

COUNTY COUNCIL OF WICOMICO COUNTY, MARYLAND

2016 Legislative Session

Legislative Day No. 15

Resolution 103-2016

A RESOLUTION ACCEPTING THE SHORE TRANSIT PROGRAM AUDIT REPORT.

WHEREAS, under Section 305, titled "County Internal Auditor" of the Charter of Wicomico County, Maryland, the Internal Auditor is charged with the duty to report on internal accounting controls, administrative and operating practices and procedures, and other pertinent financial and compliance matters within Wicomico County; and

WHEREAS, the Internal Auditor has submitted an audit report on the Shore Transit Program for the County Council's consideration, which outlines the adequacy of the procedures and controls of the Shore Transit Program and the level of compliance with the procedures and controls.

NOW, THEREFORE, BE IT RESOLVED, by the County Council of Wicomico County, Maryland that the audit report on the "Shore Transit Program" submitted by the County Internal Auditor, attached as Exhibit A, is accepted.

Done at Salisbury, Maryland, this 2nd day of August, 2016.

ATTEST:


Matthew E. Creamer,
Council Administrator

COUNTY COUNCIL OF
WICOMICO COUNTY, MARYLAND


John T. Cannon,
Council President

CERTIFICATION

This Resolution was Adopted , Adopted with Amendments ____, Failed ____, Withdrawn ____ by the County Council on August 2, 2016.

Certified by 
Matthew E. Creamer, Council Administrator



Wicomico County, Maryland
OFFICE OF THE INTERNAL AUDITOR

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Steve Roser, CPA/CIA/CFE
Internal Auditor

July 25, 2016

Internal Auditor's Report

The County Council and County Executive of Wicomico County, Maryland:

Pursuant to Section 305(D) of the Wicomico County Code and Council Resolution No. 120-2015, the Office of the Internal Auditor (IA) conducted a review of Shore Transit. A report is submitted herewith. The purpose of the consultation was to gain an understanding of Shore Transit operations and performance.

IA conducted the consultation with due professional care, and IA planned and performed the consultation to obtain an understanding of the current practices, analyze financial data, and review usage for Shore Transit.

IA extends our appreciation to management and staff from the Tri-County Council for their assistance.

Respectfully submitted,

DN: cn=J. Stephen Roser, CPA, o=Wicomico County Maryland,
ou=Internal Auditor, email=sroser@wicomicocounty.org, c=US
Date: 2016.07.25 08:47:25 -04'00'

J. Stephen Roser, CPA
Internal Auditor

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Consultation Report

Background

The purpose of this exercise was to perform inquiry into the nature and substance of the Shore Transit program. The original focus was internal control over finances and safety along with adherence to those controls. We quickly realized that the program is a component of the Tri-County Council. Additionally, Tri-County Council supplied a large amount of information created inside and outside the organization. Due to the scope of the operation¹, and the availability of ample analytical information, we decided to focus on the available information as a basis of this report.

Objectives

Shore Transit receives County taxpayer funds to provide public transportation. The audit objective was to:

1. Gain a high-level understanding of the Shore Transit Operations
2. Review financial performance for Shore Transit
3. Review the existence and adherence to internal control over the handling of funds
4. Evaluate efficiency and effectiveness of business practices (to be determined)

Scope

The audit period examined on a test basis was FY2013 to date. The Scope was open ended. Observations and inquiries with appropriate personnel were conducted, as well as examination of various documents pertaining to accounting and business operations including:

- Financial records
- Route planning documentation
- Statistical usage information
- Asset and depreciation documentation
- Financial audit reports
- Shore Transit website

Shore Transit Operations

Shore Transit is a public transportation service run by the Lower Shore Tri-County Council. A portion of the population (urban and rural alike) needs public transportation. Alternatives to services provided by Shore Transit are:

- Taxi (Uber)
- Owning a car
- Walking

Bus routes provide service in all three counties including Salisbury, West Ocean City, West Pocomoke, Princess Anne, Crisfield, and Snow Hill. Although we could not locate any official numbers, it appears the majority of ridership is in Salisbury². Additionally, Shore Transit offers medical transportation known as origin-to-destination service. Medical transportation involves the State Health Department, and more recently, new compliance obligations generated by new Federal health care regulations.

