

COUNTY OF SACRAMENTO

DEPARTMENT OF FINANCE - AUDITOR-CONTROLLER DIVISION – INTERNAL AUDIT UNIT

INTERNAL AUDIT REPORT

STORER TRANSIT SYSTEMS SOUTH COUNTY TRANSIT CONTRACT AGREED-UPON PROCEDURES

DEPARTMENT OF TRANSPORTATION



Audit Committee Submittal Date: 03/25/2021

SUMMARY

Background

Storer Transit Systems (STS) provides south county transit services to the public such as Dial-A-Ride, Hwy 99 Express, Delta Route, and Galt to Sacramento Commuter Express (GSCE). The South County Transit contract (Contract) was made between County of Sacramento, Department of Transportation and STS for STS to operate the services mentioned above. As part of the Contract, STS is subject to an audit of its financial and program records for its compliance with contractual requirements.

Audit Objective

To confirm STS is in compliance with the Contract for the period July 1, 2019 through June 30 2020.

Summary

We noted issues related to contract non-compliance with the general liability insurance requirement and non-compliance with distribution of transit service information.

Department of Finance
Ben Lamera
Director



Auditor-Controller Division
Joyce Renison
Assistant Auditor-Controller

County of Sacramento

February 17, 2021

Mr. Ron E. Vicari, Director
Department of Transportation
County of Sacramento
827 7th Street Suite 304
Sacramento, California 95814

INDEPENDENT ACCOUNTANT'S REPORT AGREED-UPON PROCEDURES FOR STORER TRANSIT SYSTEMS SOUTH COUNTY TRANSIT CONTRACT FOR THE YEAR ENDED JUNE 30, 2020

We have performed the procedures, enumerated below, which were requested and agreed to by the Department of Transportation (DOT) regarding the South County Transit Contract (Contract) operated by the Storer Transit Systems (STS) for the period July 1, 2019 through June 30, 2020. This engagement was solely to assist DOT in reviewing STS' financial schedules and compliance with the Contract.

DOT's management is responsible for monitoring STS' compliance of the Contract requirements. The sufficiency of the procedures is solely the responsibility of DOT's management. Consequently, we make no representation regarding the sufficiency of the procedures described below and on page 2 of this report either for the purpose for which this report has been requested or for any other purpose. This report is applicable solely to the Contract referred above and is not intended to pertain to any other agreements of DOT or STS.

The procedures that we performed and our findings were as follows:

1. We verified STS compliance with the Contract and amendments between DOT and STS regarding the training program and documentation supporting the training hours completed by the bus drivers and required insurance coverage.

Finding: It appeared that the contract compliance requirements were met.

2. We tested STS controls over the accounting systems to ensure accurate and reliable accounting information of cash receipts, expenses, and vehicle service hours.

Finding: We noted that the controls over the accounting system needs to be updated by STS. See Attachment I, *Current Findings and Recommendations*.

3. We tested twenty-five percent (25%) of the reported revenues, expenses, and vehicle service hours and miles for the engagement period to determine compliance with the applicable controls and the Contract. This included comparing amounts reported on STS invoices to drivers' route summary sheets and daily personnel dispatched logs. We also compared the number of passengers reported to drivers' route summaries and compared vehicle service hours reported and miles driven to drivers' route survey sheets and daily personnel dispatched reports.

Finding: We noted that the Contract language regarding the mileage reimbursement rate needs to be clarified. See Attachment I, *Current Findings and Recommendations*.

4. During our field work, we verified whether performance and safety requirements identified in the Contract were being met. This included the number of riders reported, complaints, vehicle appearance, installation of driver safety shields, driver training program and availability of schedules and rider information.

Finding: It appeared that all performance and safety requirements were met.

5. We verified the corrective actions taken as a result of the prior engagement dated June 10, 2020 for the period July 1, 2017 through June 30, 2019.

Finding: It appeared that all of the prior recommendations had been implemented.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to, and did not perform an audit or examination, or review, the objectives of which would be the expression of an opinion or conclusion, respectively, on STS' financial statements or schedules, internal controls, or compliance with the Contract. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. This report relates only to the Contract and does not extend to any other program administered by Sacramento County DOT.

