



CITY OF COLORADO SPRINGS OFFICE OF THE CITY AUDITOR

06-173 – SILVER KEY DATA REPORTING AND SERVICE LEVELS

NOVEMBER 27, 2006

Public Report

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Office of the City Auditor

Date: November 27, 2006
To: Honorable Mayor and Members of City Council
Re: 06-173 Silver Key Data Reporting and Service Levels

We have performed an audit of Silver Key performance data provided to the City of Colorado Springs as required in the January 2006 contract between Silver Key and the City.

As background information, the City contracts with Silver Key to provide transportation services for seniors who are not served by Metro Mobility. During an audit of 2004 data reportable to the National Transportation Database (NTD), the external auditor determined that Silver Key data was not supportable. Because of this, the City did not report data to the NTD and since grant funds received by the City are determined by a formula which includes the NTD activity, it is expected the City will have funding reduced in future years.

The purpose of this audit was to evaluate whether Silver Key had gathered data in a manner that will meet the reporting requirements of the NTD. To the extent possible, we also attempted to evaluate whether the funds provided through the City contract in the amount of \$538,000 had been utilized in an efficient and effective manner and if the parties were adhering to the terms of the contract.

As always, please let me know if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "Jeff Litchfield".

Jeff Litchfield
City Auditor

Cc: Lorne Kramer, City Manager
Greg Nyhoff, Assistant City Manager
Ron Mitchell, Director of Public Works
Sherre Ritenour, Transit Services Manager
Kelly Finnegan, CFO Silver Key
Mary Cathryn Haller, CEO Silver Key

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Introduction

AUTHORIZATION

We performed an audit of Silver Key performance data provided to the City of Colorado Springs (City) as required in the January 2006 contract between Silver Key and the City. We conducted this audit under the authority of Chapter 1, Article 2, Part 7 of the City Code, and more specifically parts 703, 705 and 706, and Part 709 (B) and (C) of the Code, which state:

1.2.703: ENSURE PUBLIC ACCOUNTABILITY:

The City Auditor shall ensure that administrative officials are held publicly accountable for their use of public funds and the other resources at their disposal. The City Auditor shall investigate whether or not laws are being administered in the public interest, determine if there have been abuses of discretion, arbitrary actions or errors of judgment, and shall encourage diligence on the part of administrative officials. (1968 Code §1-10.3; Ord. 76-54; 1980 Code; Ord. 01-42)

1.2.705: DETERMINE EFFECTIVENESS AND EFFICIENCY OF PROGRAMS:

The City Auditor shall determine the extent to which legislative policies are being efficiently and effectively implemented by administrative officials. The City Auditor shall determine whether City programs are achieving desired objectives. The City Auditor shall review the administrative control systems established by the enterprises, department or group managers and by the City Manager, Utilities Executive Director and Memorial Hospital Executive Director and determine whether these control systems are adequate and effective in accomplishing their objectives. (1968 Code §1-10.3; Ord. 76-54; Ord. 01-42)

1.2.706: EXAMINE BOOKS, RECORDS:

The City Auditor shall examine and inspect all books, records, files, papers, documents and information stored on computer records or in other files or records relating to all financial affairs of every office, department, group, enterprise, political subdivision and organization which receives funds from the City or under the direct or indirect control of the City Council. The Auditor may require any person to appear at any time upon proper notice and to produce any accounts, books, records, files and other papers pertaining to the receipt or expenditure of City funds, whether general or special. If that person fails to produce the papers, then the Auditor may request Council approval to search for and take any book, paper or record in the custody of that person or public official. (1968 Code §1-10.3; Ord. 76-54; Ord. 01-42)

1.2.709: MAKE PERIODIC REPORTS TO COUNCIL:

The City Auditor shall make periodic reports to Council which shall include the following:

- B. Information of proposals deemed expedient in support of the City's credit, and recommendations for lessening expenditures, for promoting frugality and economy in City affairs and for an improved level of fiscal management;
- C. Matters concerning the effectiveness and efficiency of the programs and operation of the City;

Introduction

ORGANIZATION PLACEMENT

The City Auditor's Office of the City of Colorado Springs is structured in a manner to provide organizational independence from the entities it audits. This independence is accomplished by the City Auditor being appointed by and reporting directly to the City Council. The audited entity in this audit was Silver Key's Transportation Division, which has contracted with the City. Silver Key provides monthly data concerning their transportation activities to the City, which is under the direction of the City Manager, who is also a City Council Appointee.

