



SORTA/Metro
Finance Committee
April 15, 2025
8:30 am-9:00 am Eastern Time

FINANCE COMMITTEE

TUESDAY, APRIL 15th, 2025 – 8:30 A.M.

SORTA/METRO AT HUNTINGTON CENTER

6th FLOOR SORTA BOARD ROOM

525 VINE STREET

CINCINNATI, OHIO 45202

General Items:

Call to order

Pledge of Allegiance

- 1 Approval of Finance Committee Minutes: March 18th, 2025

Briefing Items:

- 2 Financial Results as of March 31st 2025 (Tim Walker)
- 3 Audit Observations (Norman Bouwie III)
- 4 Bridgestone Tire Audit Recap (Norman Bouwie III)
- 5 Ridership Audit Recap (Norman Bouwie III)

Action Items:

- 6 Approval of Investment of Funds Report as of March 31st 2025 (Tim Walker)

Other Items:

New Business

Adjournment

The next regular meeting of the Finance Committee has been scheduled for

Tuesday, May 20th, 2025, at 8:30 a.m.

FINANCE COMMITTEE
TUESDAY, MARCH 18th, 2025 – 8:30 A.M.
SORTA/METRO AT HUNTINGTON CENTER
6th FLOOR SORTA BOARD ROOM
525 VINE STREET
CINCINNATI, OHIO 45202

COMMITTEE MEMEBERS APPOINTED: *Chelsea Clark (Chair), Jay Bedi, Dan Driehaus, and KZ Smith*

COMMITTEE/BOARD MEMBERS PRESENT: Tianay Amat, Tony Brice, Chelsea Clark, Dan Driehaus, Pete Metz, Briana Moss, Sara Sheets, and KZ Smith

COMMITTEE MEMBERS ABSENT: Jay Bedi, Trent Emeneker, Blake Ethridge, Kala Gibson, Neil Kelly, Greg Simpson, and Sonja Taylor

STAFF MEMBERS PRESENT: Andy Aiello, Steve Anderson, John Edmondson, Darryl Haley, Adriene Hairston, Elaine Hipps, Brandy Jones, Natalie Krusling, Bradley Mason, John Ravasio, Jason Roe, Tony Russo, Kevin Ruth, Mark Samaan, Khaled Shammout, Randy Stidham, Bill Spraul, Josh Van Horn and Tim Walker

OTHERS PRESENT: Kim Schaefer (Vory's)

1. **Call to Order**

Ms. Clark called the meeting to order.

2. **Pledge of Allegiance**

The Pledge of Allegiance was recited.

3. **Remarks From the Finance Chair**

A moment of silence was held in remembrance of Gwen Robinson.

Ms. Clark reminded the board and staff that on Sunday, March 23rd Gwen's visitation will begin at 12:30 p.m., while the Celebration of Life will begin at 2:00 p.m.

4. **Approval of Minutes of February 18th, 2025**

Ms. Clark moved, and Mr. Metz seconded that the minutes from February 18th, 2025, be approved. By voice vote the committee approved the minutes.

5. **Financial Report as of February 18th, 2025**

Mr. Walker presented the February financial results. Total revenues were \$13.1 million, which was unfavorable to budget by \$112K. Total expenses were \$12.7 million, which is favorable to budget by \$161k. Operating Capital Contribution was \$0.4 million, which was favorable to budget by \$49k. Ridership was 1,052k, which was unfavorable to budget by 114k. Mr. Walker then reviewed the contributing factors to these variances.

The Committee accepted the report as presented.

6. **Approval of Investment of Funds Reports as of February 18th, 2025**

Mr. Walker presented the February report noting the yields of SORTA 4.32% for February compared to the prior month of 4.35% for the month of January.

Mr. Walker presented the report noting yields for the Infrastructure Transit Fund of 4.38% for February compared to the prior month of 4.41% for the month of January.

Ms. Clark moved, and Mr. Metz seconded that the Investment of Funds as of February 18th, 2025 be approved.

By voice vote the committee approved the reports.

The Committee approved the report as presented.

New Business

7. The next regular meeting of the Finance Committee has been scheduled for **Tuesday, April 15th, 2025, at 8:30 A.M.**

8. **Adjournment**

The meeting adjourned at 8:43 A.M.



Financial Summary - March 2025

Report Out Date – April 15, 2025

Agenda – Financial Summary

- Statement of Operations for March '25
 - Key Drivers
 - Detail Profit & Loss Statement
 - County Sales Tax Trend
- Cashflow and Obligation Report
- Investment Balance Update

Summary

- Total Revenue \$14.3M - unfavorable to Budget (\$246k) or (1.7%)
- Total Expense \$13.7M - favorable to Budget \$785k or 5.4%
- Operating Capital Contribution \$0.6M - favorable to Budget \$539k
- Note: Ridership total is 1,159k – unfavorable to Budget (48k) or (3.9%)

Revenue

- Total Operating Revenue \$1.7M - unfavorable to Budget (\$137k) or (7.6%)
- Non-Transportation \$0.6M - unfavorable to Budget (\$109k) or (14.9%)
- County Sales Tax \$10.5M – on Budget; see additional slide on county sales tax
- Federal Grants \$1.5M - on Budget

Expense

- Wages & Benefits \$9.7M - favorable to budget \$599k or 5.8%
- Fuel and Lubricants \$639k - favorable to budget \$40k or 5.9%
- Parts & Supplies \$977k – unfavorable to Budget (\$165k) or (20.3%)
- All Other \$2.4M – favorable to Budget \$292k due to timing of outside services

