



Department of Legislative Services
Office of Legislative Audits

**Department of Transportation
Maryland Transit Administration**

Report dated November 5, 2008



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Audit Overview

- The Maryland Transit Administration (MTA) is responsible for the construction, operation and maintenance of the Baltimore metropolitan area transit system and for commuter services in the suburban areas of the State. Transit modes in operation include Metro subway, bus, light rail and the MARC services.
- MTA employed approximately 3,000 employees and its FY 2007 operating and capital expenditures totaled approximately \$658 million, consisting of special funds totaling \$535 million and federal funds totaling \$123 million.
- The audit report, which covered the period from August 1, 2004 to October 31, 2007, included 9 findings, 6 of which were repeated from the preceding audit.



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Key Audit Issues

- MTA did not adequately control and account for critical keys to bus fare revenue equipment or use reports generated by its automated bus fare box system to ensure that recorded collections were deposited. From 3/07 to 6/07, system reports showed recorded collections exceeding the related amounts deposited by \$475,000.
 - Preventive maintenance inspections of transit buses were not timely performed in accordance with Federal regulations, which could lead to federal fiscal sanctions.
 - A grant payment totaling \$433,000 was made in violation of the related grant agreement.
 - Materials and supplies inventories, valued at \$29 million, were not adequately controlled.
 - About 25% of MTA's State-owned vehicles (cars, vans, trucks and SUV's) failed to meet the 10,000 minimum annual mileage requirement in FY 2007.
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Inadequate Controls Over Bus Fare Box Revenues

- Keys to bus fare revenue equipment were not adequately controlled and accounted for. In January 2008, MTA referred to the Office of the Attorney General a matter regarding unusual usage of keys used by an employee to improperly access bus fare box collections. (Finding 1)
 - All 34 MTA employees responsible for fare revenue processing activities had ready access to critical keys.
 - A complete inventory listing of critical keys was not maintained, including the names of employees to whom keys were issued.
 - Reports from MTA's automated fare box system, which cost \$21 million, were not used to verify that recorded bus fare collections were deposited.
 - Collections on system reports from 3/07 to 6/07 exceeded deposits by \$475,000.
 - Although MTA expressed doubts about the reliability of the resultant reports, it had not pursued this issue with the vendor.
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Surveillance Activities Were Not Independent

- Surveillance videos of passenger fare revenue processing activities (for example, the physical counting of collections and preparation of bank deposits) at MTA's central counting location were not independently reviewed as the employees who reviewed the videos also had access to the fare revenue collections. (Finding 2)



Untimely Bus Preventive Maintenance Inspections

MTA did not meet federal requirements to perform at least 80% of preventive bus maintenance inspections in a timely manner. (Finding 3)

- During the period from July 2006 through December 2007, MTA did not perform 5,752 preventive maintenance bus inspections (or 66% of 8,714 inspections performed during the period) within 10% of the required mileage interval (3,000 miles).
 - The Federal Transportation Administration could impose fiscal sanctions against MTA for failing to perform timely preventive maintenance inspections. During FY 2007, MTA received approximately \$30.3 million in federal funding for its bus operations.
 - Untimely inspections may also violate bus manufacturers' warranties, potentially causing MTA to unnecessarily incur maintenance and repair costs normally covered by such warranties.
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Payment of Grant Funds After Expiration of Grant

MTA made a grant payment in violation of the related agreement. (Finding 4)

- In August 2006, MTA made a \$433,000 grant payment to a local college even though the related agreement expired on June 30, 2003.
 - MTA advised that it made the payment without having received documentation that the college had actually incurred eligible and reimbursable costs. Documentation subsequently received by MTA indicated that the claimed costs had all been incurred by the college after the grant expired.
 - Although MTA ultimately paid the college more than \$1 million from the grant, the college had not submitted to MTA various periodic progress, financial and statistical reports required by the grant agreement, nor had MTA performed an audit of the college's related records as of March 2008 to ensure propriety of the payments.
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Inadequate M&S Controls / Low Vehicle Mileage

- MTA had not established adequate controls over materials and supplies inventories maintained at its three primary and four satellite storeroom locations. At FYE 2007, the book value of the inventory at the primary storerooms totaled \$29 million. (Finding 7)
 - \$8 million in inventory maintained at the satellite locations was not recorded on MTA's automated perpetual inventory records.
 - Critical duties were not adequately segregated at certain storerooms and adjustments to inventory records frequently were not supported.
 - Thirty-nine of 140 vehicles (cars, vans, trucks, and SUV's) subject to the State's annual official mileage requirement failed to achieve the minimum 10,000 miles a year during FY 2007. (Finding 9)
 - Average for the 39 vehicles was 6,137 official miles - individual mileage ranged from 1,952 to 8,897.
 - Twenty-two of the 39 vehicles also failed to meet the requirement during FY 2006.
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Conclusion – MTA should...

- ensure that physical access to all keys for fare revenue equipment is restricted to authorized personnel, and ensure the reliability of the automated fare box system reports and use them to verify the deposit of all recorded bus fare revenues.
 - ensure that surveillance videos of fare revenue processing activities are reviewed by personnel who do not have access to the related cash receipts.
 - complete preventive maintenance inspections of buses in accordance with federal requirements and MTA's inspection plan.
 - verify that grantees comply with the terms of applicable grant agreements. Also, for the grant noted, MTA should obtain and review the necessary documentation and recover any grant payments that MTA determines to be unsupported.
 - Take corrective actions to improve internal controls and accountability over its M&S inventories.
 - Monitor use and reassign/transfer any vehicle not meeting the annual minimum mileage requirement.
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