SCOPE AND METHODOLOGY

We conducted our audit in a manner that meets or exceeds the Standards for the Professional Practice of Internal Auditing, a part of the Professional Practices Framework promulgated by the Institute of Internal Auditors. Our audit included such tests of records and other supporting documentation as we deemed necessary in the circumstances. We reviewed the internal control structure and compliance tests were performed. Sufficient competent evidential matter was gathered to support our conclusions.

The purpose of this audit was to evaluate whether Silver Key had gathered data in a manner that will meet the reporting requirements of the National Transit Database (NTD). To the extent possible, we also attempted to evaluate whether the funds provided through the City contract in the amount of \$538,000 had been utilized in an efficient and effective manner and if the parties were adhering to the terms of the contract.

BACKGROUND

The mission of Transit Services is to meet the public transportation needs of the Colorado Springs region by providing the highest quality public transportation services possible. Some of the services provided by Transit Services include fixed-route transit services, Americans with Disabilities Act (ADA) complementary paratransit services, Front-Range commuter bus services, and support human services paratransit operations. Transit Services contracts with various agencies to provide these services. One agency that Transit Services has contracted with is Silver Key.

The City has contracted with Silver Key to provide transportation service to seniors who are not served by Metro Mobility. For several years, Silver Key had been funded at \$138,000 per year. In the 2005 Transit Services budget, additional funding was requested due to an increase in expenses and demand. The 2005 budget for Silver Key transportation services was increased by \$70,000 (50 percent increase), to arrive at a new funding level of \$208,000.

In 2006, Silver Key requested additional funds in the amount of \$330,000 coming from Transit Services' Pikes Peak Rural Transportation Authority (PPRTA) budget. Starting January 2006, Silver Key indicated they would be expanding their service areas to include more areas covered by PPRTA. The requested funds were approved for Silver Key contingent upon Silver Key meeting the National Transit Database (NTD) reporting requirements and expansion of their service areas to Gleneagle, Black Forest, Green Mountain Falls, Cimarron Hills, and Woodmoor. In January 2006, the City entered into a contract with Silver Key for a total funding level of \$538,000.

Introduction

Since a portion of Silver Key's funding is coming from the City's PPRTA allotment, Silver Key made a presentation before the PPRTA Citizen Advisory Committee (CAC). The CAC recognized that any funding provided to Silver Key would cause a service reduction in the City's Transit Services Department. The CAC did not support Silver Key's request for additional funding. However, when Silver Key made their formal funding request, it was approved by the PPRTA Board.

Also of importance is during an audit of 2004 data reportable to the NTD, the external auditor determined that Silver Key data was not supportable. After consulting with Silver Key, the City decided that the 2005 data for Silver Key was also unsupported. Because of this, the City did not report data to the NTD. Since grant funds received by the City are determined by a formula which includes the NTD activity, it is expected the City will have funding reduced in future years.

OVERALL CONCLUSION

Based on information provided by Silver Key, it appeared the area served by Silver Key has been expanded. However, the number of passenger trips provided by Silver Key appeared to have decreased.

When we took the actual number of passenger trips for the period January 1 to August 31, 2006 and annualized them for the year, we calculated the number of passenger trips for 2006 to be near 58,838. Using the same logic, we calculated the number of passenger trips provided to the expanded service area (Gleneagle, Black Forest, Green Mountain Falls, Cimarron Hills and Woodmoor) to be 4,281. The number of passenger trips for 2005 was reported by Silver Key to be 69,739. Therefore, it appears the number of passenger trips for 2006 will be 15.6% less than 2005.