Ridership

Regular	965,252	1,046,572	(81,320)	(7.8%)
CPS	166,821	136,500	30,321	22.2%

Subtotal Fixed Route

Access	14,999	15,606	(607)	(3.9%)
MetroNow!	11,481	7,400	4,081	55.1%

Total Ridership

Month				
Actual	Budget	Fav(Unfav)		
965,252	1,046,572	(81,320)	(7.8%)	
166,821	136,500	30,321	22.2%	
1,132,073	1,183,072	(50,999)	(4.3%)	
14,999	15,606	(607)	(3.9%)	
11,481	7,400	4,081	55.1%	
1,158,553	1,206,078	(47,525)	(3.9%)	

Operating Revenue

Metro Fares	\$ 1,012	\$ 1,186	\$ (174)	(14.7%)
Access Fares	53	56	(3)	(5.4%)
MetroNow! Fares	23	15	8	53.3%
CPS Fares	374	332	42	12.7%
Other	194	204	(10)	(4.9%)
Total Operating Revenue	1,656	1,793	(137)	(7.6%)

Non-Operating Revenue

County Sales Tax	10,516	10,516	-	-
Federal Subsidies	1,513	1,513	-	-
Non Transportation	622	731	(109)	(14.9%)
Total Non-Operating Revenue	12,651	12,760	(109)	(0.9%)

Total Revenue

14,307	14,553	(246)	(1.7%)	
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Expenses

Employee Wages & Benefits	9,653	10,252	599	5.8%
Fuel & Lubricants	639	679	40	5.9%
Parts & Supplies	977	812	(165)	(20.3%)
Casualty & Liability	-	-	-	n/a
Everybody Rides Metro Fund	16	35	19	54.3%
Other	2,374	2,666	292	11.0%

Total Expenses

13,659	14,444	785	5.4%	
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Operating Capital Contribution

\$ 648	\$ 109	\$ 539		
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Actual	Budget	Fav(Unfav)		Prior Year
2,638,873	2,918,266	(279,393)	(9.6%)	2,647,658
481,200	473,100	8,100	1.7%	439,437
3,120,073	3,391,366	(271,293)	(8.0%)	3,087,095
41,413	46,309	(4,896)	(10.6%)	44,702
30,484	22,200	8,284	37.3%	15,462
3,191,970	3,459,875	(267,905)	(7.7%)	3,147,259

\$ 3,086	\$ 3,437	\$ (351)	(10.2%)	\$ 3,125
151	177	(26)	(14.7%)	169
61	46	15	32.6%	31
1,242	1,041	201	19.3%	991
566	595	(29)	(4.9%)	526
5,106	5,296	(190)	(3.6%)	4,842

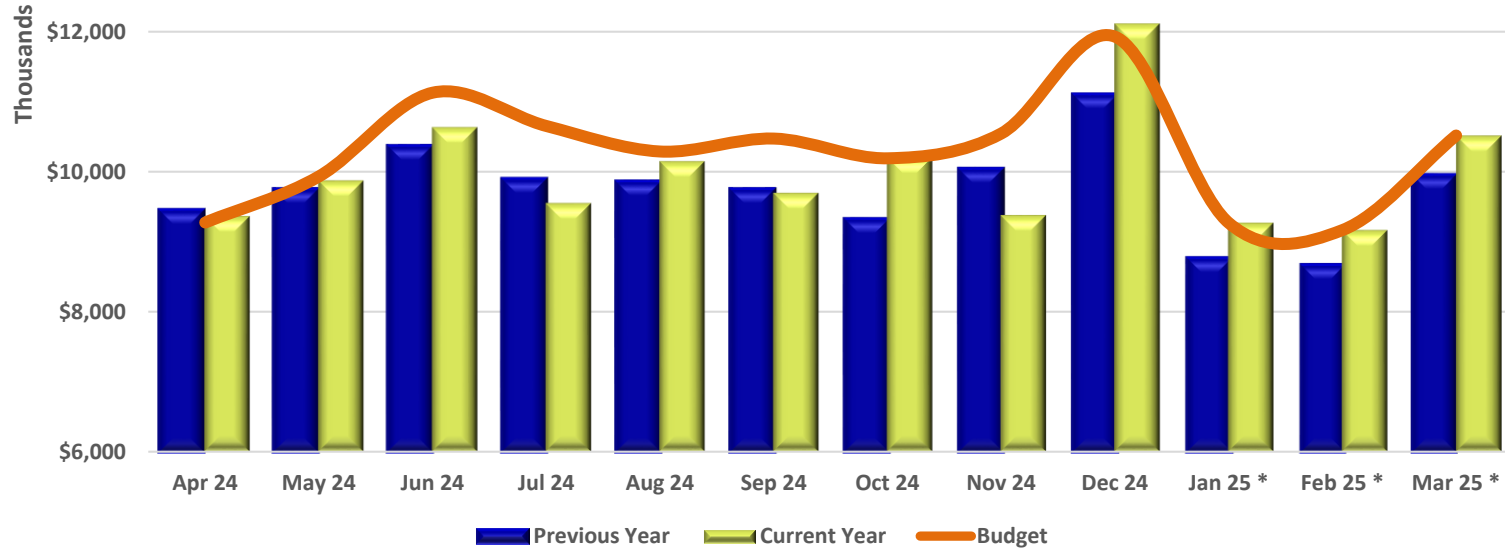
28,950	28,950	-	-	29,793
4,539	4,539	-	-	2,528
1,961	2,154	(193)	(9.0%)	2,837
35,450	35,643	(193)	(0.5%)	35,158

40,556	40,939	(383)	(0.9%)	40,000
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29,541	30,896	1,355	4.4%	28,822
1,828	2,027	199	9.8%	1,904
2,676	2,539	(137)	(5.4%)	2,494
-	-	-	n/a	-
59	105	46	43.8%	-
6,016	6,213	197	3.2%	4,638
40,120	41,780	1,660	4.0%	37,858

\$ 436	\$ (841)	\$ 1,277		\$ 2,142
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County Sales Tax – Year to Date



