

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

Imperial Valley Transit Service Report

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. transit services 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 Exhibits C through H 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.
5. We reviewed that transit vehicles owned by the Imperial County Transportation Commission are utilized as part of the transit service assigned for, are maintained in a secure location and are serviced accordingly by First Transit, Inc. See Exhibit B 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*

February 17, 2016

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT 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, to assess the adequacy of First Transit Inc.'s internal controls over cash handling and reporting procedures and document the performance of our observation of the transit vehicles owned by ICTC under the custody of First Transit, Inc.

**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, five percent (5.0%) for the El Centro Shuttle (Blue and Green Line) and four percent (4.0%) for the Brawley Shuttle (Gold Line).

For the El Centro Shuttle (Blue and Green Line) the actual farebox recovery ratio was over four percent (4.2%); (\$26,312 fare revenue divided by \$619,876 operating costs). See Exhibit E.

For the Brawley Shuttle (Gold Line) the actual farebox recovery ratio was over four percent (4.1%); (\$10,426 fare revenue divided by \$253,874 operating costs). See Exhibit F.

For the Imperial Valley Transit service line the actual farebox recovery ratio was over twenty-six percent (26.3%); (\$711,302 fare revenue divided by \$2,701,779 adjusted operating costs). See Exhibit G.

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, 2015 the actual blended farebox ratio for all transit services combined was of over twenty percent (20.9%); (\$748,041 fare revenue divided by \$3,575,528 adjusted operating costs). See Exhibit H.

## **ICTC SUBSIDY**

The contract's sixth modification, dated June 25, 2013, states that the compensation for the Imperial Valley Transit Line for the period of July 1, 2014 through June 30, 2015 is identified as \$3,131,869 less the farebox of 17% for a net subsidy not to exceed \$2,599,451, with a marketing budget of \$156,593. Actual costs for the year reported to ICTC were \$2,459,263 in operational expense, \$6,294 in additional fuel expenses, and \$41,412 in marketing expenses for a combined total of \$2,506,969. See Exhibit G.

For the El Centro Shuttle service line, which includes the Blue and Green Lines, the compensation is identified as \$663,808 less the farebox of 5.0% for a net subsidy not to exceed \$630,618, with a marketing budget of \$33,190. Actual costs for the year reported to ICTC were \$590,221 in operational expense, \$333 in additional fuel expenses, and \$3,009 in marketing expenses for a combined total of \$593,563. See Exhibit E.

For the Brawley Shuttle service line, which is known as the Gold Line, the compensation is identified as \$252,437 less the farebox of 4.0% for a net subsidy not to exceed \$242,340, with an adjusted marketing budget of \$12,622. Actual costs for the year reported to ICTC were \$242,308 in operational expense, \$146 in additional fuel expenses, and \$994 in marketing expenses for a combined total of \$243,447. See Exhibit F.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT 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. Drivers observe that boarding passengers place money inside the farebox and keep a log of boarding passengers separated by fare type. At the end of the day, each full farebox is removed, also under dual custody, and locked inside the 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. If foreign currency is detected, it is separated, exchanged once a significant amount is collected and allocated among all transit services.

During the performance of this review it was noted that variances are generated when comparing the number of passengers to the projected fare they are required to pay. Some passengers do not have the correct fare and this results in most of them paying more than the required fare. Frequently it results in positive fare variances since the passengers that overpay is larger than those that underpay. It is recommended to perform a cost benefit analysis of upgrading fareboxes to those that can make change, accept only U.S. currency and are able to accept other forms of payment. 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  
TRANSIT VEHICLES IN CUSTODY OF SERVICE PROVIDER  
FOR YEAR ENDED JUNE 30, 2015**

**OBJECTIVE**

Review that transit vehicles property of the Imperial County Transportation Commission (ICTC) are used for the contracted IVT transit service as well as are maintained in a secure location when not in service, and are being serviced as scheduled.

**PROCEDURES**

Perform a site visit of the First Transit, Inc. Bus and Maintenance Yard located at 792 East Ross Road in the City of El Centro. Observed and evaluated the condition of every ICTC owned vehicle based on vehicle list provided by ICTC.

