Methodology, and Criteria

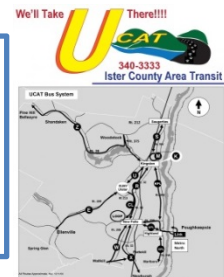
The scope of this audit covered ridership data and cash receipts of fares for travelers utilizing UCAT transportation services, as well as the policies and procedures governing these items that were in place during the audit period from July 1, 2015, through June 30, 2016.

The methodology included the testing of cash receipts and rider information on a daily, weekly, and monthly level for accuracy, along with the testing of ridership for two quarters to determine compliance with the policies and procedures stated by UCAT administration. We obtained an understanding of internal controls through interviews with the management and other personnel directly involved with the implementation of said policies and procedures governing ridership and passenger fare receipts.



Our sample included:

- 20 daily transactions, totaling over \$22,200 in passenger fares;
- 6 weekly reconciliations, totaling over \$47,600 in passenger fares;
- 1 monthly reconciliation, totaling over \$32,100 in passenger fares;
- 2 quarterly STOA reports, including 203,734 riders and 523,706 revenue miles that totaled formula earnings of \$443,869



Observations and Recommendations

We commend UCAT for diligently responding to the findings and recommendations of our 2009 audit by implementing additional procedures that ensure an effective system of internal controls exist to enable adequate management oversight, proper accounting and reporting of cash receipts and deposits, and an appropriate segregation of duties.



The fulfillment of periodic reconciliations, heightened controls over cash handling, and strengthened bank deposit procedures have improved the internal control environment by accurately accounting for passenger fare revenues, making sure that money counts are well documented, and ensuring the timely deposit of fare revenues.

All daily, weekly, and monthly transactions that were tested indicated that the passenger fare receipts were being collected, counted, recorded, and deposited as designed. Testing also ✓ ascertained that the reconciliation process was operating as intended on the daily, weekly, and monthly levels.

Finding 1: Quarterly STOA filings

We noted that both quarterly STOA filings were submitted on outdated versions of forms, and both included supplemental information from the wrong quarter. The supplemental form, *Report on Use of State Operation Assistance and Commitment of Local Match Amount* (“Report on Use”), calls for the preceding quarter’s information, but UCAT mistakenly entered information for the prior year’s corresponding quarter (i.e. instead of the immediately preceding quarter). The Report on Use lists the local match and the information contained the correct value for the quarter; however, the local match amount was not entered into the County’s financial system as a journal entry at the time of audit.

The Report on Use also lists the State payment amount, which contained correct information but was listed in the incorrect column. We note this information is not utilized in the reimbursement calculation, meaning there was no monetary effect to UCAT. We also compared internal data to the information submitted in the quarterly filings and determined that one of the quarterly filings reported 195 less riders than the internal information spreadsheet, which translates to an underpayment from the STOA program of \$78.98 and may require a local match.

Recommendation:

We informed UCAT personnel as to the availability of current versions of forms that may be found on the NYS STOA website, and they will be utilized going forward. Our Office also clarified that the information within the Report on Use should contain the immediately preceding quarter’s information rather than the prior year’s, the state payment column should total the amount to be received from the STOA program, and the total column should account for both the state payment and local match amounts; UCAT intends to correct the aforementioned areas in future submissions. Our Office remained in contact with the Acting Director of the NYS Public Transportation Bureau throughout the audit, and he is willing to confirm a draft version of the Quarterly STOA report. Therefore, we recommend that UCAT send a draft version of the next quarterly STOA Report to the Acting Director for confirmation prior to the submission of the final version.



We were alerted that changes to the information contained in an original submission can be adjusted via a letter to the NYS STOA program. We recommend that UCAT send a letter correcting the original submission, including the actual number of riders and the dollar impact. The State prefers corrections be submitted in the same fiscal year of the municipality, and they will indicate the change in the amount of the local match, if any. UCAT personnel should enter an adjustment to record the matching funds within the County’s financial system, along with an entry to record the local match change due to the modification in number of riders for the quarter, if applicable.



Conclusion

UCAT has implemented strong internal controls that ensure personnel are mindful of procedures. The DDR and Cash Verification Procedures along with the Fare Collection, Deposit, and Reconciliation Procedures ensure that all revenues are collected, counted, recorded, and deposited in an accurate and timely manner. The reconciliation process promotes the proper recording of internal data that effectively captures all pertinent information regarding fare revenues.

During the exit conference, we addressed the importance of accurate filings and noted the majority of our findings were non-monetary in nature. We also discussed the recommendations with UCAT, and we are confident they will strive to maintain accurate future filings.

This report, in draft, was provided to UCAT. Please see Appendix A for their response to the recommendations of our audit. UCAT management, supervisors, and staff were very helpful throughout the course of our audit. We appreciate their courtesy, cooperation, and professionalism while completing this assignment.

Appendix A

COUNTY OF ULSTER

ULSTER COUNTY AREA TRANSPORTATION

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KINGSTON, NEW YORK 12401-6440
(845) 340-3333/FAX (845) 338-2096

MICHAEL P. HEIN
County Executive

CAROLYN J. HARGROVE
Acting Director of Public Transportation



December 8, 2016

Elliott Auerbach, Comptroller
PO Box 1800
Kingston, NY 12402

Re: Audit Response of Ulster County Area Transit Ridership and Revenue Collection

Dear Mr. Auerbach:

This letter serves as a response to your Audit Report for Ulster County Area Transit dated November 30, 2016.

With the scope of this audit focusing on Transit Data and Revenue Collection, including ridership data, cash receipts and fares, we are very proud of the efforts put forth by our team resulting in no recommendations for corrective action in this area. Since 2009, under the leadership of the County Executive and with the support of the County Legislature, we have increased our rides to over 450,000 in 2016, a 50% increase. We appreciate the audit team recognizing the strong internal controls and procedures UCAT has implemented and maintained to manage our continuing growth.


While the following findings are ministerial in nature and had no financial impact on the calculation for State Reimbursement, UCAT agrees that the quarterly STOA filing was submitted on a prior version of the form and included supplemental information from the prior year. Also noted, the State payment should have been listed in a different column.

As we discussed during the audit, we had identified that 195 rides had not been applied to the 2nd Qtr. STOA report. This adjustment to the 2nd Qtr. 2016 STOA forms showing an increase of 195 rides and underpayment of \$78.98 has been completed.

Ulster County Area Transit will continue to maintain accurate filings and a journal entry for the local match will be entered into New World in a timely fashion. As is current procedure, upper management will continue to review all funding reports prior to submission to the FTA, NYSDOT, and/or Local agencies.

We appreciate the cooperation, shown by the auditing team while conducting this audit. We thank you for the positive review and appreciated all the recommendations.

Respectfully,

A handwritten signature in black ink, appearing to read "Carolyn J. Hargrove". The signature is fluid and cursive, with a large initial "C" and "H".

Carolyn J. Hargrove
Acting Director of Public Transit
Ulster County, NY

Cc: Michael P. Hein, County Executive