(\$000's)	Apr 24	May 24	Jun 24	Jul 24	Aug 24	Sep 24	Oct 24	Nov 24	Dec 24	Jan 25 *	Feb 25 *	Mar 25 *
Current Year	\$9,366	\$9,875	\$10,636	\$9,551	\$10,149	\$9,696	\$10,205	\$9,380	\$12,116	\$9,269	\$9,165	\$10,516
Budget	\$9,273	\$9,932	\$11,128	\$10,652	\$10,288	\$10,473	\$10,191	\$10,545	\$11,928	\$9,269	\$9,165	\$10,516
Previous Year	\$9,465	\$9,761	\$10,375	\$9,906	\$9,869	\$9,762	\$9,336	\$10,049	\$11,105	\$8,781	\$8,683	\$9,963

* Jan through Mar of 2025 are recorded at budget due to the 3-month delay in reporting from State Office

Cashflow and Obligation Report



Overnight Investments	\$41,415,259
Securities & CD's	\$114,348,118

Total All Securities (3/31/2025)	\$155,763,377
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Current Capital Reserve Obligations

<i>BRT Project Development (Hamilton & Reading Corridors) - Amts Pd</i>	\$33,643,294
<i>Future BRT Capital Match (Fed 70% & Local 30%)</i>	\$40,500,000
Total BRT	\$74,143,294
Local Match - FTA and ODOT Grants	\$15,625,925
100% Local Projects (Prior Years Open + Current Year)	\$36,656,285
2 Months of Operating Expenses	\$26,000,000
All Other Obligations	\$6,500,000
Total Current Capital Reserve Obligations	\$158,925,504

Net Unrestricted Securities Available	(\$3,162,127)
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2025 Remaining Operating Budget Surplus (Deficit) Apr-Dec	\$7,271,000
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Net Unrestricted Securities + '25 Operating Budget Surplus	\$4,108,874
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Internal Audit Updates

April 15, 2025 **Norman C. Bouwie III, CPA**

Agenda

- Prior Audit Observations
- Current Audits
- Upcoming Audits



Prior Audit Observations

History of Audit Observations

- 17 Audit Reports Issued Since 2022
- 58 Total Observations Noted
 - 14% High
 - 42% - Moderate
 - 30% - Low
 - 14% - Informational Only
- 88% of Observations Fully Remediated

Open Audit Observations

Project Name	Entity	Severity Level	Recommendation Title	Estimated Implementation Date	Days Overdue – All	Actual Implementation Date	Actual Closed Date
Vendor Management	Procurement	Medium	Vendor Access Monitoring	10/1/2024	195		
Vendor Management	Procurement	Medium	Vendor Internal Environment Monitoring	12/31/2024	104		
Vendor Management	Procurement	Medium	Vendor Performance Review Manual and Procedure Updates	12/31/2024	31	1/31/2025	4/14/2025
Vendor Management	Procurement	Low	Policy/Procedure Periodic Review & Approval	9/1/2024	152	1/31/2025	4/14/2025



Current Audits

Current Audits

Description	Fieldwork Kick-Off Date	Estimated Draft Report Date
Accounts Payable Audit	Oct '24	Apr '25
Badge Access / Security	Oct '24	Apr '25
Fare Media Sales	Jan '25	May '25



Upcoming Audits

Upcoming Audits

Description	Fieldwork Kick-Off Date	Estimated Draft Report Date
Fixed Assets Audit	Apr '25	Jun '25
Fuel Hedging Compliance	Apr '25	Jun '25
Paycor 3rd Party	May '25	Jul '25

Questions

Thank you for your time!

If you wish to discuss any aspects of this presentation in more detail, please feel free to contact us:

Norman: NBouwie@Go-Metro.com



METRO



Bridgestone Tire Contract Audit

February 7, 2025



Bridgestone Tire Contract Audit



Date: February 7, 2025

To: Bill Spraul, Chief Operating Officer

From: Norman C. Bouwie III, CPA, Director of Internal Audit

Copies to: SORTA Finance Committee
Darryl Haley, Chief Executive Officer
Jeff Mundstock, Director of Fleet & Facilities

Subject: 2025 Bridgestone Tire Contract Audit

Attached is the Bridgestone Tire Contract report. The primary objective of this audit was to assess the compliance, accuracy, and completeness of SORTA's agreement with Bridgestone Americas Tire Operations, LLC (Bridgestone). The secondary objective was to determine if policies, practices, procedures, and internal controls are adequate to ensure that management can detect, identify, and correct any discrepancies or irregularities that could result in noncompliance with contract terms, inaccurate financial records, or incomplete documentation related to the agreement.

We would like to thank the management and staff of Bridgestone along with the Fleets & Facilities team for their assistance and cooperation during this audit. If you need any further information, please contact me.

Attachment





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Executive Summary

The Internal Audit (IA) team conducted a comprehensive review of the Bridgestone Tire Lease and Service contract to evaluate compliance with contractual terms, accuracy of invoicing, and adequacy of performance monitoring and record retention practices. The audit focused on Bridgestone's adherence to safety protocols, inventory management, staff qualifications, and financial controls. While Bridgestone demonstrated compliance in most areas, IA identified two observations related to performance monitoring and record retention that warrant attention.

A key finding of the audit was the absence of consistent tread depth inspections on SORTA buses during the audit period. IA sampled 10 buses and found that 5 had missed at least one required tread depth inspection. While tire replacements were generally performed before tread depth fell below compliance levels, gaps in inspection monitoring increase the risk of noncompliance with contract terms and potential safety issues. IA made an observation titled "Poor Performance Monitoring and Reporting" to address this deficiency and recommends that Bridgestone implement stronger oversight and documentation processes to ensure all required inspections are completed and reported.