**OBSERVATIONS**

When not in operation the transit vehicles are maintained inside the fenced and gated bus yard. There is only one entrance and exit point and the gate is locked once all vehicles are in. There are several outdoor lights that light up the parked vehicles and around the Maintenance Shop. The Maintenance Shop has cameras inside as well as an alarm system that is activated by the last person to leave the Bus Yard and deactivated by the morning dispatcher. There were no cameras noted in the Bus Yard area. Each transit vehicle is equipped with several cameras outside and inside the vehicle and activated when in service.

Each transit vehicle was observed prior to the start of the service day. Each vehicle number and description was compared to the vehicle list provided by ICTC. Each vehicle was inspected inside and outside for any visible damage, farebox placement, and overall working condition. Of the sixteen transit vehicles used for the IVT-Transit service, one was inside the Maintenance Shop for the scheduled service and another one is out of service waiting for the transmission to be repaired. No other issues were noted with the remaining fourteen transit vehicles.

Service files for each transit vehicle are maintained in an office inside the Maintenance Shop under the custody of the Maintenance Manager. They contain records of all maintenance and services performed to each transit vehicle.

**CONCLUSION**

It appears that First Transit, Inc. is properly maintaining the ICTC owned vehicles in a secure location and servicing them as scheduled or as required.



**IMPERIAL COUNTY TRANSPORTATION COMMISSION  
AND  
FIRST TRANSIT, INC.  
IMPERIAL VALLEY TRANSIT SERVICE PROGRAM  
STATEMENT OF FIXED RATE, FAREBOX REVENUE AND NET SUBSIDY  
JULY 1, 2014 THROUGH JUNE 30, 2015**

El Centro Shuttle - Blue Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2014	\$ 25,699	\$ 1,072	\$ 24,626	\$ 167	\$ -	\$ 24,793
August, 2014	24,847	2,482	22,365	-	640	23,005
September, 2014	24,851	1,834	23,017	-	460	23,477
October, 2014	27,652	1,926	25,726	-	-	25,726
November, 2014	23,387	1,535	21,853	-	-	21,853
December, 2014	26,785	825	25,960	-	20	25,980
January, 2015	25,100	891	24,210	-	-	24,210
February, 2015	24,262	1,342	22,920	-	-	22,920
March, 2015	26,797	931	25,866	-	640	26,506
April, 2015	26,822	881	25,941	-	250	26,191
May, 2015	25,125	495	24,630	-	-	24,630
June, 2015	26,821	1,999	24,822	-	-	24,822
Total	\$ 308,150	\$ 16,214	\$ 291,936	\$ 167	\$ 2,009	\$ 294,112

Contract Specifications

Paragraph 8.1.2.4

For Base Cost

and Base Subsidy      \$ 331,904      \$ 16,595      \$ 315,309

Over (Under) Contract

Requirements      \$ (23,754)      \$ (382)      \$ (23,373)

Farebox Ratio Actual      5.2%

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, 2014 THROUGH JUNE 30, 2015**

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, 2014	\$ 51,404	\$ 2,165	\$ 49,240	\$ 333	\$ -	\$ 49,573
August, 2014	49,709	3,228	46,481	-	640	47,121
September, 2014	49,692	2,535	47,158	-	920	48,078
October, 2014	55,328	2,716	52,612	-	-	52,612
November, 2014	46,800	2,197	44,604	-	-	44,604
December, 2014	53,597	1,684	51,914	-	43	51,956
January, 2015	50,230	1,668	48,561	-	-	48,561
February, 2015	48,551	2,403	46,147	-	-	46,147
March, 2015	53,616	1,788	51,828	-	906	52,734
April, 2015	53,668	1,691	51,978	-	500	52,478
May, 2015	50,282	1,162	49,120	-	-	49,120
June, 2015	53,655	3,075	50,580	-	-	50,580
Total	\$ 616,534	\$ 26,312	\$ 590,221	\$ 333	\$ 3,009	\$ 593,563

Contract Specifications

Paragraph 8.1.2.4

For Base Cost

and Base Subsidy      \$ 663,808      \$ 33,190      \$ 630,618

Over (Under) Contract

Requirements      \$ (47,274)      \$ (6,878)      \$ (40,396)

Farebox Ratio Actual      4.2%

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, 2014 THROUGH JUNE 30, 2015**