¹ Operating and capital budget according to the April 2016 Shore Transit Development Plan was in excess of \$6m

² Please see Appendix I for an activity map published in a 2013 ridership study

Revenue Sources

Shore Transit relies upon a large and varied number of revenue sources including:

- Fares
- County grants
- Health Department grants
- Maryland Department of Human Resources
- Various other State agencies
- Advertising
- Federal and State grants

Fares, although comparatively high for the industry, cover a portion of operating costs. Shore Transit currently charges \$3.00 per trip. By Comparison Baltimore City MTA charges \$1.70.

Conclusion

IA offers no conclusion based upon this exercise. However, we would like to point out that observation, extensive interviews, and document review revealed a robust system of accountability based upon adherence to requirements by government agencies and extensive reporting.

Findings

We present these findings to highlight topics considered during the study.

Transit Development Plan 2016

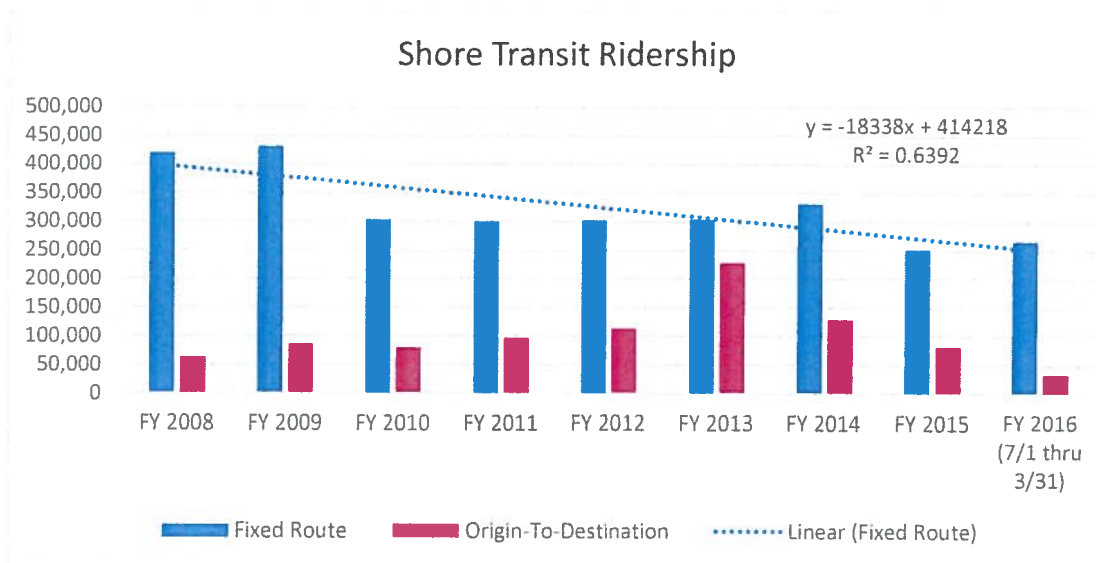
IA reviewed a Transit Development Plan prepared by an outside agency published in April 2016. The report contains a review of existing services, current needs, alternative actions, and a transit plan. The creation of a development plan is a requirement for grant funding from MTA. The report is very comprehensive and contains a massive amount of information beyond the scope of this exercise. Recommended short-range improvements include:

- Prioritize fleet replacement
- Improve passenger information
- Maintain a mobility management team
- Complete a bus wash facility under construction awaiting City services
- Sell bus passes at more locations
- Implement bus stop and shelter improvements

Fleet aging is a problem. According to management, the newest buses are four years old. Typical lifespan for buses are 6-8 years and some of Shore Transit's buses have mileage in excess of 500,000. We recommend that interested parties review the plan. It contains a very detailed fleet inventory and a conceptual capital financial plan (see Chapter 4). Additionally, the development plan addresses long-range issues.

Ten-Year Ridership Counts

Shore Transit provided prepared information concerning ridership counts for FY2008 through FY2016 (as of March 31). Graphical analysis follows:



The trend line applies to fixed-route counts only. It shows a negative trend with coefficient of determination at .64. The full-year range over the period (for fixed-route ridership) is from 419,603 in FY2008 to 249,907 in FY2015. Additionally, it appears we have a year-over-year increase for FY2016.