Additionally, IA reviewed Bridgestone's compliance with record retention requirements as outlined in 2 Code of Federal Regulations (C.F.R.) § 200.334 and the contract terms. While invoices were retained accurately and matched those maintained by SORTA, IA identified gaps in the retention of performance report documents. Specifically, Bridgestone was unable to provide two of the five sampled performance reports. Although this observation is informational and does not indicate systemic issues, IA recommends that Metro establish a documented process to periodically obtain and verify key records from Bridgestone. This would enhance compliance with record retention requirements and reduce risks associated with incomplete documentation.

Other areas reviewed, including Bridgestone's compliance with safety protocols, inventory management, staff training, and qualifications, showed no material issues. Bridgestone's Safety Protocols and Hazardous Materials Procedures comply with contract terms and OSHA regulations. Inventory management practices were effective, ensuring proper accountability for tire assets. Staff training aligned with contract requirements and FTA regulations, and Bridgestone's invoices were accurate and properly approved.

This audit highlights the importance of robust performance monitoring and comprehensive record retention to ensure adherence to contract requirements and mitigate potential risks. Addressing the identified observations will strengthen SORTA's ability to oversee contractor performance, maintain regulatory compliance, and support its commitment to safety and operational reliability.





Introduction

Background

The Southwest Ohio Regional Transit Authority (SORTA) entered into a new five-year agreement commencing on January 2024 with Bridgestone Americas Tire Operations, LLC to provide the leasing and servicing of bus tires for its fleet. The contract, valued at an amount not to exceed \$5.15 million, outlines key responsibilities such as ensuring the quality and safety of tires, maintaining accurate mileage and maintenance records, and adhering to specific invoicing requirements. The contract also includes provisions for regular tire inspections, wheel inventory tracking, and compliance with transit industry standards. Proper execution of this agreement is essential for ensuring the reliability and safety of SORTA's fleet while managing costs effectively. Bridgestone's performance under this agreement supports SORTA's strategic objective of delivering consistent, safe, and high-quality transit services to the community.

Audit Selection

IA conducted this audit in accordance with the Audit Plan for 2024

Audit Objective

- Verify that both parties adhere to the contract terms and conditions.
- Ensure that financial transactions and records related to the contract are accurate.
- Confirm that all relevant documentation and records are complete and properly maintained.
- Assess the effectiveness of internal controls over the contract management process.

Audit Scope and Methodology

- Reviewed the Bridgestone Tire Lease and Service contract and supporting documentation, including performance records, invoices, and compliance reports, to assess adherence to contract terms.
- Evaluated the accuracy and completeness of invoices submitted by Bridgestone and compared them with SORTA's records to ensure proper approval and retention.
- Assessed Bridgestone's performance monitoring processes, including tire inspections, tread depth compliance, and inventory management practices.
- Tested Bridgestone's compliance with record retention requirements under 2 C.F.R. § 200.334 and the contract terms, including retrieval and review of performance reports and other key documents.
- Verified the qualifications and training of Bridgestone staff to ensure compliance with contract requirements and Federal Transit Administration (FTA) standards.
- Analyzed Bridgestone's safety protocols and hazardous materials procedures to confirm compliance with OSHA and contractual obligations.
- Reviewed internal controls over tire maintenance, inspections, and reporting to identify gaps and potential risks.



Bridgestone Tire Contract Audit



Statement of Auditing Standards

This audit was performed according to the Institute of Internal Auditor's ("IIA") International Standards for the Professional Practice of Internal Audits.

Observations & Recommendations

Based upon Internal Audit's review of Southwest Ohio Regional Transit Authority's operating agreement with Bridgestone Americas Tire Operations, LLC, we have identified two areas where controls could be enhanced. A ranking of each observation is provided below.

Observation #1: Performance Monitoring and Reporting

Severity: High

Observation

The Internal Audit (IA) review of performance monitoring and reporting for the Bridgestone Tire contract revealed non-compliance with agreed-upon inspection requirements outlined in Section 2.6 in SORTA's Request for Proposal and the subsequent contract. These include:

- **Missed Monthly Inspections:** Bridgestone failed to inspect 100% of the Metro fleet at the Bond Hill and Queensgate garages for 10 and 9 months, respectively, during the audit period. According to the contract, Bridgestone (referred to as LESSOR) is required to inspect the alignment and tread depth on each SORTA bus at least once per month.
- **Non-Compliance with Bi-Monthly Inspections:** Bridgestone is obligated to inspect tire air pressure and check for irregular wear at least twice per month. However, interviews with Bridgestone technicians at Queensgate revealed that inspections were only conducted bi-monthly when issues were identified, deviating from the proactive inspection standards stipulated in the contract.
- **Delayed Follow-Up Inspections:** Five buses that missed scheduled inspections experienced an average delay of 57 days before receiving their next inspection, significantly exceeding the expected inspection intervals.

Risk

- **Operational Safety Risk:** Inadequate and delayed inspections increase the risk of undetected tire issues, such as irregular wear or low air pressure, compromising passenger and driver safety.
- **Contractual Non-Compliance:** Bridgestone's failure to meet contractual obligations exposes SORTA to reputational and legal risks, as well as diminished accountability in vendor relationships.
- **Service Disruptions:** Insufficient preventative maintenance may lead to tire failures or unplanned downtime, disrupting service schedules and inconveniencing riders.



Bridgestone Tire Contract Audit

Observation #1: Performance Monitoring and Reporting (continued)

Severity: High

- **Resource Inefficiencies:** SORTA's efforts to ensure vehicle availability for inspections may be underutilized, resulting in operational inefficiencies.