DOT and STS' management responses to the findings identified during our engagement are described in Attachment I, *Current Findings and Recommendations*. We did not

perform procedures to validate DOT and STS' management responses to the findings and, accordingly, we do not express opinions on the responses to the findings.

This report is intended solely for the use of the Sacramento County Board of Supervisors, those charged with governance, Sacramento County Audit Committee, Sacramento County Executive, and DOT's management. It is not intended to be and should not be used by anyone other than those specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

BEN LAMERA
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, CPA
Audit Manager

Enclosures

- Attachment I: Current Findings and Recommendations
- Attachment II: Current Status of Prior Findings and Recommendations
- Schedule I: Schedule of Reported and Reviewed Fare Revenue
- Schedule II: Schedule of DOT Payments to STS, Fee-Based and Commuter Routes
- Schedule III: Schedule of Monthly Invoice November 2019
- Schedule IV: Schedule of Monthly Invoice February 2020
- Schedule V: Schedule of Monthly Invoice June 2020
- Schedule VI: Schedule of Reported and Reviewed Vehicle Service Hours
- Schedule VII: Schedule of Reported and Reviewed Fuel Reimbursement, Galt to Sacramento Commuter

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEMS (STS)
SOUTH COUNTY TRANSIT CONTRACT
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD FROM JULY 1, 2019 THROUGH JUNE 30, 2020**

1. Mileage Rate Claimed

Comment

Attachment I of Exhibit C of the Contract states, "Average Monthly Cost of Fuel per Gallon for the preceding month as published for #2 grade diesel fuel for California, by the U.S. Energy Information Administration." The Contract language for calculating fuel reimbursement is inconsistent with the intended actual reimbursement.

It is DOT's intent to reimburse SCT for mileage at the fuel rates applicable to the month the mileage was incurred. Inconsistent contract language can lead to confusion and delays in reimbursing claims for services.

Recommendation

We recommend DOT amend the contract language to reflect the appropriate calculation for reimbursing mileage.

DOT Management Response

In contract 81562, the cost schedule for commuter bus diesel reimbursement is given in Exhibit C, Compensation, page 5 of 7. The cost schedule table is labeled "Average Monthly Cost of Fuel per Gallon for the preceding month as published for #2 grade diesel fuel for California, by the U.S. Energy Information Administration." The table heading refers to the average monthly cost of fuel per gallon for the month of vehicle service. This information is available from the U.S. Energy Information Administration in the month following the month of vehicle service.

DOT will change the table heading, through a contract amendment is necessary, to clarify that the diesel fuel cost charges should be for the month of vehicle service, which should also be the same as the invoice billing period.

STS Management Response

Storer acknowledged the procedure for billing for commuter bus diesel on February 4, 2021.

2. Internal Controls

Comment

STS has various internal controls in place for operating SCT, including preparing claims to the County, collecting and depositing Fare Box Revenue, payroll, Connect

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STORER TRANSIT SYSTEMS (STS)
SOUTH COUNTY TRANSIT CONTRACT
CURRENT FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD FROM JULY 1, 2019 THROUGH JUNE 30, 2020**

Card, and bus maintenance. However, it appears that the controls have not been updated.

Control procedures should be of sufficient detail to provide guidance to staff that are new to or unfamiliar with specific job functions to accomplish specific objectives. Detailed procedures also allow for an easy transition for job succession.

Recommendation

We recommend STS update current internal control procedures in sufficient detail to ensure SCT staff can complete specific SCT tasks.

DOT Management Response

Staff has requested that Storer update and send a copy of their internal procedures for monthly claims, fare box revenue, maintenance, and Connect Card by March 19, 2021.

STS Management Response

Storer Transportation will review and update the internal procedures for monthly claims, fare box revenue, maintenance, and connect card so that detail is sufficient to provide guidance to staff who is unfamiliar with specific job function to accomplish specific objectives. This update shall be completed on or before March 19, 2021.