2013 Ridership Study

IA reviewed a 2013 ridership study performed by the same outside group. The report describes a comprehensive study including:

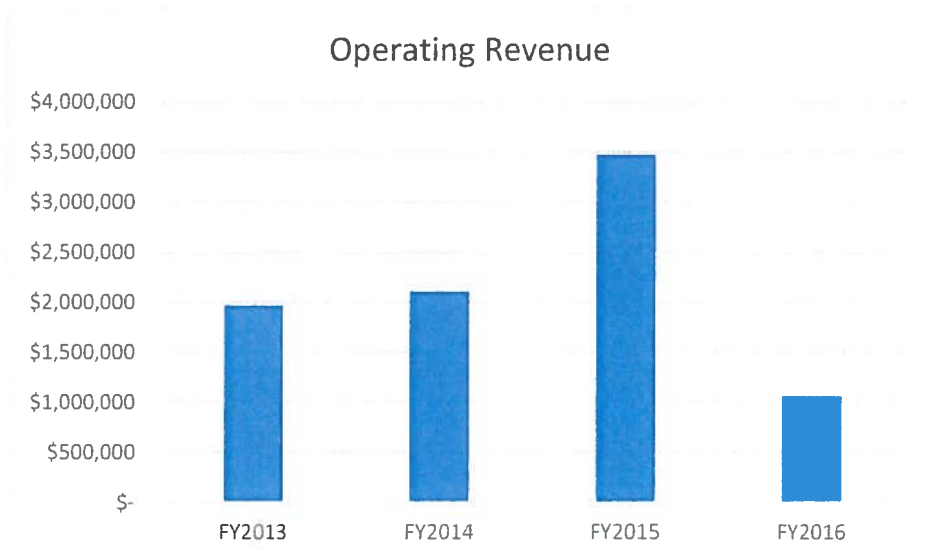
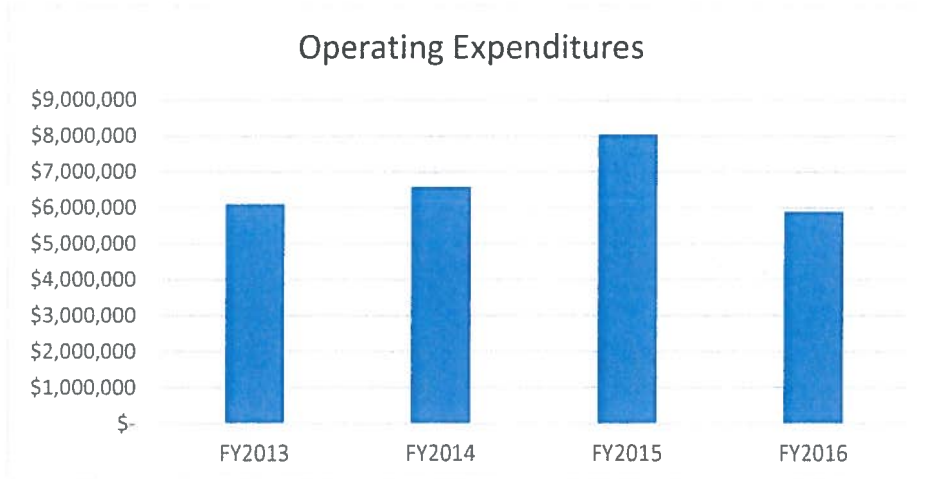
- Boarding and alighting counts
- Passenger miles
- Schedule adherence
- Passenger surveys

The study contains an evaluation of each route, demographics, survey results, and ridership mapping. Total estimated passenger miles for 2013 were 6,116,797. Seasonal variations make it difficult to estimate passenger miles. Additionally, a rural system such as this one stands in sharp contrast to urban systems due to lack of population density in rural areas.

