

Imperial County Transportation Commission & ARC-Imperial Valley

West Shores Dial-A-Ride 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 ARC-IV West Shores Dial-A-Ride items for the year ended June 30, 2015 identified by the service contract. 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 ARC-Imperial Valley for the provisions of specific transit services to be provided.
2. We reviewed documents provided by the Imperial County Transportation Commission and ARC-Imperial Valley 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 ARC-Imperial Valley is in compliance with the contract terms and reporting properly as agreed per contract(s). See Exhibit A 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 ARC-Imperial Valley is in compliance with the contract terms and these expenditures are within budget and reported accordingly.
4. We reviewed ARC-Imperial Valley's internal controls over cash handling procedures and tested their fare collection process and related activities. We found that the internal controls set by ARC-Imperial Valley are adequate based on established guidelines. See Exhibit B 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
ARC – IMPERIAL VALLEY
WEST SHORES DIAL-A-RIDE TRANSIT SERVICE CONTRACT
FOR THE 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 ARC – Imperial Valley West Shores Dial-A-Ride 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 ARC – Imperial Valley's internal controls over cash handling and reporting procedures. This contract ended on November 30, 2014 which results in the fiscal year only reflecting five (5) months of service.

FARE REVENUES

The contract states that the fare box ratio of fare revenue divided by operating costs shall be maintained at or above five percent (5%). The actual fare revenue was above five percent (5.22%); (\$1,476 fare revenue divided by \$28,259 operating costs). During the course of this engagement it was noted that fares decreased by over eleven percent while expenditures increased by over one percent in comparison to prior year's activity.

ICTC SUBSIDY

The contract states that the subsidy shall not exceed the amount of \$29,011 for the fiscal year ending June 30, 2015, which includes an additional subsidy in the amount of \$900 for marketing costs. The maximum payments shall not exceed \$2,343 per month of the service year. According to the contract, the Imperial County Transportation Commission (ICTC) will pay an additional amount, not to exceed \$2,500 per year, for excessive wear and tear and mechanical repairs that exceed the line item budget amount. The ICTC will also pay an additional amount, if needed, at the end of the fiscal year to offset increased fuel costs of no more than \$2,500. The total subsidy paid by the ICTC for July 1, 2014 through June 30, 2015, was \$26,952.

EXPENDITURES

The budgeted expenditures for July 1, 2014 through June 30, 2015, were \$30,489. The actual expenditures for this period were \$28,428. This is a favorable variance of \$2,061 (See Exhibit A). The following expenditures exceed the budgeted amount:

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget</u>
Supplies	\$ 100	\$ 171	\$ (71)
Office Expense	95	114	(19)
Vehicle Repair/Maintenance	2,871	4,731	(1,860)
Administration	2,013	2,145	(132)

However, as long as total expenditures are within the total budget per service contract, there is no language that specifically disallows costs that are over the line item budgeted amount.

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
ARC – IMPERIAL VALLEY
WEST SHORES DIAL-A-RIDE TRANSIT SERVICE CONTRACT
COMPARATIVE STATEMENT OF BUDGET TO ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2015**

EXHIBIT A

<u>Expenditures</u>	<u>Budget</u>	<u>Actual</u>	<u>Under/(Over) Budget</u>
Salaries	\$ 11,689	\$ 10,396	\$ 1,293
Supplies	100	171	(71)
Office Expense	95	114	(19)
Safety/Training	123	27	96
Laundry/Uniforms	228	211	17
Telephone	629	534	95
Utilities	92	89	3
Vehicle Repair/Maintenance	2,871	4,731	(1,860)
Vehicle Fuel	6,129	5,844	285
Other Repair/Maintenance	318	134	184
Payroll Taxes	894	778	116
Tax & License Fees	74	4	70
Unemployment Insurance	429	49	380
Workers' Comp. Insurance	438	413	25
Liability Insurance	1,080	756	324
Dues & Subscriptions	33	--	33
Building Interest	105	73	32
Employee Benefits	1,820	1,790	30
Administration	2,013	2,145	(132)
Depreciation	429	169	260
Marketing	<u>900</u>	<u>--</u>	<u>900</u>
Subtotal	<u>\$ 30,489</u>	28,428	<u>\$ 2,061</u>
Fares Collected		<u>1,476</u>	
Net Expenditures Eligible for Subsidy		<u>\$ 26,952</u>	
Amount Paid Per Contract		<u>\$ 26,952</u>	
Farebox Ratio Actual		5.22%	
Farebox Ratio Contract		5.00%	

**IMPERIAL COUNTY TRANSPORTATION COMMISSION
AND
ARC – IMPERIAL VALLEY
ARC-IV TRANSIT SERVICE CONTRACT
INTERNAL CONTROLS OVER CASH HANDLING PROCEDURES
FOR THE YEAR ENDED JUNE 30, 2015**

EXHIBIT B

OBJECTIVE

Review established internal control procedures over cash handling and perform a walkthrough observation of the fare collection cycle and related processes.

PROCEDURES

Reviewed ARC-Imperial Valley's established guidelines over cash handling. Interviewed management and staff associated with the fare collection cycle. Observed cash count of total fares for a day of activity and confirmed amount collected with amount counted and amount reported.

OBSERVATIONS

During the performance of this walkthrough it was noted that staff associated with the fare collection cycle were in compliance with established procedures. The majority of the passengers pay their fares days prior to their scheduled trip, however, a morning clerk is available to collect fares from those unscheduled passengers that arrive on the day of the trip. Fares are not collected by drivers except in the event that a driver picks up an unscheduled passenger from a San Diego area pick up point. When this occurs, the driver will prepare a receipt, add the name to the passenger list, place cash in a locked bag and provide the list along with the cash collected to the evening clerk. Dual custody procedures were noted throughout all levels of the fare collection cycle.

The driver also keeps records of the time and miles driven, including deadhead time and miles. This information is recorded in the driver manifest and is provided to the evening clerk at the end of the driver's shift.

No cash or percentage variances were noted during our observation of the fare collection process.

CONCLUSION

We found that the internal controls procedures over cash handling set by ARC-Imperial Valley are adequate based on established guidelines and that actual fares received are properly reported to the Imperial County Transportation Commission (ICTC).