



City of Phoenix

Mission Statement

To improve the quality
of life in Phoenix
through efficient
delivery of outstanding
public services.

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Project Number

1240022

This report can be made
available in alternate
format upon request.

Public Transit Department Contract Audit – First Transit

February 5, 2024

Report Highlights

Liquidated Damages

Due to the lasting effects of the COVID-19 pandemic, Public Transit chose not to assess most liquidated damages in Fiscal Year 2023. The pandemic contributed to workforce shortages, supply chain disruptions, and vehicle parts shortages. Going forward, Public Transit should better document the reasons for not assessing liquidated damages.

Contract Payments

Public Transit payments to First Transit matched the invoiced amounts.

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Executive Summary

Purpose

Our purpose was to determine that the Public Transit Department (Public Transit) effectively monitored the First Transit contract and that payments were in compliance with contract terms.

Background

In July 2013, Public Transit contracted with First Transit, Inc. (First Transit) to provide fixed-route bus services. Public Transit entered into a new contract in July 2018. First Transit is responsible for the daily operation of the services, including maintenance of the City-owned vehicle bus fleet. The services are performed at the City-owned West Transit Facility.

The initial contract term is five years, plus one, two-year extension. The contract term began on July 1, 2018. The contract extension was exercised in July 2023. The total payments over the 7-year contract term may not exceed \$296.3 million. In December 2022, there was a contract amendment to increase the contract by \$7.5 million, for a total of \$303.8 million. First Transit was paid \$40.8 million in Fiscal Year 2023 (FY23).

The contract states that “All performance indicators and liquidated damage clauses will be strictly enforced. ... The City also reserves the right to review and modify these performance requirements as deemed necessary to facilitate continuous improvement of service.” According to Public Transit staff and management, the COVID-19 pandemic, and the post-pandemic period, resulted in workforce shortages and supply-chain disruptions which drastically impacted public transit services industry-wide. Public Transit management kept City management and the City Council informed of service challenges, leading to the December 2022 contract amendment noted above.

Results in Brief

Public Transit did not assess most liquidated damages to First Transit in FY23. Management explained the business decisions for the changes, and needs to better document when contract requirements for liquidated damages are changed.

In many instances, the Public Transit Monthly Reports noted that the performance indicators were not met, but Liquidated Damages (LDs) were not assessed. We found that information provided on the Monthly Reports and Liquidated Damages Summary did not always match the supporting CleverCAD reports or testing from Subject Matter Experts (SME). Most of the LDs that were not assessed were for Running Repairs and Major Repairs. On average, running repairs were 525 days overdue and major repairs were 225 days overdue for each month of FY23. No contract amendments were processed to allow for noncompliance without assessing LDs. Public Transit

