

# Imperial County Transportation Commission & First Transit, Inc.

Imperial Valley Transit Service Report

For the Year Ended June 30, 2014

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## **INDEPENDENT ACCOUNTANTS' REPORT**

Imperial County Transportation Commission  
1405 N. Imperial Avenue Suite 1  
El Centro, California

We have performed the procedures enumerated below, which were agreed to by the Imperial County Transportation Commission's Management, solely to assist the specified party in evaluating the specific First Transit, Inc. transit services contract items for the year ended June 30, 2014. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those specified parties in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and findings are as follows:

1. We reviewed the transit service contract, including contract modifications, between the Imperial County Transportation Commission and First Transit, Inc. for the provisions of specific transit services to be provided.
2. We reviewed documents provided by the Imperial County Transportation Commission and First Transit, Inc. to verify that expenditure and fare amounts reported to the Imperial County Transportation Commission Administration for the specific transit services were presented fairly and accurately. We found that First Transit, Inc. is in compliance with the contract terms and reporting properly as agreed per contract(s). See Exhibits B through F as references for this review.
3. We reviewed on a test basis fuel expenditures reported for all specific transit services provided and noted if these expenditures were in accordance to the fuel related terms included in the service contract. We found that First Transit, Inc. is in compliance with the contract terms and these expenditures are within budget and reported accordingly.
4. We reviewed First Transit's internal controls over cash handling procedures and tested their fare collection process and related activities. We found that the internal controls set by First Transit, Inc. are adequate based on established guidelines. See Exhibit A as reference for this review.

We were not engaged to, and did not, conduct an audit, the objective of which would be the expression of an opinion on the accounting records. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management, the Imperial County Transportation Commission, the County of Imperial Board of Supervisors and is not intended to be and should not be used by anyone other than these specified parties.

Hutchinson and Bloodgood LLP

April 3, 2015

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
FOR YEAR ENDED JUNE 30, 2014**

**ACCOUNTANTS' COMMENTS**

**PURPOSE**

The purpose of this engagement pertaining to the service contract between the Imperial County Transportation Commission (ICTC) and First Transit, Inc. was to provide an independent assessment of compliance with certain contract requirements during the period July 1, 2013 through June 30, 2014 and to assess the adequacy of First Transit Inc.'s internal controls over cash handling and reporting procedures.

**FARE REVENUES**

The service contract for each of the services provided by First Transit, Inc. states that the farebox ratio of fare revenue divided by operating costs shall be maintained at or above seventeen percent (17.0%) for the Imperial Valley Transit service line and four percent (4.0%) for the El Centro Shuttle (Blue and Green Line).

For the El Centro Shuttle (Blue and Green Line) the actual farebox recovery ratio was four percent (4.0%); (\$25,573 fare revenue divided by \$641,897 operating costs). See Exhibit D.

For the Brawley Shuttle (Gold Line) the actual farebox recovery ratio was over three percent (3.2%); (\$4,620 fare revenue divided by \$144,369 operating costs). See Exhibit E.

For the Imperial Valley Transit service line the actual farebox recovery ratio was over twenty-two percent (22.7%); (\$685,991 fare revenue divided by \$3,017,831 adjusted operating costs). See Exhibit F.

The letter from the California Department of Transportation dated May 9, 2013 states that the suggested blended farebox recovery ratio calculation for the transit services above was approved and the blended farebox recovery ratio was set at seventeen percent (17.0%).

For fiscal year ended June 30, 2014 the actual blended farebox ratio for all transit services combined was over eighteen percent (18.8%); (\$716,184 fare revenue divided by \$3,804,097 adjusted operating costs). See Exhibit G.

**ICTC SUBSIDY**

The contract's fifth modification, dated December 11, 2013, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2013 through June 30, 2014 is identified as \$3,247,655 less the farebox of 17% for a net subsidy not to exceed \$2,693,554, with a marketing budget of \$162,383. Actual costs for the year reported to ICTC were \$2,483,587 in operational expense, \$35,139 in additional fuel expenses, and \$62,989 in marketing expenses for a combined total of \$2,581,715. See Exhibit F.

**ICTC SUBSIDY (continued)**

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$648,384 less the farebox of 5.0% for a net subsidy not to exceed \$615,965, with a marketing budget of \$32,419. Actual costs for the year reported to ICTC were \$610,517 in operational expense, \$1,367 in additional fuel expenses, and \$4,440 in marketing expenses for a combined total of \$616,324. See Exhibit D.

For the Brawley Shuttle service line, which is known as the Gold Line, the compensation is identified as \$153,009 less the farebox of 4.0% for a net subsidy not to exceed \$146,889, with an adjusted marketing budget of \$8,519. Actual costs for the year reported to ICTC were \$130,643 in operational expense, \$587 in additional fuel expenses, and \$8,519 in marketing expenses for a combined total of \$144,369. See Exhibit E.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES  
FOR YEAR ENDED JUNE 30, 2014**

**OBJECTIVE**

Review established internal control procedures over cash handling and perform a walkthrough observation of the fare collection cycle and related processes.