Recommendation

- **Strengthen Monitoring Mechanisms:** SORTA should implement enhanced monitoring processes to ensure Bridgestone adheres to all inspection requirements. This may include a centralized system to track inspections and generate alerts for missed or delayed checks.
- **Contractual Enforcement:** SORTA should engage Bridgestone management to address non-compliance issues. Consideration should be given to enforcing penalties for repeated failures or renegotiating terms to ensure clarity and enforceability of obligations.
- **Regular Performance Reviews:** Schedule regular performance review meetings with Bridgestone to discuss inspection records, address deficiencies, and align on corrective actions.
- **Periodic Internal Checks:** Conduct periodic independent audits of Bridgestone's performance to verify compliance and ensure timely rectification of any deficiencies.
- **Enhanced Communication:** Facilitate improved communication between SORTA and Bridgestone to address inspection requirements and expectations, emphasizing the importance of compliance for operational safety and service quality.

By addressing these issues, SORTA can better ensure that Bridgestone meets its contractual obligations, maintaining high standards of safety and service quality for the Metro fleet.

Management Response

Bridgestone acknowledges the issues raised and accepts accountability for the noted deficiencies. After investigation, the gaps in inspection performance were attributed to multiple factors, including challenges with a poor-performing team member at Bond Hill (addressed in April 2024), operational difficulties locating buses during late-night hours, and prioritization of immediate tire service needs over routine inspections.

SORTA's operational schedules, including buses running into the early hours and quick turnarounds for next-day routes, occasionally contribute to missed inspections. Additionally, during summer months, increased tire wear from high temperatures often requires Bridgestone to handle a higher volume of immediate repairs, further impacting inspection capacity.

Bridgestone Tire Contract Audit

Observation #1: Performance Monitoring and Reporting (continued)

Severity: High

Bridgestone has committed to improving inspection processes and ensuring better alignment with SORTA's needs. Starting January 2025, Bridgestone will enhance coordination with SORTA by prioritizing timely inspections and providing monthly updates on inspection performance to relevant SORTA personnel.

SORTA management plans to schedule a follow-up meeting with Bridgestone, led by the Vendor Performance Manager, to address the deficiencies identified in the audit. The meeting will focus on reviewing contract requirements and collaboratively developing an action plan to ensure 100% compliance with inspection standards. SORTA aims to finalize and implement the plan by March 31, 2025.

By working together, SORTA and Bridgestone aim to improve performance, accountability, and adherence to the contract requirements, ensuring the safety and reliability of the Metro fleet.

Observation #2: Record Retention

Severity: Informational Only

Observation

Internal Audit (IA) conducted a comprehensive review of Bridgestone's compliance with record retention requirements as outlined in 2 Code of Federal Regulations (C.F.R.) § 200.334 and the contract terms. This included assessing the availability and accuracy of various records identified, such as invoices, performance records, and other supporting documentation.

During the review, IA tested the retention of five performance report documents from random months and years, of which Bridgestone was unable to provide two of the reports. Additionally, the auditor reviewed Bridgestone invoices during the Invoice Accuracy step of this audit. No discrepancies were identified between invoices provided by Bridgestone and those retained by Metro, demonstrating accurate retention and filing of invoice records within the audit period.

While specific records, such as invoices, were retained accurately, gaps in other document categories, such as performance reports, indicate a potential deficiency in Bridgestone's adherence to comprehensive record retention practices.

Risk

The inability to retrieve required documents poses a significant risk to Metro. As a public entity, Metro is subject to the Ohio Public Records Act, which mandates the availability of records to Ohio citizens upon request. Non-compliance with these retention requirements could impair Metro's ability to respond to audits, legal inquiries, or regulatory requests. Additionally, the absence of critical documentation could hinder Metro's ability to address potential disputes or claims effectively.

Bridgestone Tire Contract Audit

Observation #2: Record Retention (continued)

Severity: Informational Only

Recommendation

IA recommends that Metro establish a documented process to periodically obtain and verify key records from Bridgestone. This process should include creating a comprehensive list of required documents and ensuring their timely submission. Regular monitoring and review of received records will enhance data integrity and compliance with record retention requirements, reducing the risk of non-compliance or data loss.

Management Response

No management response is required, as this observation is informational in nature.

METRO



Ridership Audit

March 7, 2025

Ridership Audit



Date: February 28, 2025

To: Khaled Shammout, Chief Strategic Planning, Development & Innovation Officer

From: Norman C. Bouwie III, CPA, Director of Internal Audit

Copies to: SORTA Finance Committee
Darryl Haley, Chief Executive Officer
Steve Anderson, Senior Director of Transit Development & Innovation

Subject: 2024 Ridership Audit

Attached is the Ridership Audit report. The primary objective of this audit was to assess the accuracy and completeness of Ridership Counts. The secondary objective was to determine if policies, practices, procedures, and internal controls are adequate to ensure that management can detect, identify, and correct any discrepancies or irregularities that could result in misstatements of ridership figures.

We would like to thank the management and staff of the Transit Planning team for their assistance and cooperation during this audit. If you need any further information, please contact me.

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Executive Summary

The Internal Audit (IA) team conducted a comprehensive review of ridership data accuracy and completeness, with a primary focus on evaluating the reliability of the Automated Passenger Counting (APC) system. The objectives of this audit were to verify the accuracy of ridership counts, assess the dependability of the APC system, and identify any discrepancies or irregularities that could suggest inaccurate ridership figures. This review revealed several areas where improvements could strengthen data accuracy, system access controls, and maintenance practices.

During the audit, IA met with the President of Urban Transportation Associates (UTA) to gain additional insights into the software's functionality. It was discovered that UTA performs several automated data validation processes that impact final ridership figures used for daily reporting to the Metro executive team and monthly reporting to the National Transit Database (NTD). One key process involves filtering out daily trip data when the difference between passenger boarding and exiting (the "Delta") exceeds 15%. In such cases, the system automatically replaces the excluded data with an average derived from the previous seven days. Additionally, for NTD reporting the system calculates a monthly average and imputes missing data to generate final ridership counts for each bus and trip. It is important to note that IA did not perform testing to ascertain the accuracy and completeness of the formula used to calculate the final ridership figures for daily and NTD reporting. Had we performed such testing, our conclusions contained within this report may have been different.