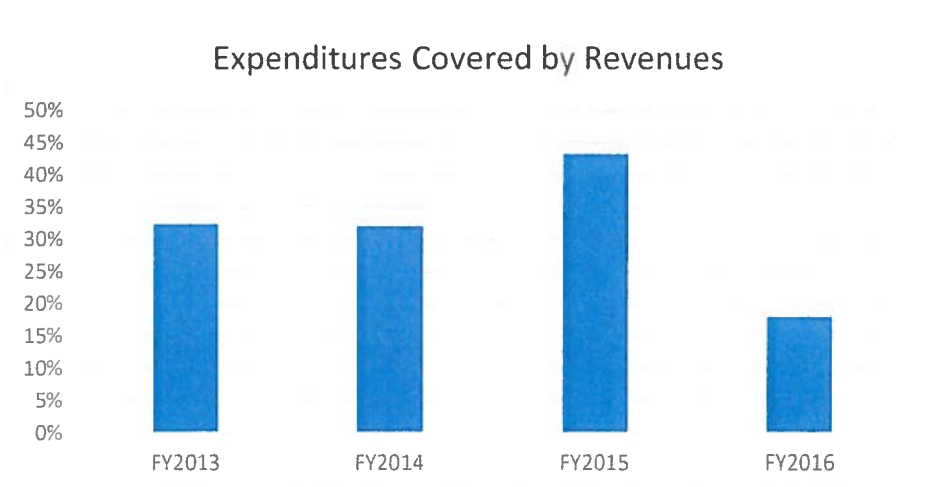
Financials

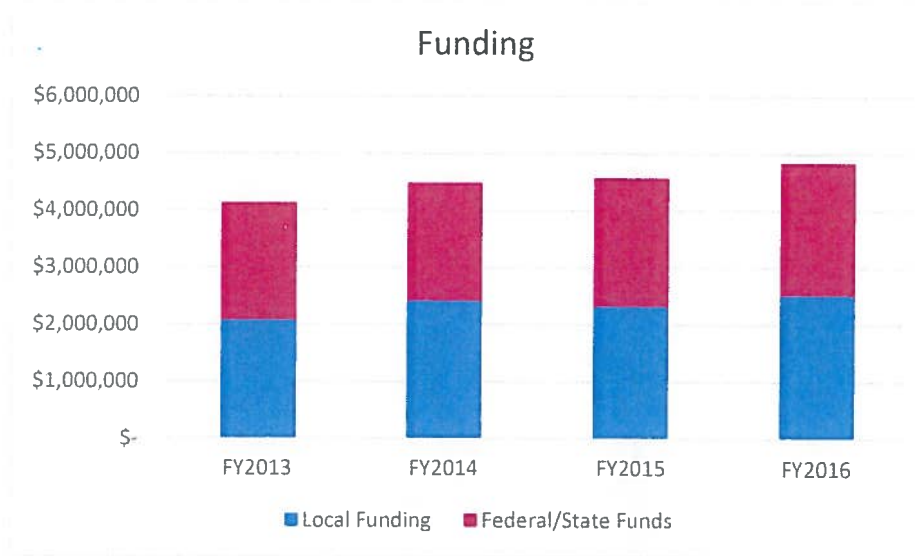
We reviewed financial data provided by Tri-County Council including budgeting information for FY2013 through FY2016. Revenue for Shore Transit does not cover expenditures. Management points to the fact that taxpayer support for bus transportation programs pale in comparison to the costs for maintaining roads, bridges, and highways. Additionally, all Counties show reduction in Shore Transit on-demand service related to medical transportation. According to management, other means of transportation such as taxi services are more efficient and effective for this type of service.

Operating expenditures and revenue for the period according to Store Transit budgeting information follows:



Calculated expenditures covered by revenue and funding information follows:





Please keep in mind that we derive these figures from supplied budgeting information. IA reviewed the audited financial statements and compliance reports from the Tri-County Council for the Lower Eastern Shore of Maryland for Fiscal Years Ending June 30, 2013, 2014, and 2015. The independent auditor’s reports on the financial statements contained an unqualified (clean) opinion of financial position. However, the statements do not contain detail related specifically to Shore Transit. We recommend that management analyze the costs and benefits concerning inclusion of Shore Transit detail as part of the reporting process.

Auditor’s Closing Remark

The Wicomico County Office of the Internal Auditor would like to thank Tri-County Council for their assistance with this project.

Appendix I – System Activity (as published in a 2013 ridership study)

Figure 1: System Total Activity Stop