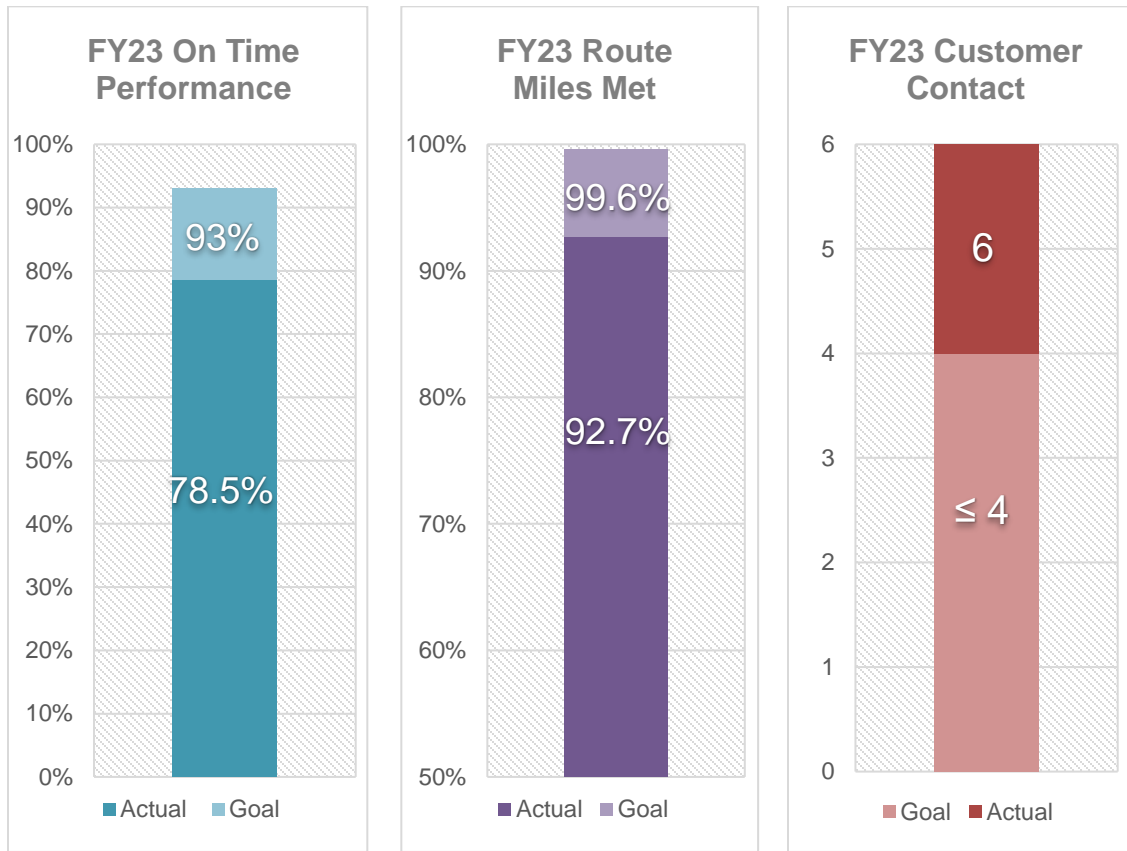
management explained that the contract provides discretion in determining which LDs to assess and how to assess them. Management stated that meetings were held with First Transit to convey that certain LDs would not be enforced due to pandemic-related impacts that were beyond the contractor's control. Public Transit should better document which LDs will and will not be enforced and the time period for when they will not be enforced. When the SME reports are not followed, Public Transit should document how the contract monitor arrives at the LDs that are assessed. Overall, the total LDs assessed by Public Transit in FY23 were \$126,550. We estimated that \$1,268,437 would have been assessed if all LDs were enforced per the contract and the documentation submitted by the SMEs and LDs were not waived due to pandemic/post-pandemic challenges.

Liquidated Damage amounts as specified in the contract do not always appear sufficient to indicate reasonable approximations of damages suffered by the City.

According to United States Federal Transit Administration (FTA) guidance and Public Transit management, LDs should be a reasonable approximation of damages suffered by the City when services are below required levels, and should align to historical precedents set by Public Transit. Per FTA guidance, LDs cannot be punitive in nature and in fact should be capped. Three key performance measures have what appear to be low LDs considering damages suffered by the City when bus service is late or does not take place at all.

- On-Time Performance – the contract specifies that if First Transit fails to meet the timeliness of the route, each route would be assessed up to \$3,000 for not being on time at least 87% of the time. In FY23, First Transit averaged only 78.5% of its routes on time. The most they could have assessed was just under \$230,000 for the year.
- Route Miles – the contract specifies that if First Transit fails to meet 99.6% of route miles, then First Transit can be assessed up to \$7,000 a month in LDs. In FY23, First Transit delivered only 93.2% of route miles on average, far below the requirement. The most they could have assessed was \$84,000 for the year.
- Customer Contacts – the contract specifies that a customer contact is any contact where First Transit is alleged to have failed to perform (any customer complaints). Complaints of over 4.01 per 10,000 boardings can be assessed up to \$5,000. In FY23, First Transit averaged more than 6 complaints per 10,000 boardings. The most they could have assessed is only \$60,000 for the year.