A critical finding of the audit was the impact of APC data inconsistencies on ridership reporting. Specifically, IA identified instances where non-rider interactions such as operators and supervisors boarding and exiting buses during layovers or drivers changes, were erroneously recorded as passenger counts. These inaccuracies resulted in a misstatement of ridership figures, which could affect financial reporting, resource allocation, and service planning. IA recommends targeted measures to address these overstatements and ensure more accurate data collection. The audit also highlighted the importance of the diagnostic tool in the UTA system, which helps identify and correct APC errors. Failure to address these errors in a timely manner results in continued reliance on estimated data, ultimately reducing the accuracy of reported ridership figures.

Furthermore, IA reviewed user access controls within the various systems used to track and manage ridership data. Several instances of unauthorized access were identified, with former employees still retaining access to critical systems such as Trapeze, VIA/VOC, and UTA. Unauthorized system presents risks related to data integrity, potential security breaches, and unauthorized manipulation of ridership figures. To mitigate these risks, IA recommends implementing stronger user access management practices, including regular access reviews, immediate access revocation for terminated employees, and ongoing monitoring of access logs to ensure appropriate permissions are maintained.

Additionally, the audit revealed gaps in the processes for monitoring and addressing APC errors. While the UTA system effectively identifies inconsistencies in passenger boarding and exiting counts, these errors were not consistently reported to the Maintenance Department, which



Ridership Audit

prevented timely resolution. This breakdown in communication conflicts with Metro's APC Best Practices Guide, which emphasizes the importance of prompt maintenance interventions. Failure to address these errors can lead to inaccurate ridership data reporting, non-compliance with Federal Transit Administration (FTA) guidelines, and impaired decision-making. IA recommends improving error reporting mechanisms and establishing a follow-up process to ensure that APC errors are resolved promptly.

Overall, this audit underscores the critical role for accurate ridership data to support Metro's financial planning, operational efficiency, and regulatory compliance. Implementing IA's recommendations will help enhance data integrity, strengthen system security, and adhere to best practices, thereby reinforcing Metro's commitment to providing reliable and effective transit services.





Introduction

Background

Ridership counts represent the number of passengers riding Metro buses during scheduled routes and are tracked across three services: Fixed Routes, Access, and MetroNow. These counts are included in various management reports and serve as the basis for evaluating ridership levels by route, comparing them to prior years and business plan targets. Ridership data is also essential for future planning of Metro services across the community, including applications for multiple grant funding opportunities. Growing ridership is a key strategic objective for Metro, and several initiatives, such as the implementation of a new passenger trip tracking system, have been launched to support this goal. The Automated Passenger Counting (APC) system is currently used to track passengers on fixed route buses.

Audit Selection

Internal Audit (IA) conducted this audit in accordance with the Audit Plan for 2023

Audit Objective

- Verify the accuracy and completeness of Ridership Counts
- Assess the reliability of the General Fare Industries (GFI) farebox system and the APC system.
- Evaluate key performance indicators (KPIs) linked to ridership, such as on-time performance and bus operator run numbers.
- Identify any discrepancies or irregularities that could indicate overstated ridership figures.

Audit Scope and Methodology

- Review ridership data for the past fiscal year.
- Compare data from the GFI farebox system with the APC system.
- Analyze KPIs related to ridership, including on-time performance and bus operator run numbers.
- Evaluate the internal controls over data collection and reporting.

Statement of Auditing Standards

This audit was performed according to the Institute of Internal Auditor's ("IIA") International Standards for the Professional Practice of Internal Audits.





Observations & Recommendations

Based upon Internal Audit's review of Metro's ridership process, we have identified six areas where controls could be enhanced. A ranking of each observation is provided below.

Observation #1: APC Diagnostic Management

Severity: High

Observation

Internal Audit (IA) reviewed the processes and procedures that Metro uses to monitor and respond to errors or anomalies in the Automated Passenger Counting (APC) system data. While Metro's Urban Transportation Associates (UTA) system effectively identifies buses that report inconsistent passenger boarding and exiting numbers or fail to report ridership data, there is a significant breakdown in how these errors are managed. Specifically, the errors identified by the UTA system are not consistently reported to the Maintenance Department, and Metro staff is not following up on these errors to ensure that APC units are being examined and repaired, as necessary. This failure to report and address APC errors directly contradicts the APC Best Practices Guide, which emphasizes the importance of weekly diagnostic reviews and timely maintenance interventions to ensure accurate ridership data.

Risk

The failure to report and address APC errors presents several risks:

1. **Data Integrity Risk:** Inaccurate ridership data can lead to incorrect reporting to the FTA, potentially resulting in financial penalties or loss of funding.
2. **Operational Risk:** Unrepaired APC units may lead to continued collection of inaccurate data, impairing Metro's ability to make informed operational decisions based on reliable passenger counts.
3. **Compliance Risk:** Non-adherence to the APC Best Practices Guide and FTA guidelines could result in compliance issues during audits or inspections by regulatory bodies.

Recommendation

Metro should implement the following measures to mitigate the identified risks:

1. **Enhance Reporting Mechanisms:** Ensure that all APC errors identified by the UTA system are automatically reported to the Maintenance Department. This can be achieved by reviewing and, if necessary, reconfiguring the alert system to ensure the Sr. Manager of Technical Operations receives timely notifications.
2. **Strengthen Follow-up Procedures:** Establish a robust follow-up process to ensure that reported APC errors are addressed promptly. Maintenance staff should verify that all suspect units are inspected and repaired, and a record of these actions should be maintained.



