



**Department of Legislative Services
Office of Legislative Audits**

**Department of Transportation
Maryland Transit Administration**

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Presentation to the Joint Audit Committee

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Department of Legislative Services Office of Legislative Audits

Audit Overview

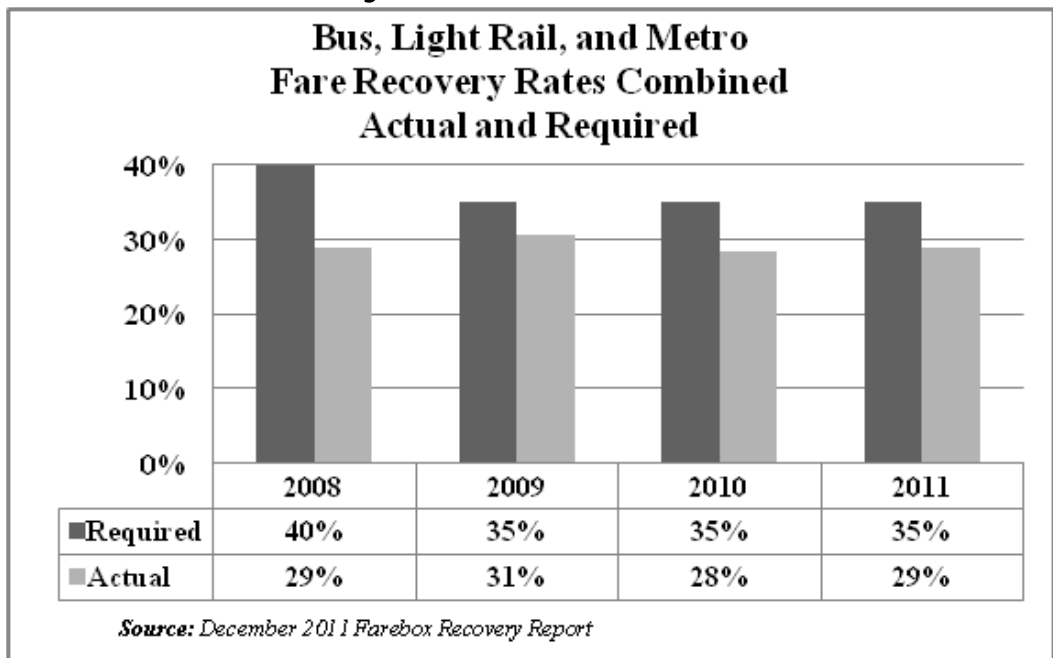
- The Maryland Transit Administration (MTA) is responsible for the construction, operation, and maintenance of the Baltimore area transit system and commuter services in the suburban areas of the State.
- Transit modes in operation include Metro subway, bus, light rail, and the Maryland Rail Commuter service. MTA also operates the federally mandated Mobility Paratransit Program (MPP) and Reduced Fare Program (RFP) for disabled and/or elderly individuals.
- MTA has approximately 3,100 employees and its FY 2011 operating and capital expenditures totaled approximately \$947 million.
- The audit report, which covered the period from November 1, 2007 to December 31, 2010, included 11 findings, one of which was repeated from the preceding audit.



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Audit Overview (continued)

➤ Farebox Recovery Rates



➤ MPP and RFP Fares

MTA charged significantly lower fares than allowed by Federal regulations for MPP and RFP services. OLA calculated that had MTA charged the federally allowed maximum fares during FY 2011, an additional \$1.6 million and \$3.4 million could have been collected for the MPP and RFP, respectively.



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Key Audit Issues

- MTA did not ensure the propriety of claims reimbursements and administrative fee payments for employee and retiree healthcare costs.
- MTA lacked adequate procedures and controls to ensure that amounts paid under a \$10 million engineering contract were proper.
- MTA lacked sufficient procedures and controls over the MPP eligibility process, did not adequately monitor one MPP contract and related payments, and did not attempt to obtain refunds of fuel excise taxes paid. Certain similar control issues apply to the RFP application process for disabled riders.
- Deficiencies were noted in a number of other areas including payroll and inventory.



Contract Payments and Monitoring

MTA's monitoring of a vendor contracted to administer and pay healthcare claims on behalf of its union employees and retirees was insufficient. **(Finding 1)** During FYs 2009 through FY 2011, MTA paid the vendor \$112.7 million (\$104.4 million for claims and \$8.3 million in administrative fees).

