

City of Detroit

OFFICE OF THE AUDITOR GENERAL



**Audit of the Detroit Department of
Transportation's
Transportation for Elderly Individuals
and Individuals with Disabilities
(Section 5310) Program**

July 2005 – June 2010



City of Detroit

OFFICE OF THE AUDITOR GENERAL

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LOREN E. MONROE, CPA
AUDITOR GENERAL

MEMORANDUM

DATE: July 14, 2011

TO: Honorable City Council

FROM: Loren E. Monroe, CPA
Auditor General *Loren E. Monroe*

RE: Audit of the Detroit Department of Transportation's
Transportation for Elderly Individuals and Individuals with Disabilities
(Section 5310) Program

CC: Mayor Dave Bing
Lovevett Williams, Director
Terrence King, Group Executive

Attached for your review is our report on the audit of the Detroit Department of Transportation's (DDOT) Transportation for Elderly Individuals and Individuals with Disabilities (Section 5310) Program. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the response from DDOT.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with DDOT. Responsibility for monitoring the implementation of recommendations is set forth in Section 4-205 of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

We would like to thank the employees of DDOT for their cooperation and assistance extended to us during this audit.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral/tabid/2517/Default.aspx>

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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Detroit Department of Transportation's (DDOT) Transportation for Elderly Individuals and Individuals with Disabilities (Section 5310) Program was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to investigate the administration and operation of any City agency and to report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of this audit included an assessment of the Section 5310 grants for years 2005-2006 through 2009-2010. We also assessed the Section 5310 grant agreements; DDOT's efforts to obtain the grant in each cited year; financial transactions related to the grants; and DDOT's utilization of its fleet of vehicles purchased with Section 5310 grant funds.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The audit objectives were to determine whether:

- DDOT applied for and received Section 5310 grants for years 2005-2006 through 2009-2010.
- Section 5310 grant funds were used to buy vehicles, computers and communication equipment.
- DDOT spent funds in compliance with the grant agreements and in accordance with Federal Transit Administration (FTA) and Michigan Department of Transportation (MDOT) procurement guidelines.
- The entire fleet of vehicles purchased with Section 5310 grant funds has been utilized.

AUDIT METHODOLOGY

To accomplish our audit objectives, our audit work included:

- Reviewing DRMS reports, the department's budget reports, and Section 5310 grant agreements.
- Reviewing procurement guides of the FTA and MDOT.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding the department's transactions, controls, functions, records, and personnel.

- Interviewing DDOT and MDOT personnel.
- Documenting and testing processes.
- Preparing a risk assessment.

CONCLUSIONS

As a result of our audit we have concluded that:

- DDOT applied for the Section 5310 grant each year in the audit period, with the exception of year 2008-2009. However, MDOT deobligated funding allocated to DDOT for grant year 2005-2006. For years 2006-2007 and 2007-2008, MDOT did not award or allocate any funding to DDOT under the Section 5310 grant.
- DDOT spent Section 5310 grant funds in accordance with the grant agreements and the procurement guidelines of the FTA and MDOT.
- Section 5310 grant funds were used to buy, vehicles, computers and communication equipment.
- DDOT did not utilize its entire fleet of Section 5310 grant-funded vehicles.

ISSUE OF CONCERN

During our audit, we noted several instances of ineffective communication and management of the Section 5310 grant by both DDOT and MDOT, which resulted in poor administration of the grant.

According to FTA regulations, when vehicles acquired with Section 5310 funds are operated by an entity other than the sub-recipient (City), control and responsibility for the operation of the vehicles is the City's unless control is transferred. FTA regulations also state that although it is not mandatory that the State hold title to vehicles, it is mandatory that the State establish continuing control over the vehicles and accept the responsibility for continued public transit use of the vehicles, and more particularly use for Section 5310 purposes, whether by itself or a sub-recipient. In the course of our audit, we discovered that for an extended period of time, neither DDOT nor MDOT knew the accurate total of the Section 5310 vehicle inventory.

The recommendations included in this report center around the need for improved communication between DDOT and MDOT, and the need for both agencies to efficiently and effectively resolve issues that might otherwise hinder the success of the program.

Budgeted
Revenues

Net Tax Cost

General Fund
Subsidy

Number of Staff

BACKGROUND

The Detroit Department of Transportation (DDOT) has been municipally owned and operated by the City of Detroit since 1922. As the largest public transit agency in the State of Michigan, DDOT transports approximately 36 million passengers annually and provides service throughout Detroit and 22 surrounding communities in Wayne, Oakland, and Macomb counties.

The mission of DDOT is to provide public transit services that are reliable, clean, customer focused, fiscally responsible, safe and secure.