**PROCEDURES**

Reviewed First Transit, Inc. established guidelines over cash handling. Interviewed management and staff associated with the fare collection cycle. Observed cash count of total fares contained in farebox and confirmed amount collected with amount counted and amount reported.

**OBSERVATIONS**

It was noted that empty fareboxes are placed inside the transit vehicle under dual custody. Also, at the end of the day, each full farebox is removed, also under dual custody, and locked inside a vault. All cash fares are counted the following day by two staff members in a locked room. Once cash is counted it is placed in sealed deposit bags and kept under key until ready to be deposited at the bank.

During the performance of this review it was noted that transit operator's report logs do not contain a column on which they could keep track of any overages or shortages in fares received. It was noted that it is common for passengers not to have the correct change and overpay but transit operators have no way of keeping track of this on their report logs. It is recommended to modify these reports with a section for any fare overages or shortages noted by transit operator. This would have an impact on reducing variances noted in the Farebox Accounting Report prepared by First Transit, Inc. It is noted that actual fares and not projected fares are those fares reported to the ICTC as fares received.

**CONCLUSION**

We found that the internal controls set by First Transit, Inc. are adequate based on established guidelines and that actual fares received are properly reported to the ICTC.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

El Centro Shuttle - Blue Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 27,414	\$ 1,424	\$ 25,990	\$ 75	\$ 625	\$ 26,690
August, 2013	27,409	656	26,753	-	-	26,753
September, 2013	28,085	2,004	26,081	-	640	26,721
October, 2013	27,941	2,626	25,315	-	1,279	26,594
November, 2013	25,732	671	25,061	-	-	25,061
December, 2013	28,915	512	28,403	-	43	28,446
January, 2014	25,583	1,981	23,602	-	265	23,867
February, 2014	23,927	883	23,044	-	-	23,044
March, 2014	26,924	1,514	25,410	69	-	25,479
April, 2014	26,712	559	26,153	206	-	26,359
May, 2014	25,898	2,277	23,621	194	-	23,815
June, 2014	24,898	547	24,351	142	-	24,493
Total	\$ 319,438	\$ 15,654	\$ 303,784	\$ 686	\$ 2,852	\$ 307,322

Contract Specifications

Paragraph 8.1.2.3

For Base Cost

and Base Subsidy      \$ 324,192      \$ 16,210      \$ 307,982

Over (Under) Contract

Requirements      \$ (4,754)      \$ (556)      \$ (4,198)

Farebox Ratio Actual      4.8%

Farebox Ratio Contract      5.0%



**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

El Centro Shuttle-Green Line Service						
Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 27,419	\$ 727	\$ 26,692	\$ 76	\$ 625	\$ 27,393
August, 2013	27,429	644	26,785	-	-	26,785
September, 2013	28,097	844	27,253	-	640	27,893
October, 2013	27,969	837	27,132	-	-	27,132
November, 2013	25,744	720	25,024	-	-	25,024
December, 2013	28,931	862	28,069	-	58	28,127
January, 2014	25,596	1,318	24,278	-	265	24,543
February, 2014	23,948	766	23,182	-	-	23,182
March, 2014	26,949	881	26,068	68	-	26,136
April, 2014	25,734	779	24,955	206	-	25,161
May, 2014	23,922	758	23,164	191	-	23,355
June, 2014	24,914	783	24,131	140	-	24,271
Total	\$ 316,652	\$ 9,919	\$ 306,733	\$ 681	\$ 1,588	\$ 309,002
Contract Specifications						
Paragraph 8.1.2						
For Base Cost						
and Base Subsidy						
	\$ 324,192	\$ 16,210	\$ 307,982			
Over (Under) Contract						
Requirements						
	\$ (7,540)	\$ (6,291)	\$ (1,249)			
Farebox Ratio Actual						
		3.1%				
Farebox Ratio Contract						
		5.0%				

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

El Centro Shuttle (Blue and Green Line) Services

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 54,833	\$ 2,151	\$ 52,682	\$ 151	\$ 1,250	\$ 54,083
August, 2013	54,838	1,300	53,538	-	-	53,538
September, 2013	56,182	2,848	53,334	-	1,280	54,614
October, 2013	55,910	3,463	52,447	-	1,279	53,726
November, 2013	51,476	1,391	50,085	-	-	50,085
December, 2013	57,846	1,374	56,472	-	101	56,573
January, 2014	51,179	3,299	47,880	-	530	48,410
February, 2014	47,875	1,649	46,226	-	-	46,226
March, 2014	53,873	2,395	51,478	137	-	51,615
April, 2014	52,446	1,338	51,108	412	-	51,520
May, 2014	49,820	3,035	46,785	385	-	47,170
June, 2014	49,812	1,330	48,482	282	-	48,764
Total	\$ 636,090	\$ 25,573	\$ 610,517	\$ 1,367	\$ 4,440	\$ 616,324