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION
STORER TRANSIT SYSTEMS
SOUTH COUNTY TRANSIT CONTRACT
CURRENT STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2019 THROUGH JUNE 30, 2020**

Prior Report dated June 10, 2020, for the Contract Period July 1, 2017 to June 30, 2019

1. Non-Compliance with Insurance Requirement

Prior Recommendation

We recommended Storer Transit Systems (STS) obtain adequate insurance coverage as required by the Contract with Department of Transportation (DOT). We also recommend that STS amend its insurance policies to clearly name the County of Sacramento as an additional insured. In addition, we also recommend DOT verify STS' insurance coverage annually to ensure STS' insurance coverage meets contractual requirement.

Current Status

It appears that the prior recommendation has been implemented.

2. Non-Compliance with Distribution of Transit Service Information

Prior Recommendation

We recommended STS properly distribute and make available to public the transit service information in the designated service areas approved by DOT and maintain the information monthly as required by the Contract. We also recommended that DOT monitor STS' activities periodically to ensure STS meets its contractual requirement.

Current Status

It appears that the prior recommendation has been implemented.

3. Repeat Findings

Prior Recommendation

STS should implement monitoring procedures to ensure corrective actions taken remain effective.

Current Status

It appears that the prior recommendation has been implemented.

COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SOUTH COUNTY TRANSIT CONTRACT
SCHEDULE OF REPORTED AND REVIEWED FARE REVENUE
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020

FARE REVENUE

<u>Month</u>	<u>Revenue Reported by STS</u>	<u>Reviewed Revenues</u>	<u>Variance</u>
Jul 2019	\$ 18,083	18,083	0
Aug 2019	19,547	19,547	0
Sep 2019	21,272	21,272	0
Oct 2019	23,374	23,374	0
Nov 2019	13,902	13,902	0
Dec 2019	22,616	22,616	0
Jan 2020	21,029	21,029	0
Feb 2020	19,243	19,243	0
Mar 2020	12,118	12,118	0
Apr 2020	5,582	5,582	0
May 2020	6,606	6,606	0
Jun 2020	5,149	5,149	0
Totals	<u>\$ 188,521</u>	<u>188,521</u>	<u>0</u>

See Independent Accountant's Report

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SCHEDULE OF DOT PAYMENTS TO STS
FEE-BASED AND COMMUTER ROUTES
FOR THE PERIOD JULY 1, 2019 TO JUNE 30 2020**

Month	Payments Disbursed			Payments Reviewed	Amount Claimed Over -Under
	Fee Based	Commuter	Total		
Jul 2019	\$ 110,543	19,929	130,472	130,472	0
Aug 2019	117,501	20,251	137,752	137,752	0
Sep 2019	113,425	18,455	131,880	131,880	0
Oct 2019	123,866	21,527	145,393	145,393	0
Nov 2019	104,805	17,067	121,872	121,384	0
Dec 2019	109,004	18,242	127,246	127,787	0
Jan 2020	115,141	19,086	134,227	134,227	0
Feb 2020	105,051	17,305	122,356	122,356	0
Mar 2020	111,366	19,467	130,833	130,833	0
Apr 2020	105,435	18,741	124,176	124,797	0
May 2020	95,497	12,698	108,195	108,195	0
Jun 2020	167,790	8,520	176,310	a 176,310	a 0
Total	<u>\$ 1,379,424</u>	<u>211,288</u>	<u>1,590,712</u>	<u>1,591,386</u>	<u>0</u>

a = Amount includes \$12,579 for COVID 19 supplies and \$32,373 for driver safety barriers.

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SCHEDULE OF MONTHLY INVOICE NOVEMBER 2019
LOCAL TRANSIT SERVICES
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020**

November 2019				
<u>Route</u>	<u>Reviewed Quantity</u>		<u>Reviewed Rate</u>	<u>Reviewed Amount</u>
Galt Dial a Ride	704.83	VSH	\$ 40.66	\$ 28,658
Delta Fixed Route	180.16	VSH	40.66	7,325
HWY 99	528.99	VSH	40.66	21,509
GSCE	170.27	VSH	50.05	8,522
Total VSH	1,584.25			66,014
Fuel Reimbursement	5,423 miles		0.77	4,175
Daily Rate	18 days		242.73	4,369
Monthly Fixed Costs			47,303	47,303
Connect Card				10
Total Reviewed Local Transit Services Payment for November 2019				121,872
Per Invoice for November 2019				121,872
Amount Over Claimed				\$ 0