Each year, the Federal Transit Administration (FTA) appropriates funding for new vehicles, improvements to existing vehicles, and vehicle shelters under the Transportation for Elderly Individuals and Individuals with Disabilities Program (Section 5310). The FTA allocates the appropriation to each state based on the state's population of seniors and disabled persons to the total population of seniors and disabled persons in the United States. Each state is responsible for administering the grant. The Michigan Department of Transportation (MDOT) has been assigned to administer the grant for the State of Michigan. DDOT is one of MDOT's sub-grantees (sub-recipients) under the Section 5310 program. Section 5310 capital expenditures may include vehicles, maintenance equipment, computers, and communication equipment.

DDOT receives funding for other special programs which are similar in nature to the Section 5310 grant in that they provide services to elderly and disabled riders. A detailed summary distinguishing the different components of each special transportation program is provided in this report as an Appendix.

Ms. Lovevett Williams currently serves as the director of DDOT. She has served as director from January 2008 through September 2008 and June 2009 to present. Norman White served as the director of DDOT for the remainder of the audit period.

Fiscal Year Ended June 30

	2008	2009	2010
Budgeted Appropriations	\$165,883,899	\$183,968,594	\$180,198,246
Budgeted Revenues	<u>\$165,883,899</u>	<u>\$183,968,594</u>	<u>\$180,198,246</u>
Net Tax Cost	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
General Fund Subsidy	\$ 79,708,123	\$ 85,085,466	\$ 80,018,789
Number of Staff	1,512	1,523	1,524

AUDIT FINDINGS AND RECOMMENDATIONS

1. Failure to Effectively Administer the Section 5310 Grant

For grant years 2005-2006 through 2009-2010, the Section 5310 Grant was not effectively administered. The following adverse conditions were noted:

- Application for the Section 5310 grant was submitted late for year 2006-2007.
- In calendar year 2010, MDOT deobligated \$303,195 of the Section 5310 funding awarded to DDOT for grant years 2005-2006. DDOT had not expended the funds within the grant period.
- For years 2006-2007 and 2007-2008, DDOT was not awarded or allocated grant funding by MDOT due to MDOT's assertion that the applications submitted by DDOT were incomplete. Based on documents reviewed, we noted ineffective communication by both MDOT and DDOT during the application process.
- DDOT failed to apply for the Section 5310 Grant for year 2008-2009.

The table below summarizes DDOT's Section 5310 Grant amounts awarded, expended and deobligated for the audit period. The table shows that DDOT did not expend all grant funds awarded to them during the audit period.

Grant Year	Award Amount	Amount Expended	Amount Deobligated	Comment
2006	304,995	1,800	303,195	Deobligated in 2010
2007	0	0	0	*
2008	0	0	0	*
2009 2010	N/A	N/A	N/A	DDOT didn't apply **

* According to MDOT, DDOT submitted incomplete applications for these years. Because applications are completed online, the auditor could not determine the completeness of the application information submitted.

** DDOT applied for grant funds however MDOT has not made a determination on how much DDOT will receive in 5310 grant funds.

The FTA's stated goal for the Section 5310 program is to improve mobility for elderly individuals and individuals with disabilities by providing financial assistance for transportation services planned, designed, and carried out to meet the special transportation needs of elderly individuals and individuals with disabilities in all areas.

Ineffective administration of the Section 5310 grant increases the risk that the program will not meet the FTA's stated goal, and that seniors and persons with disabilities will not be afforded maximum, quality transportation service. DDOT's failure to spend funds within the award period facilitated MDOT's decision to deobligate the program's funding.

Causes for the adverse conditions include the following:

- According to DDOT, for years 2005-2006 through 2007-2008 the staff assigned to manage the Section 5310 grant may not have accurately apply the program.
- The grant period for funds awarded for grant year 2005-2006 was extended until March 2010 at the request of DDOT. However, in calendar year 2009, MDOT suspended DDOT's use of any grant funds administered by the State, including the Section 5310 funds. The suspension of DDOT's funds was due to MDOT's concerns regarding a subcontractor hired by DDOT for the paratransit program. Although MDOT's concerns were legitimate issues relating to the subcontractor's qualifications, the subcontractor was not utilizing Section 5310 vehicles.
- According to a DDOT staff person, DDOT submitted completed applications for grant years 2006-2007 and 2007-2008; however, if MDOT had questions about any information included on the applications, the applications were considered incomplete until the questions were answered to MDOT's satisfaction.
- According to a MDOT representative:
 - DDOT provided incomplete grant applications for years 2006-2007 and 2007-2008; and
 - The funds were deobligated because the FTA instructed MDOT to close out older federal grants.

According to DDOT, an application was not submitted for grant year 2008-2009 because the department focused on resolving issues related to prior years' grants and establishing policies and procedures for the 5310 Grant.

Recommendation

We recommend that DDOT establish procedures for the effective management of the Section 5310 grant, including effective communication with MDOT, in order to provide requested information in a timely manner.

Develop procedures to effectively communicate with MDOT.

Resolve issues related to the 5310 grant in a timely manner, including for senior and disabled riders with the maximum grant amount.

Comply with the