Brawley Shuttle - Gold Line Service

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2014	\$ 22,185	\$ 807	\$ 21,378	\$ 146	\$ -	\$ 21,523
August, 2014	21,301	761	20,540	-	-	20,540
September, 2014	21,305	872	20,433	-	460	20,893
October, 2014	22,866	941	21,925	-	-	21,925
November, 2014	18,466	887	17,579	-	-	17,579
December, 2014	21,990	712	21,278	-	25	21,302
January, 2015	20,228	720	19,508	-	-	19,508
February, 2015	19,356	780	18,576	-	-	18,576
March, 2015	22,015	1,440	20,575	-	259	20,835
April, 2015	22,000	786	21,214	-	250	21,464
May, 2015	20,228	807	19,421	-	-	19,421
June, 2015	20,793	913	19,880	-	-	19,880
Total	\$ 252,734	\$ 10,426	\$ 242,308	\$ 146	\$ 994	\$ 243,447

Contract Specifications

Paragraph 8.1.3.2

For Base Cost

and Base Subsidy      \$ 252,437      \$ 10,097      \$ 242,339

Over (Under) Contract

Requirements      \$ 297      \$ 329      \$ (31)

Farebox Ratio Actual      4.1%

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, 2014 THROUGH JUNE 30, 2015**

Imperial Valley Transit - Countywide Service Line

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2014	\$ 299,291	\$ 77,066	\$ 222,225	\$ 3,212	\$ 6,092	\$ 231,529
August, 2014	259,728	59,288	200,440	2,805	4,784	208,029
September, 2014	269,499	67,297	202,202	277	-	202,479
October, 2014	282,382	75,104	207,278	-	-	207,278
November, 2014	239,491	55,424	184,068	-	10,295	194,363
December, 2014	257,785	48,199	209,586	-	1,321	210,907
January, 2015	256,711	54,282	202,428	-	8,262	210,690
February, 2015	239,847	50,453	189,393	-	-	189,393
March, 2015	273,471	60,990	212,481	-	1,565	214,046
April, 2015	266,797	57,582	209,216	-	3,608	212,823
May, 2015	260,308	54,845	205,463	-	2,624	208,087
June, 2015	265,255	50,772	214,484	-	2,861	217,345
Total	\$ 3,170,565	\$ 711,302	\$ 2,459,263	\$ 6,294	\$ 41,412	\$ 2,506,969

## Contract Specifications

## Paragraph 8.1.1.4

## For Base Cost

## and Base Subsidy

\$ 3,131,869	\$ 532,418	\$ 2,599,451
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## Over (Under) Contract

## Requirements

\$ 38,696	\$ 178,884	\$ (140,188)
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Operating Costs	\$ 3,218,271
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Depreciation	(516,492)
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Adjusted Operating Costs	<u>\$ 2,701,779</u>
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Farebox Ratio Actual	26.3%
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Farebox Ratio Contract	17.0%
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**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, 2014 THROUGH JUNE 30, 2015**

All First Transit Services Combined

Date	Base Cost	Farebox	Net Subsidy	Fuel Escalator	Marketing	Net Cost and Total Paid to First Transit
July, 2014	\$ 372,879	\$ 80,037	\$ 452,916	\$ 3,691	\$ 6,092	\$ 462,699
August, 2014	330,738	63,277	394,016	2,805	5,423	402,244
September, 2014	340,496	70,704	411,200	277	1,380	412,857
October, 2014	360,577	78,761	439,338	-	-	439,338
November, 2014	304,758	58,508	363,266	-	10,295	373,561
December, 2014	333,372	50,595	383,967	-	1,388	385,356
January, 2015	327,169	56,671	383,840	-	8,262	392,102
February, 2015	307,753	53,637	361,390	-	-	361,390
March, 2015	349,103	64,219	413,322	-	2,731	416,053
April, 2015	342,465	60,058	402,524	-	4,358	406,881
May, 2015	330,818	56,814	387,632	-	2,624	390,256
June, 2015	339,703	54,760	394,463	-	2,861	397,324
Total	\$ 4,039,833	\$ 748,041	\$ 4,787,874	\$ 6,773	\$ 45,414	\$ 4,840,061

Combined Contract  
Specifications  
For Base Cost  
and Base Subsidy

\$ 4,048,114	\$ 586,977	\$ 3,461,137
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Over (Under) Contract  
Requirements

<u>\$ (8,281)</u>	<u>\$ 161,064</u>	<u>\$ 1,326,736</u>
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Operating Costs	\$ 4,092,020
Depreciation	<u>(516,492)</u>
Adjusted Operating Costs	<u>\$ 3,575,528</u>

Farebox Ratio Actual 20.9%

Farebox Ratio Contract 17.0%