We also noted that Silver Key was attempting to collect data as required for the NTD, but several errors were discovered in the data we examined. Since we have not audited Silver Key's data collection process in the past, we cannot make an informed judgment as to whether or not the process has improved. While the errors we noted appeared to be minor, we are not familiar with the tolerance levels used by the external auditors. Therefore, we are not in a position to classify the level of severity for the errors we found.

During the audit, Silver Key financial personnel were in the process of coordinating an audit of their 2004 and 2005 financial data by their external auditors. In the absence of audited financial data, we were required to work with un-audited financial data and base projections from that data.

In reviewing the contract, we reached the conclusion that Silver Key will be unable to meet the performance criteria specified in the contract and recommend the City take steps to reduce their funding in accordance with contract provisions.

For the findings that follow, we have made no determination as to which findings are more important than others. Therefore, the findings are not listed in order of importance.

Findings, Recommendations and Responses

1. Data provided by Silver Key contained numerous errors.

The City Auditor's Office reviewed the data provided for the months of February and August 2006. We noted the following errors.

- Revenue hours for February 4, 2006 were understated by 12 hours on the monthly report.
- Total Number of Passengers served on February 8, 2006 was understated by 11 passengers on the Demand Response System (DRS) Vehicle Trip Sheet Report.
- Revenue Miles on the February invoice were understated by 3,000 miles.
- A time was entered on February 4, 2006 as A.M., instead of P.M., which caused a negative amount to be entered as revenue hours.
- Several errors were reported on the February 2006 DRS Vehicle Trip Sheet. Total passengers were understated by 10 passengers. Total Trip Distance was overstated by 14 miles. Passenger Miles were overstated by 20 miles. Capacity and Seat Miles were overstated by 238 miles.
- Odometer readings on the manifest sheets did not agree to the Daily Log. Revenue Miles in August appeared to be understated by 16 miles.
- Total Trips reported in August 2006 were overstated by 732 trips.
- Some manifest sheets did not include a summary of total passengers and total miles for the day.

The National Transit Database (NTD) requires amounts reported be accurate and supportable. Silver Key representatives indicated that producing consistent, accurate information was difficult for their organization because they rely on volunteers, who may be more concerned with the service they provide than completing paperwork. However, unless Silver Key can consistently provide accurate data, the probability of losing federal funding in the future will remain high.

We are not familiar with the tolerance levels of the external auditors who audit the data that will be reported in the NTD. Therefore, we are not in a position to classify the level of severity of the errors noted above.

Auditor's Recommendation:

Silver Key should review their current processes to identify ways to ensure accuracy and supportability of the data they provide to the City. Policies may need to be created that would require a review process by someone other than the preparer of the reports. Silver Key may want to utilize technology to assist in the process by developing worksheets that automatically link data to summary reports or automatically time stamp data into preliminary spreadsheets with validity controls built into the spreadsheets. Training volunteers and employees on how the system is designed and the importance of reporting accurate information may also help produce accurate data.

Silver Key's Response:

(1) In order to accommodate the requirements for City Transit, new spreadsheets had to be set up. While new procedures are not always fool proof, we do make changes as needed to ascertain the accuracy of the information. We have implemented cross checks and some reasonableness tests since the first of the year. New formulas were built into the spreadsheets

Findings, Recommendations and Responses

to generate control totals for total hours and mileage, deadhead hours and mileage, as well as revenue hours and mileage.

(2) There were formulas put in place on the sampling spreadsheet to ascertain that the trip mileage and passengers totals are the same as on the Demand Response System (DRS) Vehicle Trip Sheet Report.

(3) The mileage reported on the February invoice was incorrectly typed on the invoice. The mileage was correctly reported on the City Report. In the future, the figures typed on the invoice were and will be check to ascertain that they agree to one another.

(4) Again, control formulas were implemented to try and detect negative hours showing on the report.

(5) Please see paragraph 2.