Ridership Audit

Observation #1: APC Diagnostic Management (Continued) Severity: High

3. **Regular Training and Review:** Provide ongoing training to Metro staff on the importance of following APC best practices. Additionally, conduct regular reviews of the APC maintenance and reporting procedures to ensure compliance with Federal Transit Administration (FTA) guidelines and internal policies.

Management Response

Staff will strengthen procedures around ensuring that APC units reporting potential issues are addressed in a timely fashion. Exception reports generated by the UTA software will be automatically sent to the appropriate person in the Maintenance Department. Staff will work with the UTA software provider to ensure this report is automated.

Observation #2: Ridership Count

Severity: Medium

Observation

Internal audit conducted independent counts on fifty bus trips to verify the accuracy of the APC data. IA observed discrepancies between our manual counts and the APC data, primarily attributable to non-rider interactions. Specifically, instances where the operators and street supervisors boarded and exited buses during layovers, driver switches, or bus changes were mistakenly recorded as passenger counts by the APC system. These non-rider interactions may impact the ridership figures used in the UTA's software formula to adjust for missing data and estimate totals, potentially affecting the accuracy of reported ridership numbers.

Risk

- **Financial:** Overstated ridership figures can lead to erroneous reporting and potential misallocation of resources and funds based on inflated data. This could affect budgeting, planning, and grant funding which often rely on accurate ridership statistics.
- **Reputational:** Inaccurate data reporting can damage the organization's credibility with stakeholders, including city officials, grant agencies, and the public.
- **Operational:** Decisions based on flawed ridership data may lead to inefficiencies in route planning, bus scheduling, and service provision, potentially degrading service quality.

Recommendation

Internal Audit recommends that management implement training sessions for bus operators and supervisors on the importance of avoiding unnecessary entries/exits during layovers or when buses are out of service, emphasizing how these actions impact data accuracy. Management should consider developing a protocol for reviewing and adjusting ridership data monthly to account for identified systemic errors before final reporting.



Ridership Audit

Observation #2: Ridership Count (Continued)

Severity: Medium

Management Response

Sensors have been installed in all driver seats to record when a driver exits and re-enters their seat. Staff is collaborating with our Computer Aided Dispatch (CAD)/Automated Vehicle Location (AVL) vendor and UTA to integrate this data into the UTA APC reporting software. This integration will allow for the automatic adjustment of boarding and alighting counts by excluding instances where the driver temporarily leaves the bus.

While data collection is already underway, the next step is ensuring seamless integration into the reporting software to facilitate automated adjustments. These enhancements will help mitigate potential overcounts. The seat interface integration should be in place by the end of Quarter 3, 2025.

Currently, there are no available solutions to track other brief interactions, such as supervisors or other individuals stepping onto the bus to speak with the driver without riding. However, these instances are rare relative to the 43,000 plus boardings that occur on a typical weekday.

Observation #3: Unauthorized User Access

Severity: Medium

Observation

Internal Audit reviewed the user access to multiple systems that Metro uses to track, record and monitor passenger count information. The purpose of the test was to review the access controls for the Ridership software and ensure that appropriate permissions are in place and that there is an audit trail for any changes made to the ridership data. During the review of user access to the Trapeze, VIA/VOC, and UTA systems, several discrepancies were noted:

- **Trapeze (Fixed Routes):** Out of 271 unique users, thirteen were not current Metro associates, fifteen had been terminated from Metro between 7/17/23 and 7/3/24, and twelve were not listed in Paycor as Metro associates.
- **VIA/VOC (Metro Now):** Out of thirty-three unique users, two had been terminated from Metro between 11/9/23 and 3/22/24.
- **UTA (APC):** Out of fourteen users, one user who was terminated on 12/5/23 still had access to the UTA system and had demonstrated recent access as of 9/4/24 via social media posts.

Risk

Unauthorized access to critical systems such as Trapeze, VIA/VOC, and UTA could lead to data breaches, manipulation of ridership data, and unauthorized transactions. This exposure increases the risk of financial loss, reputational damage, and potential legal implications for Metro. Furthermore, retaining access for terminated employees or non-associates creates a significant security risk, as these individuals may have the ability to access sensitive information or misuse the systems.

Ridership Audit

Observation #3: Unauthorized User Access (Continued) Severity: Medium

Recommendation

It is recommended that Metro establish and enforce a robust user access management policy, which includes:

1. **Regular Access Review:** Conduct quarterly reviews of user access for all critical systems to ensure only current and authorized associates have access.
2. **Immediate Access Revocation:** Implement a procedure to immediately revoke access for terminated employees or non-associates.
3. **Cross-System Verification:** Ensure synchronization between the HR system (Paycor) and access control systems to identify discrepancies and prevent unauthorized access.
4. **Access Audit Trails:** Regularly monitor and review access logs for unusual or unauthorized activities, particularly focusing on recently terminated users.

Management Response

Observation 1. *The user report for Trapeze that was supplied included users listed by group membership and was not exactly appropriate for purpose. It was based on group membership, not individual account access. The exited users accounts had been disabled, but still appeared in groups. None of the exited employees listed in the observation had access after termination.*

Observation 2. *This is the same situation as in Observation 1 above. The user list was based on group membership, not individual accounts. The accounts observed had been disabled at the time of the observation, and none of the users had access after termination.*

Observation 3. *The user account observed has now been disabled per UTA. User accounts on this system are managed by UTA. Metro IT has requested access to an account with an access level appropriate for audit of user accounts. Once that is created, Metro IT can more regularly audit user accounts.*

Observation #4: NTD Late Submissions

Severity: Medium

Observation

Internal Audit reviewed the submission timestamps for the National Transit Database (NTD) ridership reports for May 2023 through April 2024 to verify compliance with reporting deadlines. The NTD requires that monthly ridership reports be submitted by the last day of the following month. The review identified that six of the twelve fixed route ridership reports were submitted late, with an average delay of 12 days. Additionally, one access ridership report was submitted late, and the annual ridership report was submitted 65 days late.

