

# Imperial County Transportation Commission & First Transit, Inc.

IVT-ACCESS Paratransit Service Program

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. IVT-ACCESS paratransit service 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 Exhibit B as a reference 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 a 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.  
IVT-ACCESS PARATRANSIT SERVICE PROGRAM  
FOR YEAR THE 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 the IVT-ACCESS Paratransit service provided by First Transit, Inc., states that the farebox recovery ratio of fare revenue divided by operating costs shall be maintained at or above ten percent (10.0%).

For the fiscal year ended June 30, 2014 the actual farebox recovery ratio for the IVT-ACCESS Paratransit service was over five percent (5.3%); (\$67,684 fare revenue divided by \$1,265,608 operating costs, adjusted for depreciation). See Exhibit B.

The farebox recovery ratio was not met for this year.

**ICTC SUBSIDY**

The contract modification, dated December 11, 2013, states that the compensation for the IVT-ACCESS Paratransit service for the period of July 1, 2013 through June 30, 2014 is identified as \$1,543,354 less the farebox of 10.0% for a net subsidy not to exceed \$1,389,019 with a marketing budget of \$77,168.

Actual costs for the year reported to ICTC were \$1,351,159 in operational expense, \$8,628 in additional fuel expenses, and \$6,300 in marketing expenses for a combined total of \$1,366,087. See Exhibit B.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IVT-ACCESS PARATRANSIT SERVICE PROGRAM  
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES  
FOR YEAR THE 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.  
IVT-ACCESS PARATRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2013 THROUGH JUNE 30, 2014**

IVT-ACCESS Service Line						
Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2013	\$ 102,712	\$ 4,036	\$ 98,676	\$ 924	\$ 625	\$ 100,225
August, 2013	110,626	4,386	106,240	1,309	972	108,521
September, 2013	118,262	4,958	113,304	1,130	1,500	115,934
October, 2013	116,753	5,527	111,226	877	1,500	113,603
November, 2013	110,970	4,756	106,214	244	-	106,458
December, 2013	110,693	5,181	105,512	585	83	106,180
January, 2014	108,278	5,499	102,779	340	-	103,119
February, 2014	104,077	5,719	98,358	513	-	98,871
March, 2014	122,953	7,148	115,805	359	1,620	117,784
April, 2014	115,889	6,700	109,189	744	-	109,933
May, 2014	116,703	6,925	109,778	788	-	110,566
June, 2014	113,243	6,849	106,394	815	-	107,209
Total	\$ 1,351,159	\$ 67,684	\$ 1,283,475	\$ 8,628	\$ 6,300	\$ 1,298,403
Contract Specifications						
Paragraph 8.1.3						
For Base Cost and Base Subsidy						
	<u>\$ 1,543,354</u>	<u>\$ 154,334</u>	<u>\$ 1,389,019</u>			
Over (Under) Contract Requirements						
	<u>\$ (192,195)</u>	<u>\$ (86,650)</u>	<u>\$ (105,544)</u>			
	Operating Costs	\$ 1,366,087				
	Depreciation	<u>(100,479)</u>				
	Adjusted Operating Costs	<u>\$ 1,265,608</u>				
Farebox Ratio Actual		5.3%				
Farebox Ratio Contract		10.0%				