

# Imperial County Transportation Commission & First Transit, INC.

Imperial Valley Transit Service Report

For the Year Ended June 30, 2013

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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, 2013. 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 15, 2014

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
FOR YEAR ENDED JUNE 30, 2013**

**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, 2012 through June 30, 2013 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 over three percent (3.3%); (\$20,252 fare revenue divided by \$620,169 operating costs). See Exhibit D.

For the Imperial Valley Transit service line the actual farebox recovery ratio was over nineteen percent (19.6%); (\$486,122 fare revenue divided by \$2,482,570 adjusted operating costs). See Exhibit E.

The letter from the California Department of Transportation dated March 4, 2010 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 fourteen and a half percent (14.5%).

For fiscal year ended June 30, 2013 the actual blended farebox ratio for all transit services combined was over sixteen percent (16.3%); (\$506,374 fare revenue divided by \$3,102,739 adjusted operating costs). See Exhibit F.

**ICTC SUBSIDY**

The contract 2<sup>nd</sup> modification, dated February 27, 2013, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2012 through June 30, 2013 is identified as \$2,737,061 less the farebox of 17% for a net subsidy not to exceed \$2,271,761, with a marketing budget of \$136,716. Actual costs for the year reported to ICTC were \$2,145,259 in operational expense, \$46,293 in additional fuel expenses, and \$54,771 in marketing expenses for a combined total of \$2,246,323. See Exhibit E.

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$630,080 less the farebox of 4.0% for a net subsidy not to exceed \$604,877, with a marketing budget of \$31,504. Actual costs for the year reported to ICTC were \$596,271 in operational expense, \$1,519 in additional fuel expenses, and \$2,127 in marketing expenses for a combined total of \$599,917. See Exhibit D.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES  
FOR YEAR ENDED JUNE 30, 2013**

**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, 2012 THROUGH JUNE 30, 2013**

El Centro Shuttle - Blue Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2012	\$ 26,573	\$ 1,241	\$ 25,332	\$ -	\$ -	\$ 25,332
August, 2012	28,147	886	27,261	60	606	27,927
September, 2012	25,001	1,570	23,431	125	-	23,556
October, 2012	28,168	695	27,473	293	-	27,766
November, 2012	25,799	698	25,101	-	-	25,101
December, 2012	25,800	1,448	24,352	-	41	24,393
January, 2013	26,591	1,023	25,568	-	-	25,568
February, 2013	23,003	580	22,423	78	424	22,925
March, 2013	24,583	496	24,087	142	-	24,229
April, 2013	25,373	1,736	23,637	40	482	24,159
May, 2013	25,375	721	24,654	-	-	24,654
June, 2013	23,791	537	23,254	32	-	23,286
Total	\$ 308,204	\$ 11,631	\$ 296,573	\$ 770	\$ 1,553	\$ 298,896

Contract Specifications

Paragraph 8.1.2

For Base Cost

and Base Subsidy      \$ 315,040      \$ 12,602      \$ 302,438

Over (Under) Contract

Requirements      \$ (6,836)      \$ (971)      \$ (5,865)

Farebox Ratio Actual      3.7%

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, 2012 THROUGH JUNE 30, 2013**

El Centro Shuttle-Green Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2012	\$ 26,606	\$ 524	\$ 26,082	\$ -	\$ -	\$ 26,082
August, 2012	28,181	728	27,453	58	-	27,511
September, 2012	25,005	979	24,026	121	-	24,147
October, 2012	28,181	861	27,320	282	-	27,602
November, 2012	25,815	754	25,061	-	226	25,287
December, 2012	25,803	675	25,128	-	44	25,172
January, 2013	26,600	812	25,788	-	-	25,788
February, 2013	22,999	645	22,354	78	304	22,736
March, 2013	24,586	650	23,936	138	-	24,074
April, 2013	25,375	684	24,691	40	-	24,731
May, 2013	25,375	659	24,716	-	-	24,716
June, 2013	23,793	650	23,143	32	-	23,175
Total	\$ 308,319	\$ 8,621	\$ 299,698	\$ 749	\$ 574	\$ 301,021

Contract Specifications  
Paragraph 8.1.2  
For Base Cost  
and Base Subsidy

\$ 315,040    \$ 12,602    \$ 302,438

Over (Under) Contract  
Requirements

\$ (6,721)    \$ (3,981)    \$ (2,740)

Farebox Ratio Actual                      2.8%

Farebox Ratio Contract                    4.0%



**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
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FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2012 THROUGH JUNE 30, 2013**