(6) We do check that the mileage flows from one day to the next on the Daily Log. This means that the ending mileage from one day matches the beginning mileage the subsequent next day. We do not go back and correct the manifest as the source for the Deadhead and Revenue mileage is the Daily Log, not the manifest. The mileage entered on the daily log is the mileage that the driver radios into the dispatcher. It is the flow of those figures that is checked. The main purposes for the manifest are (a) to have the information available if that particular route is randomly selected and (b) to enter the information in the computer if a trip is cancelled, cancelled-at-door or a no show.

(7) Actually, the number of total trips was understated. The number of Valid trips was inadvertently listed again as total trips. It should be the total of Valid, Cancellations, Denials and No-Shows. The valid trips were correct as well as the number of cancellations and no-shows. This was reported to City Transit the following month when September reporting was completed.

(8) These figures are not used as we use the numbers from the trips downloaded into Excel as well as the figures generated from the daily logs. The total passengers are used if that manifest is selected as a sample. Once again, the computer formulas tabulate the totals. There has been too much confusion for our drivers as to what counts as a trip. No-shows and Cancelled-At-Door were included as trips on the manifests and it just raised more questions. Therefore, this information is corrected for the trip and then totaled from the downloaded information.

Findings, Recommendations and Responses

2. Silver Key will not meet the targeted number of trips, revenue miles or hours requirements stated in their contract with the City.

The City Contract with Silver Key indicates that Silver Key shall endeavor in good faith to provide approximately 100,000 annual passenger trips; operate 30,000 annual revenue hours; and operate 400,000 annual revenue service miles. At this time, it does not appear that Silver Key will be able to provide the amount of services specified.

The statistics for these three areas for the first eight months of 2006 were used as a basis for estimating the annual activity which was compared to the targets found in the contract. The results of this exercise are shown below:

Function	2006 YTD 1/1 to 8/31	2006 Annualized	Contract Target	Shortfall Difference	Shortfall Percent
Passenger Trips	39,225	58,838	100,000	(41,162)	-41.16%
Revenue Hours	17,001	25,501	30,000	(4,499)	-17.64%
Service Miles	220,294	330,441	400,000	(69,559)	-17.38%

In addition to not appearing to be able to meet the 2006 targets, based on information obtained from Silver Key, the number of completed passenger trips has continued to decrease the last three years. The number of trips in 2004 was 108,972, 2005 was 69,739 and, 2006 is estimated to be 58,838. This calculates to decreases of 36% and 15.6% respectively.

Auditor's Recommendation:

Silver Key should determine why ridership appears to be decreasing. If it is due to the unavailability of drivers, Silver Key may need to research how additional operators might be recruited. If it is due to lack of communication or advertising related to service availability, Silver Key may want to explore additional means of communicating with seniors. Also, since the reliability of previously reported data has been questioned, it might be that ridership is not decreasing if it was incorrectly reported in prior periods.

Silver Key's Response:

This fact was brought to City Transit's attention at a meeting held in February. We had a good idea from the final reports completed for 2005. We only had almost 70,000 valid trips for 2005 and realized that we would not hit the target of 100,000 trips for 2006, nor the targets for revenue hours and miles. The former CEO and I were told that since the language was stated, "...in good faith to provide...", that it was not necessary to change the numbers for the contract.

The reliability of the data is somewhat in question for the years prior to 2006. A new CFO started in September 2005. Some of the months were reviewed for 2005 and corrections made to the data; however a complete review could reveal even more corrections. CFO did notice on the report for 2004 that the same number of trips was loaded in as "Valid" as was for "Total" trips. The total number of Cancellations, No-Shows, etc. was not deducted from the Total trips to arrive at Valid Trips. CFO is not certain why the Controller did not correct this at the time or why it wasn't brought to the attention of the Controller. Therefore, it is a good assumption that the total "Valid" trips for 2004 was not 108,972.

Findings, Recommendations and Responses

Since we do have some good procedures in place for 2006 and starting to gather information more accurately, it would be good to use 2006 as a baseline year.