VSH= Vehicle Service Hours

GSCE = Galt to Sacramento Commuter Express

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SCHEDULE OF MONTHLY INVOICE FEBRUARY 2020
LOCAL TRANSIT SERVICES
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020**

February 2020				
Route	Reviewed Quantity		Reviewed Rate	Reviewed Amount
Galt Dial a Ride	742.10	VSH	\$ 40.66	\$ 30,174
Delta Fixed Route	118.42	VSH	40.66	4,815
HWY 99	559.69	VSH	40.66	22,757
GSCE	175.70	VSH	50.05	8,794
Total VSH	1,595.91			66,540
Fuel Reimbursement	5,734	miles	0.68	3,899
Daily Rate	19	days	242.73	4,612
Monthly Fixed Costs			47,303	47,303
Connect Card				2
Total Reviewed Local Transit Service Payment for February 2020				122,356
Per Invoice for February 2020				122,356
Variance				\$ 0

VSH= Vehicle Service Hours

GSCE = Galt to Sacramento Commuter Express

See Independent Accountant's Report

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SCHEDULE OF MONTHLY INVOICE JUNE 2020
LOCAL TRANSIT SERVICES
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020**

June 2020				
Route	Reviewed Quantity		Reviewed Rate	Reviewed Amount
Galt Dial a Ride	771.08	VSH	\$ 41.46	\$ 31,969
Delta Fixed Route	136.37	VSH	41.46	5,654
HWY 99	488.45	VSH	41.46	20,251
GSCE	106.64	VSH	54.33	5,794
Total VSH	1,502.54			63,668
Fuel Reimbursement	4,069	miles	0.67	2,726
Monthly Fixed Costs			58,663	58,663
SCT/Link Facility Cost			6,300	6,300
Covid -19 Equipment			11,300	11,300
Covid -19 Disinfectant			1,279	1,279
Covid -19 Driver Barriers			32,374	32,374
Total Reviewed Local Transit Services Payment for June 2020				176,310
Per Invoice for June 2020				176,310
Variance				\$ 0

VSH = Vehicle Service Hours

GSCE = Galt to Sacramento Commuter Express

See Independent Accountant's Report

COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEM (STS)
SOUTH COUNTY TRANSIT CONTRACT
SCHEDULE OF REPORTED AND REVIEWED VEHICLE SERVICE HOURS
FOR THE PERIOD JULY 1 2019 TO JUNE 30, 2020

VEHICLE SERVICE HOURS (VSH)

<u>Months:</u>	<u>Reported by STS</u>	<u>Reviewed Hours</u>	<u>Over/(Under) Reported by STS</u>
November 2019	1,584	1,584	0
February 2020	1,596	1,596	0
June 2020	1,503	1,503	0

Total VSH Reported for Period July 1, 2019 to June 30, 2020 20,531 hours

**COUNTY OF SACRAMENTO
DEPARTMENT OF TRANSPORTATION (DOT)
STORER TRANSIT SYSTEMS (STS)
SCHEDULE OF REPORTED AND REVIEWED FUEL REIMBURSEMENT
GALT TO SACRAMENTO COMMUTER EXPRESS ROUTE
FOR THE PERIOD JULY 1, 2019 TO JUNE 30, 2020**

Galt to Sacramento Commuter Express
Vehicle Service Mile Review

Month	A Miles	B Reimbursement Rate Claimed	C Reimbursement Rate per Review	A x (B-C) Reimbursement Difference
Jul 2019	6,668	0.68	0.68	\$ 0
Aug 2019	6,757	0.68	0.68	0
Sep 2019	6,077	0.68	0.68	0
Oct 2019	7,140	0.68	0.68	0
Nov 2019	5,423	0.77	0.77	0
Dec 2019	6,016	0.68	0.68	0
Jan 2020	6,286	0.68	0.68	0
Feb 2020	5,734	0.68	0.68	0
Mar 2020	6,613	0.68	0.68	0
Apr 2020	6,906	0.59	0.68	0
May 2020	4,317	0.59	0.59	0
June 2020	4,069	0.67	0.67	0
Total	<u>72,006</u>			<u>0</u>