El Centro Shuttle (Blue and Green Line) Services

<u>Date</u>	<u>Base Cost</u>	<u>Farebox</u>	<u>Net Subsidy</u>	<u>Fuel Escalator</u>	<u>Marketing</u>	<u>Net Cost and Total Paid to First Transit</u>
July, 2012	\$ 53,179	\$ 1,765	\$ 51,414	\$ -	\$ -	\$ 51,414
August, 2012	56,328	1,614	54,714	118	606	55,438
September, 2012	50,006	2,549	47,457	246	-	47,703
October, 2012	56,349	1,556	54,793	575	-	55,368
November, 2012	51,614	1,452	50,162	-	226	50,388
December, 2012	51,603	2,123	49,480	-	85	49,565
January, 2013	53,191	1,835	51,356	-	-	51,356
February, 2013	46,002	1,225	44,777	156	728	45,661
March, 2013	49,169	1,146	48,023	280	-	48,303
April, 2013	50,748	2,420	48,328	80	482	48,890
May, 2013	50,750	1,380	49,370	-	-	49,370
June, 2013	47,584	1,187	46,397	64	-	46,461
Total	\$ 616,523	\$ 20,252	\$ 596,271	\$ 1,519	\$ 2,127	\$ 599,917

Contract Specifications

Paragraph 8.1.2

For Base Cost

and Base Subsidy

\$ 630,080	\$ 25,203	\$ 604,877
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Over (Under) Contract

Requirements

\$ (13,557)	\$ (4,951)	\$ (8,606)
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Farebox Ratio Actual

3.3%

Farebox Ratio Contract

4.0%

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
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FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2012 THROUGH JUNE 30, 2013**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2012	\$ 203,653	\$ 29,879	\$ 173,774	\$ 1,238	\$ 1,681	\$ 176,693
August, 2012	222,680	40,557	182,123	6,550	7,171	195,844
September, 2012	213,140	44,465	168,675	7,412	840	176,927
October, 2012	236,590	49,612	186,978	7,149	-	194,127
November, 2012	215,694	41,351	174,343	3,831	11,702	189,876
December, 2012	207,265	32,232	175,033	2,229	15,440	192,702
January, 2013	216,559	43,073	173,486	3,616	-	177,102
February, 2013	214,013	39,131	174,882	5,133	8,294	188,309
March, 2013	228,989	45,237	183,752	3,838	81	187,671
April, 2013	227,972	48,924	179,048	1,995	2,906	183,949
May, 2013	226,539	37,208	189,331	1,277	-	190,608
June, 2013	218,287	34,453	183,834	2,025	6,656	192,515
Total	\$ 2,631,381	\$ 486,122	\$ 2,145,259	\$ 46,293	\$ 54,771	\$ 2,246,323

## Contract Specifications

Paragraph 8.1.1.2

For Base Cost

and Base Subsidy

\$ 2,737,061	\$ 465,300	\$ 2,271,761
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Over (Under) Contract

Requirements

\$ (105,680)	\$ 20,822	\$ (126,502)
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Operating Costs	\$ 2,732,445
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Depreciation	(249,875)
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Adjusted Operating Costs	\$ 2,482,570
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Farebox Ratio Actual	19.6%
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Farebox Ratio Contract	17.0%
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**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
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IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2012 THROUGH JUNE 30, 2013**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2012	\$ 256,832	\$ 31,644	\$ 225,188	\$ 1,238	\$ 1,681	\$ 228,107
August, 2012	279,008	42,171	236,837	6,668	7,777	251,282
September, 2012	263,146	47,014	216,132	7,658	840	224,630
October, 2012	292,939	51,168	241,771	7,724	-	249,495
November, 2012	267,308	42,803	224,505	3,831	11,928	240,264
December, 2012	258,868	34,355	224,513	2,229	15,525	242,267
January, 2013	269,750	44,908	224,842	3,616	-	228,458
February, 2013	260,015	40,356	219,659	5,289	9,022	233,970
March, 2013	278,158	46,383	231,775	4,118	81	235,974
April, 2013	278,720	51,344	227,376	2,075	3,388	232,839
May, 2013	277,289	38,588	238,701	1,277	-	239,978
June, 2013	265,871	35,640	230,231	2,089	6,656	238,976
Total	\$ 3,247,904	\$ 506,374	\$ 2,741,530	\$ 47,812	\$ 56,898	\$ 2,846,240
Contract Specifications Paragraphs 8.1.1 and 8.1.2 For Base Cost and Base Subsidy	<u>\$ 3,367,141</u>	<u>\$ 488,235</u>	<u>\$ 2,878,906</u>			
Over (Under) Contract Requirements	<u>\$ (119,237)</u>	<u>\$ 18,139</u>	<u>\$ (137,376)</u>			
Operating Costs		\$ 3,352,614				
Depreciation		<u>(249,875)</u>				
Adjusted Operating Costs		<u>\$ 3,102,739</u>				
Farebox Ratio Actual						16.3%
Farebox Ratio Contract						14.5%