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Observation #4: NTD Late Submissions (Continued)

Severity: Medium

Risk

Failure to meet NTD reporting deadlines may result in non-compliance with FTA guidelines. Late submissions could lead to reduced federal funding, increased scrutiny from regulators, and damage to the agency's reputation. Continued non-compliance could also result in heightened oversight or additional corrective actions imposed by the FTA, potentially impacting operational efficiency and financial stability.

Recommendation

Management should implement stronger controls to ensure that NTD reporting deadlines are consistently met. This could include establishing an internal calendar with automated reminders and designating a team member responsible for monitoring report submission deadlines. Additionally, regular reviews should be conducted to ensure that any potential delays are addressed proactively. Training staff on the importance of timely submissions and reinforcing accountability will help mitigate the risk of late reporting.

Management Response

Management agrees with the finding and have made changes to the responsible party within the Finance organization for NTD filings. Additionally, Finance will proactively work with SPDI to ensure all required filing information is received in a timely manner to avoid future filing delays.

Observation #5: Revenue Reporting Validation

Severity: Informational

Observation

Metro previously relied on the General Fare Industries (GFI) farebox system to report passenger counts and fare revenue. Revenue was recorded when passengers scanned prepaid tickets or inserted money into the farebox. Due to the unreliability of the GFI system, Metro transitioned to reporting revenue using a combination of cash deposits from bus fareboxes, sales from the sales office, Masabi mobile application sales, and Ticket Vending Machine (TVM) sales. This method, while easier, did not accurately reflect true revenue. Metro subsequently stopped using GFI for ridership counts and adopted the APC system powered by UTA. However, the current revenue recording method does not allow for additional validation of the passenger counts reported by APC. Additionally, revenue is recorded based on payment received rather than when passes are used, leading to potential discrepancies. Passes, such as day passes and 30-day passes, can be valid for up to three years if not scanned, complicating accurate revenue recognition.

Risk

The current practice of recording revenue based on payment received rather than pass usage may lead to significant discrepancies in reported revenue and ridership figures. This misalignment can result in inaccurate financial reporting, misinformed decision-making, and a lack of clarity in performance metrics. The inability to validate passenger counts against farebox revenue further exacerbates these issues, potentially leading to financial discrepancies and reduced operational efficiency.

Ridership Audit

Observation #5: Revenue Reporting (Continued)

Severity: Informational

Recommendation

Metro should consider upgrading or replacing the current farebox system to ensure more accurate farebox revenue reporting. Implementing a system that recognizes revenue based on pass activation at the farebox, rather than at the point of sale, would align revenue recognition with actual ridership. This improvement would enable Metro to provide better performance results, gain clearer insights into actual revenue compared to ridership counts, and enhance overall financial accuracy and transparency.

Management Response

No management response is required, as this observation is informational in nature.

Observation #6: Demand Response (DR) Ridership Severity: Informational

Observation

During the audit of Metro's ridership reporting, it was observed that companion rides and Personal Care Attendants (PCAs) are not being included in the ridership data reported to the National Transit Database. Demand Response, which are provided by Metro's Access facility, should account for all passengers, including companions and PCAs, as per NTD reporting guidelines.

Risk

The exclusion of companion rides and PCAs from the ridership data results in underreporting of Metro's access ridership. This underreporting can lead to inaccurate data submissions to the NTD, potentially affecting federal funding allocations and compliance with federal reporting requirements. Additionally, it may impact the accuracy of ridership statistics used for planning and operational decisions.

Recommendation

It is recommended that Metro revise its ridership data collection and reporting processes to ensure that all companion rides and PCAs are included in the Demand Response ridership figures reported to the NTD. This can be achieved by updating the data collection systems and training staff on the importance of including all eligible passengers in the ridership counts. Regular audits should be conducted to verify the accuracy and completeness of the reported data.

Management Response

No management response is required, as this observation is informational in nature.

	Operating Fund		Infrastructure Fund	
	Principal	Yield	Principal	Yield
<u>Overnight Investments</u>				
STAR Ohio	\$41,131,868	4.48%	\$42,335,886	4.48%
Trust Account/Fed Govt Oblig Issue MM	-	0.00%	2,113,026	4.21%
Fifth Third Bank Concentration Account	283,391	0.00%	13,524	0.00%
Subtotal Overnight Investments	\$41,415,259	4.44%	\$44,462,436	4.47%
<u>Securities and CD's</u>				
U.S. Agencies	\$75,568,602	4.59%	\$27,922,389	4.47%
Certificate of Deposit	1,236,407	2.00%	-	0.00%
Commercial Paper	5,315,783	4.60%	9,461,395	4.51%
U.S. Treasuries	32,227,326	3.69%	58,120,607	4.39%
Subtotal Securities and CD's	\$114,348,118	4.31%	\$95,504,391	4.42%
Days to Maturity	511		493	
Total All Securities (3/31/2025)	\$155,763,377	4.35%	\$139,966,827	4.44%
Total All Securities (2/28/2025)	\$156,855,014	4.35%	\$135,921,628	4.41%
Funds provided by (required for) Operations	(\$822,172)		\$4,429,403	
Funds provided by (required for) Capital	(\$269,465)		(\$384,204)	
Change in Cash during March 2025	(\$1,091,637)		\$4,045,199	
Monthly Investment Income	\$561,297		\$516,941	
Year to Date Investment Income	\$1,710,594		\$1,483,283	
NOTE: Total All Securities (3/31/2024)	\$173,373,144		\$112,740,209	

Approved:



Tim Walker
Chief Financial Officer