## Contract Specifications

Paragraph 8.1.2

For Base Cost

and Base Subsidy

\$ 648,384	\$ 32,419	\$ 615,965
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Over (Under) Contract

Requirements

\$ (12,294)	\$ (6,846)	\$ (5,448)
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Farebox Ratio Actual

4.0%

Farebox Ratio Contract

5.0%

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

Imperial Valley Transit - Gold Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
December, 2013	\$ 10,200	\$ 188	\$ 10,012	\$ -	\$ 1,616	\$ 11,628
January, 2014	22,095	765	21,330	-	3,344	24,674
February, 2014	19,064	589	18,475	-	162	18,637
March, 2014	20,762	1,175	19,587	66	-	19,653
April, 2014	21,632	583	21,049	192	3,397	24,638
May, 2014	20,761	624	20,137	197	-	20,334
June, 2014	20,749	696	20,053	132	-	20,185
Total	\$ 135,263	\$ 4,620	\$ 130,643	\$ 587	\$ 8,519	\$ 139,749

## Contract Specifications

Paragraph 8.1.3.1

For Base Cost

and Base Subsidy

\$ 153,009	\$ 6,120	\$ 146,889
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Over (Under) Contract

Requirements

\$ (17,746)	\$ (1,500)	\$ (16,246)
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Farebox Ratio Actual

3.2%

Farebox Ratio Contract

4.0%

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 226,807	\$ 37,029	\$ 189,778	\$ 3,796	\$ 5,355	\$ 198,929
August, 2013	237,147	44,460	192,687	4,782	4,995	202,464
September, 2013	250,046	58,809	191,237	4,319	3,466	199,022
October, 2013	282,410	73,873	208,537	3,572	10,688	222,797
November, 2013	270,082	58,188	211,894	1,482	-	213,376
December, 2013	262,623	42,601	220,022	2,227	2,638	224,887
January, 2014	254,310	57,136	197,174	1,460	9,778	208,412
February, 2014	250,984	62,270	188,714	2,187	1,772	192,673
March, 2014	297,237	68,203	229,034	1,720	8,262	239,016
April, 2014	283,486	81,452	202,034	2,179	13,977	218,190
May, 2014	280,018	55,371	224,647	3,707	129	228,483
June, 2014	274,428	46,599	227,829	3,708	1,929	233,466
Total	\$ 3,169,578	\$ 685,991	\$ 2,483,587	\$ 35,139	\$ 62,989	\$ 2,581,715

## Contract Specifications

## Paragraph 8.1.1.3

## For Base Cost

## and Base Subsidy

\$ 3,247,655	\$ 552,101	\$ 2,693,554
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## Over (Under) Contract

## Requirements

<u>\$ (78,077)</u>	<u>\$ 133,890</u>	<u>\$ (209,967)</u>
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Operating Costs	\$ 3,267,706
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Depreciation	<u>(249,875)</u>
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Adjusted Operating Costs	<u>\$ 3,017,831</u>
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Farebox Ratio Actual	22.7%
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Farebox Ratio Contract	17.0%
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**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 281,640	\$ 39,180	\$ 320,820	\$ 3,947	\$ 6,605	\$ 331,372
August, 2013	291,985	45,760	337,745	4,782	4,995	347,522
September, 2013	306,228	61,657	367,885	4,319	4,746	376,950
October, 2013	338,320	77,336	415,656	3,572	11,967	431,195
November, 2013	321,558	59,579	381,137	1,482	-	382,619
December, 2013	330,669	44,163	374,832	2,227	4,355	381,414
January, 2014	327,584	61,200	388,784	1,460	13,652	403,896
February, 2014	317,923	64,508	382,431	2,187	1,934	386,552
March, 2014	371,872	71,773	443,645	1,923	8,262	453,830
April, 2014	357,564	83,373	440,937	2,783	17,374	461,094
May, 2014	350,599	59,030	409,629	4,289	129	414,047
June, 2014	344,989	48,625	393,614	4,122	1,929	399,665
Total	\$ 3,940,931	\$ 716,184	\$ 4,657,115	\$ 37,093	\$ 75,948	\$ 4,770,156
Contract Specifications Paragraphs 8.1.1 and 8.1.2 For Base Cost and Base Subsidy	<u>\$ 4,049,048</u>	<u>\$ 587,112</u>	<u>\$ 3,461,936</u>			
Over (Under) Contract Requirements	<u>\$ (108,117)</u>	<u>\$ 129,072</u>	<u>\$ 1,195,179</u>			
Operating Costs		\$ 4,053,972				
Depreciation		<u>(249,875)</u>				
Adjusted Operating Costs		<u>\$ 3,804,097</u>				
Farebox Ratio Actual		18.8%				
Farebox Ratio Contract		17.0%				