

# **Imperial County Transportation Commission & First Transit, Inc.**

IVT-ACCESS Paratransit Service Program

For the Year Ended June 30, 2015

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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, 2015. 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*

February 17, 2016

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IVT-ACCESS PARATRANSIT SERVICE PROGRAM  
FOR YEAR ENDED JUNE 30, 2015**

**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, 2014 through June 30, 2015 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, 2015 the actual farebox recovery ratio for the IVT-ACCESS Paratransit service was over five percent (5.4%); (\$72,130 fare revenue divided by \$1,334,912 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, 2014 through June 30, 2015 is identified as \$1,612,176 less the farebox of 10.0% for a net subsidy not to exceed \$1,450,959 with a marketing budget of \$80,609.

Actual costs for the year reported to ICTC were \$1,414,241 in operational expense, \$1,445 in additional fuel expenses, and \$19,704 in marketing expenses for a combined total of \$1,435,391. See Exhibit B.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IVT-ACCESS PARATRANSIT SERVICE PROGRAM  
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES  
FOR YEAR ENDED JUNE 30, 2015**

**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, 2014 THROUGH JUNE 30, 2015**

IVT-ACCESS Paratransit Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2014	\$ 120,627	\$ 6,610	\$ 114,017	\$ 673	\$ 1,431	\$ 116,121
August, 2014	115,613	6,234	109,379	703	621	110,703
September, 2014	123,853	6,846	117,007	69	-	117,076
October, 2014	124,315	7,279	117,036	-	-	117,036
November, 2014	110,945	5,326	105,619	-	-	105,619
December, 2014	116,282	5,473	110,808	-	1,989	112,797
January, 2015	108,796	4,819	103,978	-	-	103,978
February, 2015	110,279	5,566	104,713	-	1,250	105,963
March, 2015	125,528	6,618	118,910	-	535	119,445
April, 2015	121,485	5,905	115,580	-	9,867	125,447
May, 2015	118,357	5,789	112,568	-	795	113,363
June, 2015	118,160	5,666	112,494	-	3,217	115,711
Total	\$ 1,414,241	\$ 72,130	\$ 1,342,110	\$ 1,445	\$ 19,704	\$ 1,363,260

## Contract Specifications

Paragraph 8.1.4

For Base Cost

and Base Subsidy      \$ 1,612,176      \$ 161,218      \$ 1,450,958

## Over (Under) Contract

Requirements      \$ (197,935)      \$ (89,087)      \$ (108,848)

Operating Costs      \$ 1,435,391

Depreciation      (100,479)Adjusted Operating Costs      \$ 1,334,912

Farebox Ratio Actual      5.4%

Farebox Ratio Contract      10.0%