Snapshot of FY23 Performance Indicator Goals and Actuals



Performance Indicator goals were not met in FY23, yet no liquidated damages were assessed.

Department Responses to Recommendations

<p>Rec. # 1.1: Assess liquidated damages as allowed by the contract. If liquidated damages will not be assessed as specified in the contract, such as for On-Time Performance, Public Transit should document which liquidated damages will not be enforced, for how long they will not be enforced, and if full enforcement will be dropped or if a higher threshold of non-performance will be followed.</p>	
<p>Response: Public Transit will assess liquidated damages as allowed by the contract and/or document any modifications to thresholds for liquidated damages not enforced including timelines.</p>	<p><u>Target Date:</u> March 30, 2024</p>
<p>Rec. # 1.2: Ensure data used to assess liquidated damages is accurate and agrees to Subject Matter Expert findings. Whenever the SME findings are not followed, the contract monitor should document why they were not followed and how liquidated damages were determined.</p>	
<p>Response: Public Transit will ensure data used to assess liquidated damages is accurate, document SME findings and indicate how liquidated damages are determined.</p>	<p><u>Target Date:</u> March 30, 2024</p>
<p>Rec. # 1.3: Update the liquidated damages spreadsheet to denote responsibility for tracking each of the 22 performance indicators and confirm all 22 performance indicators are tracked.</p>	
<p>Response: Public Transit will update the liquidated damages spreadsheet to indicate and confirm tracking for each of the performance indicators. The liquidated damages sheet will be updated to include a column in which responsible monitoring staff are identified and provide their concurrence relative to LD assessment.</p>	<p><u>Target Date:</u> March 30, 2024</p>
<p>Rec. # 1.4: When creating the next solicitation for the fixed route transit service, consider updating liquidated damage amounts to be a better approximation of damages suffered by the City for 30.1 On-Time Performance, 30.2 Missed Revenue Miles, and 30.5 Contractor Influenced Customer Contact, recognizing that Federal Transit Administration guidance should still be followed.</p>	
<p>Response: Public Transit will review the liquidated damage amounts for potential changes as noted for the next solicitation for fixed route transit service. LDs for On-time Performance, Missed Revenue Miles, Contractor Influence Customer contacts, and Key Personnel will be reviewed and modified for the next solicitation.</p>	<p><u>Target Date:</u> March 30, 2024</p>

Rec. # 1.5: Create a plan to update the 30.1 On-Time Performance measure to reflect data that is provided by the CleverCAD system, so that 30.1 can be accurately measured and assessed.

Response: Public Transit will create a plan to update the On-Time Performance (OTP) measure for accurate measurement and assessment. On-time performance has been updated in the forthcoming solicitation to properly reflect how the CleverCAD system captures the data, i.e., departure versus arrival based. Contract key performance indicators will be adjusted to reflect the new OTP.

Target Date:
March 30, 2024

Rec. # 2.1: Develop a contract monitoring plan to ensure compliance with requirements such as report submittals, training, and insurance.

Response: Public Transit will develop a contract monitoring plan to ensure compliance with requirements such as report submittals, training, and insurance. The contract monitor will meet monthly, a week prior to the due date for report submittals, to discuss any issues that may delay report/invoice submittal. The contract monitor will also request quarterly reports on any contractually required training to include participant names and participation rate.

Target Date:
March 30, 2024

Rec. # 2.2: Work with First Transit to identify how safety training can take place for as many employees as possible.

Response: Public Transit will work with First Transit to identify how safety training can occur for as many employees as possible. PTD will modify the request for proposal (RFP) language in the forthcoming solicitation to mandate minimum safety training requirements.

Target Date:
March 30, 2024

1 – Payments

Background

First Transit invoices Public Transit each month based on the total route miles completed per month, minus (1) missed service miles, (2) non-revenue fuel, and (3) liquidated damages (LDs). The total miles each month varies due to the number of weekdays, Saturdays, and Sundays/Holidays in the month. Weekdays have 19,406 miles per day, Saturdays have 12,920 miles per day, and Sundays/Holidays have 12,484 miles per day. The contract establishes a rate per mile for each contract year and subsequent amendments. The rate for FY23 was \$7.198 per mile.