Ridership may also have decreased as a result of an increase in the amount of the suggested contribution to \$3.00 per ride. The Silver Key Board recently reversed that policy and believes that the reduction will result in increased trips for 2007.

Findings, Recommendations and Responses

3. No Shows and Refused Services appear to have increased threefold.

Many services provided by Silver Key were scheduled on a recurring basis. Monthly subscription riders usually have trips scheduled every week. However, scheduled trips were not confirmed before picking up the riders. Based on information provided by Silver Key, the No Show or Refused Service rate for 2004 was 1 in every 201.8 trips and the rate for 2005 was 1 in every 197.5 trips. In 2006, the rate was 1 in every 66 trips.

Each No Show or Refused Service increases operating expenses such as fuel costs and maintenance costs, yet revenue miles and hours may not be increased. It appears the total cost per trip could be reduced and the availability of services could be increased if No Shows or Refused Service could be reduced.

Auditor's Recommendation:

Silver Key should research whether calling to confirm trip appointments a day or two before scheduled pickup would reduce No Shows and Refused Services.

Silver Key's Response:

Due to the response to Finding #2, it is not determined how reliable the information is for previous years. Currently, for 2006, we are counting as "Cancellations" those trips that were cancelled over the phone or in person before those trips were made. In other words, Silver Key did not make the trip. What is included in "No-Shows" is the number of those that did not show up at their house as well as "Cancelled-At-Door". Silver Key did make these trips to the pick-up address, as the trip was not cancelled over the phone ahead of time.

It could be that in previous years that the Cancelled-At-Door trips were included in with the Cancellations (over the phone). If that is the case, then for 2006 there are only 285 No-Shows through August 2006 (as 309 are included in this figure as Cancelled-At-Door) and that would bring the ratio to 1 every 137.6 valid trips are No-Shows. However, the Cancelled-At-Door should be included with No-Show. This calculation was for comparative purposes only. Also, if the "Valid" trips are corrected for 2004 to deduct the No-Shows, Cancellations, etc from the total trips it would result in 1 in every 180.8 of valid trips were No-Shows for 2004.

This should be clarified to state that "The number is 1 in every number of "Valid" trips" as the number of no-shows isn't included in the number of valid trips.

We are trying to shorten the amount of time one could book a trip to two weeks ahead instead of a month ahead. This should alleviate some of the "No-Shows" and "Cancelled-At-Door". We do try to monitor those clients that have missed a couple of times, consecutively, and we will follow up to inquire what the problem is. This is especially true for those clients that are under a master list with a set schedule of two or three times a week.

With approximately 180 trips scheduled each day, it would be difficult to contact all the clients, as Silver Key does not have the personnel to accomplish this.

Also, some of our seniors are older and do tend to forget that they have an appointment, especially if they are not feeling well on the day of their appointment and they forget to call to cancel. Some are paranoid and possibly double book with other agencies. If this happens too

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frequently, then we do follow up with the client and may tell them that if they miss too many times, we cannot provide service to them.

At the beginning of 2005, Silver Key implemented a suggested contribution of \$3 to our clients. While it was not a mandatory fee or contribution, it never the less caused some feed back from our clients and rider ship could have fallen off due to this. Due to this negative feedback, Silver Key have changed that language, recently, to state that any contribution would be greatly appreciated.

One final point is that the data collection (computer software) changed in 2005 from 2004. It is not determined how this information was collected or if it was accurate in 2004.

Findings, Recommendations and Responses

4. Financial statements were not audited in a timely manner

During our review, we noted the audit of the financial statements for the years ended December 31, 2004 and December 31, 2005 had not been completed. The 2006 contract between Silver Key and the City requires Silver Key to cause the December 2006 Financial Statements to be audited by March 15, 2007. Based on their past history of performance, we are concerned with Silver Key's ability to provide audited financial statements in a timely manner.

Auditor's Recommendation:

Silver Key should work with their financial auditors to develop a plan of action that will allow them to complete their annual financial audit in a timely manner.