- MTA paid for claims reimbursements without any verification that the amounts invoiced were proper. For example, MTA paid a March 2011 weekly invoice totaling \$2.6 million, which included estimated and previously unpaid billed amounts, without any verification of the charges.
- Claims reviews were not conducted to ensure claims were paid only for actual services provided to eligible individuals.
- MTA did not adequately ensure that administrative fees invoiced and paid to the vendor were proper or that utilization reviews paid for were conducted by the vendor.



Contract Payments and Monitoring (continued)

MTA lacked adequate procedures and controls to ensure that amounts paid under a consulting contract for various engineering services were proper. **(Finding 2)** The contract covers a 5-year period ending January 2014 and consists primarily of \$8.9 million in estimated direct labor and overhead costs and \$880,000 in fixed fees.

- MTA could not document that it approved increases in the labor rates or compared the invoiced rates with the contract. Certain invoiced labor rates selected for testing did not agree with the related contract.
- MTA did not ensure the propriety of the reimbursable overhead costs. Since the contract's inception, MTA paid the firm an overhead rate of 130% rather than basing it on the actual annual overhead rate as provided for in the contract. A similar condition was noted with overhead rates charged by a subcontractor.



Mobility Paratransit Program

Background

- MTA operates the federally mandated Mobility Paratransit Program (MPP) for individuals who are unable to use the MTA's fixed route bus, metro, or light rail services.
- The MPP is funded by the Transportation Trust Fund and provides door-to-door service within a three-quarter mile range from any fixed route system.
- MTA generally provided the vehicles for the MPP but contracted with three vendors to provide the drivers, fuel, and maintenance.

Fiscal Year 2011 MPP Statistics

Annual Cost - \$59.7 million
Rides Provided - 1.7 million
Average Cost Per Trip - \$39.47
Standard Fare Charged Per Trip - \$1.85
Certified Participants (@6/2011) - 18,691
Source: MTA Records (unaudited)



Mobility Paratransit Program (continued)

MTA lacked adequate procedures and controls over the MPP eligibility process. **(Finding 5)**

- Eligibility determinations were not subject to independent review and approval. All 30 MPP enrollees tested lacked critical information to support the applicant's eligibility.
- MTA had not established formal guidance to assist MTA staff in determining applicant eligibility and did not adequately define which healthcare providers were qualified to certify an applicant's disability.



Mobility Paratransit Program (continued)

MTA did not adequately monitor one MPP contract selected for review and the related payments. **(Finding 6)**

- MTA could not document its verification of driver hours billed by the vendor.
- MTA paid the vendor for vehicle runs based on scheduled ending times even when the routes were completed early. Our review of one day's billing totaling \$50,000, disclosed that MTA overpaid the vendor approximately \$2,400 for vehicle runs that ended prior to the scheduled time.
- MTA did not ensure that fuel charges invoiced by the vendor were proper and fares collected by the vendor were properly accounted for.



Mobility Paratransit Program (continued)

MTA did not attempt to obtain refunds of excise taxes paid to the MPP vendors for fuel used in State vehicles. **(Finding 7)**

For example,

- Amounts invoiced to MTA included federal (\$0.244 per gallon for diesel and \$0.184 per gallon for gas) excise taxes, as well as State excise taxes.
- During FY 2011 alone, OLA determined that MTA paid the three MPP vendors \$331,028 for federal excise taxes, and \$412,789 in State excise taxes.
- MTA had determined that certain of these taxes may no longer be recoverable.



Other Findings

- MTA did not always use the appropriate payment method for disbursements. **(Finding 3)**
 - MTA had not established certain controls to ensure the propriety of payroll payments and pension records for union operator employees. Related expenditures totaled \$201 million during FY 2011. **(Finding 4)**
 - MTA lacked sufficient policies, procedures, and controls over the RFP application process for disabled individuals. For example, formal guidance to assist in determining applicant eligibility was lacking and applications processed were not subject to independent approval. **(Finding 8)**
 - MTA did not maintain reliable mileage records to ensure that bus inspections were performed as required. **(Finding 9)**
 - MTA had not established proper controls over its materials and supplies and equipment inventories. **(Findings 10 & 11)**
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Conclusion

MTA should:

- Establish procedures to ensure that amounts invoiced by vendors are proper and identify and recover any previous amounts improperly paid to vendors.
- Ensure MPP and RFP eligibility decisions are subject to independent review and approval and establish formal guidance to aid in the eligibility decisions.
- Determine the amount of fuel excise taxes that can be recovered, seek refunds of these taxes, and ensure that future excise taxes are properly recovered in a timely manner.
- Establish adequate controls and processes over payroll, disbursements, bus inspections, and inventory.