The contract establishes 22 performance indicators and LD clauses to ensure that the contractor meets the contract expectations and requirements. These requirements help to ensure public transportation is safe and reliable for customers. The LDs vary between \$50 and \$25,000 per violation and are payable to the City on the following month's invoice.

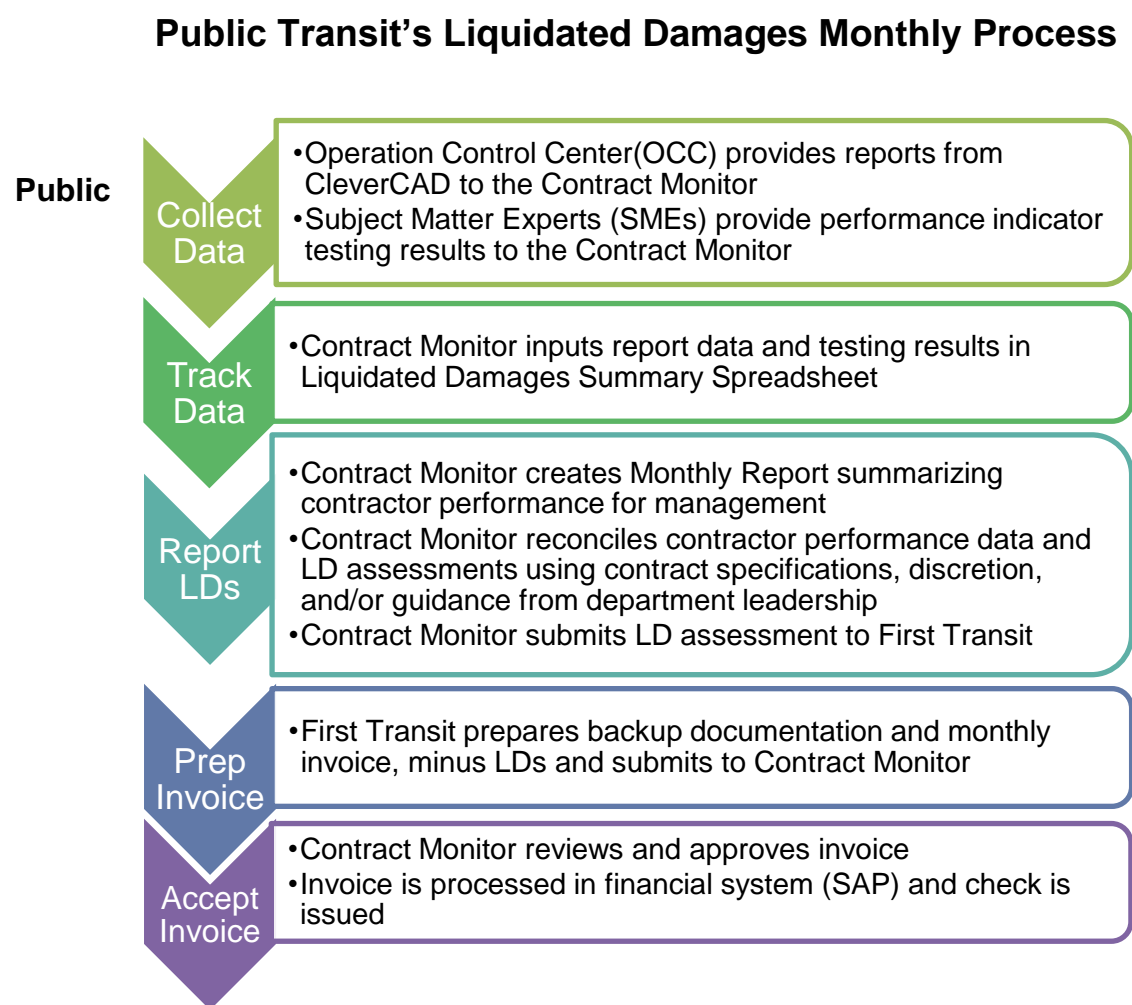
First Transit Performance Indicators

Section	Performance Indicator
30.1	On-Time Performance
30.2	Missed Revenue Miles
30.3	Overall Vehicle Appearance
30.4	Late or Inaccurate Reports or Data
30.5	Contractor Influenced Customer Contact
30.6	Preventable Accidents Per 100,000 Revenue Vehicle Miles
30.7	Total Miles Between Road Calls
30.8	Traffic Citations
30.9	Operator Uniform
30.10	Operator Maintaining Facility Cleanliness
30.11	Operator Fare Collection and Farebox Operation
30.12	Operator Accessible Features Operation
30.13	Announcement of Stops
30.14	Key Personnel
30.15	Customer Relations
30.16	Monthly Inspections
30.17	Running Repairs
30.18	Major Repairs
30.19	Preventive Maintenance and Safety Inspection Interval
30.20	Preventive Maintenance – Record Keeping
30.21	Late Start/First Time-Point
30.22	Work Stoppage

There are 22 Performance Indicators used to assess Liquidated Damages (LD).

The CleverCAD system, is used to monitor and track bus performance and activity. CleverCAD provides real-time tracking, command center radio communication, and incident management. The system went live in 2018, with Public Transit completing final system acceptance in August 2021.

LDs are assessed each month based on the following process:



Transit Contract Monitor tracks and ensures LDs are assessed.

The contract states that “All performance indicators and liquidated damage clauses will be strictly enforced. ... The City also reserved the right to review and modify these performance requirements as deemed necessary to facilitate continuous improvement of service.”

Results

Public Transit did not assess most LDs to First Transit in FY23 per the contract. Management explained the pandemic-related business decisions for changes, and needs to better document when contract liquidated damages are changed.