Silver Key's Response:

All of the work has been completed for the 2004 Financial Audit of Silver Key. A draft was received by Silver Key on November 17th. If all goes well, then a final should be issued by the end of November 2006.

Silver Key has been working on the information all year for 2004 as well as 2005, but due to the prior Controller being out for extended period of 2005, due to illness, and a new CFO hired in September 2005, all areas of Finance and grant reporting suffered for wrap-up of 2004 and for most of 2005. Several attempts have been made to finish the field work for 2005, but due to other requirements, this had not been accomplished. Now, we are on track to have this work completed in December 2006.

We are scheduled to work on 2005 in December 2006 and Silver Key is preliminary scheduled to have the audit for 2006 performed in late January/early February 2007.

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5. Service contract appears incomplete

Section 3.7 of the contract contains the following statement:

“The City may, at the City’s sole discretion, permit budgetary changes to the compensation in the itemized program component budget as set forth in Exhibit ‘A’;”

We could not locate an itemized program component budget in Exhibit A.

An itemized program component budget would be helpful in determining fair and just compensation to Silver Key for the services they provide.

Auditor’s Recommendation:

We recommend future contracts between the City and Silver Key contain an itemized program component budget as called for in the contract.

City Response:

Transit will amend the contract to allow the inclusion of an itemized program component budget in Exhibit A. Silver Key will be required to submit an itemized transportation program component budget by January 31, 2007 for the 2007 calendar year.

Silver Key’s Response:

Silver Key will provide a transportation budget to the City to included with the contract. A copy of Silver Key’s Transportation budget for 2006 follows:

Silver Key Senior Services, Inc
Annual Budget
2006

	<u>Transportation</u>
<u>Direct Contributions</u>	
Donations - Operating	\$2,500
Total Direct Contributions	<u>2,500</u>
<u>Indirect Contributions</u>	
Pikes Peak United Way	<u>17,500</u>
Total Indirect Contributions	<u>17,500</u>
<u>Program Revenue</u>	
Transportation	<u>103,000</u>

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Program Revenue	<u>103,000</u>
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Government Funds

Federal Funds

 Title III

Transportation	74,000
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State Funds

Transportation	54,000
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City of Colorado Springs	138,800
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Regional Transportation Authority (RTA)	<u>400,000</u>
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Total Government Funds	<u>666,800</u>
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Total Revenue	<u>\$789,800</u>
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Expenses

Personnel Costs	\$461,600
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Professional Fees	8,000
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Transportation Costs – Fuel, Repairs, Tires	197,850
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Supplies	2,600
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Insurance	54,100
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Telephone	2,500
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Postage	400
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Occupancy	5,600
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Equipment Maintenance	900
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Printing	1,100
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Dues/Subscriptions/Publications	300
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Travel	200
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Miscellaneous	3,700
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Depreciation	<u>111,000</u>
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Total Expenses	849,850
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Revenue over (under) Expenses	<u><u>(\$60,050)</u></u>
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Findings, Recommendations and Responses

6. Excess revenues should be returned to City Transit/PPRTA

In reviewing the contract, section 3.6 contains the following statement:

“The City reserves the right to reduce funding proportionately if in the City’s opinion the service delivery level falls below that specified in Exhibit ‘A’ of this contract.”

And section A.1.b of Exhibit A states:

“The Provider shall endeavor in good faith to provide approximately one hundred thousand (100,000) annual passenger trips, operate thirty thousand (30,000) annual revenue hours and four hundred thousand (400,000) annual service miles.”

As mentioned in Finding 2, it does not appear Silver Key will be able meet these performance criteria.

While the contract allows the City to reduce funding, the mechanism to accomplish the reduction is not identified. A possible method to tie performance to funding is as follows.

Since there are three performance measurement factors identified in the contract, the level of importance would need to be identified for each factor. Assuming Passenger Trips is the most important and Revenue Hours and Service Miles are of equal importance, a revenue split of 40%, 30% and 30%, respectively, could be assigned to each of the areas. Using the information in the contract, this would calculate to:

Function	Units	Split	Share of Revenues	Per Unit Factor
Passenger Trips	100,000	40%	\$215,200	\$2.152
Revenue Hours	30,000	30%	161,400	5.38
Service Miles	400,000	30%	<u>161,400</u>	.4035
Subtotal			538,000	

To carry this example to its conclusion, if we apply the projected units as identified in Finding 2, we arrive at the follow:

Function	Estimated Units	Per Unit Factor	Prorated Revenues
Passenger Trips	58,838	\$2.152	\$126,619
Revenue Hours	25,501	5.38	137,195
Service Miles	330,441	.4035	<u>133,333</u>
Subtotal			397,147

If a system similar to this had been identified in the contract, the calculation of the funding adjustment for less than desired performance would be easily quantified.

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Since a system similar to the above does not exist, an approach might be taken where the actual expenditures of Silver Key for providing their current level of service is considered. Our concerns with this type of an approach are as follows:

- the contract indicates the funding should be tied to the service delivery level,
- Silver Key's lack of audited financial information, and
- lack of definition on how expenses should be handled.

To provide further clarification on the last bullet, the City is not the only funding source available to Silver Key for providing this operation. As an example, if Silver Key receives a CDOT grant for \$100,000 to purchase vehicles and then charges the program a depreciation expense on those vehicles, we would be concerned about how those funds might be charged to the City. If it can be documented that the funds are set aside for the future replacement of those vehicles, then the expense might be considered a valid charge to the City. However, if the funds are charged to the City and then used for Silver Key's general operations, a case could be made that Silver Key is receiving duplicate funding for the vehicles, once from CDOT for the initial purchase and then again from the City as the vehicles are being depreciated.

Auditor's Recommendation:

We recommend the City take steps to reduce the funding provided Silver Key based on their apparent inability to provide service at the levels indicated in the contract. Since the contract does not contain direction on how this should be accomplished, the reduction will need to be negotiated between the City and Silver Key.

We further recommend that future funding be based on a formula where Silver Key's estimated net Transportation Service expenses (total expenses less a reduction for other funding sources) are divided by a performance measurement factor to arrive at funding per measurement unit. Periodic payments to Silver Key could then be based on a true performance factor. The results of the formula should be documented by incorporation into the contract.

City Response:

Until a final decision is reached by the governing bodies regarding this finding, Silver Key invoices will be retained at TSD.

Silver Key's Response:

Again, the fact that we were in good faith to provide 100,000 passenger trips, 30,000 revenue hours and 400,000 revenue miles was brought to the attention to City Transit in February.

We would greatly entertain a calculation as to the actual service delivered. However, in all fairness, we could not use 100,000 trips, and would need to adjust our trips to a current level. In future contacts, if we could be reimbursed \$2.25 per trip from City Transit (for a maximum of \$138,000) and possibly \$5 per trip from RTA (for a maximum of \$400,000 – leaving room to increase our number of trips), it would make more sense than issuing a fixed grant amount. This would ease the minds of City Transit as well as the RTA Board as this would reimburse Silver Key

Findings, Recommendations and Responses

on performance instead of just expenses. It will be very difficult for Silver Key to operate at a level of 60,000 trips if the total amount from RTA was reduced to \$100,000.

Currently, we are estimating approximately \$800,000 of expenses, not counting volunteer hours, to complete approximately 60,000 trips. This equates to approximately \$13.33 per trip, not factoring any volunteer hours. The volunteer hours have been averaging 1,200 hours per month. While some of these are fixed costs, the majority are variable and would increase if trips increased. If the RTA comes through for \$5 per trip, this City at \$2.25 per trip, and Silver Key's other funding sources of based on 60,000 trips, we could still in good position to operate at the current level of service. If the number of trips does increase over 60,000 then we would still be able to operate, given that RTA would continue to fund Silver Key up to the maximum of \$400,000 (equates to 80,000 trips). Silver Key would seek other funding sources to come up with the shortfall due to City funding only at a maximum of \$138,000.