We compared all 12 FY23 invoices to Public Transit's Liquidated Damages Summary and Monthly Reports. First Transit included the correct amount of LDs in its invoices that Public Transit assessed. However, in many instances, Public Transit did not assess LDs, even though the Monthly Reports noted that performance indicators were not met. We reviewed backup documentation for 3 of the 12 months. The information provided on the Monthly Reports and Liquidated Damages Summary did not always match the supporting CleverCAD reports, or the testing from Subject Matter Experts (SME). SMEs include Maintenance Quality Assurance Engineers and Contracts Compliance Specialists. They conduct testing on work performed by the contractor, document what is found, and provide the information to the Contract Supervisor, who then uses a monthly tracking sheet. No contract amendments were processed to allow for noncompliance without assessing LDs. According to Public Transit management, the contract monitor can use discretion to modify LDs during extraneous circumstances, but changes to the SMEs assessment were not documented.

In **Attachment A – FY23 Liquidated Damages**, we used the data available from the CleverCAD reports, testing from SMEs, and Monthly Invoices to estimate the LDs for FY23. The total LDs assessed by Public Transit in FY23 was \$126,550. We estimated that \$1,268,437 would have been assessed had LDs been assessed per the contract and the documentation submitted by the SMEs. We noted the following issues:

- **SME Input Not Entirely Followed** – the SME for maintenance submitted timely and detailed reports on maintenance and safety issues that could have resulted in significant LDs related to Running Repairs (30.17) and Major Repairs (30.18). The SME took into account when parts were not available – a common problem during the pandemic – and did not assess that as a violation. The contract monitor did not follow the reports and did not provide justification in the tracking spreadsheet. We could not find any documentation to justify the LDs that were assessed. The majority of the unassessed LDs are due to this issue. Public Transit management explained that the SME was new to that role and needed to be trained better on what constitutes a violation of a running repair or major repair. Public Transit should provide this training and should also ensure that whenever the SME reports are not followed, the contract monitor documents why they are not followed and how Public Transit arrived at the LDs that were assessed.
- **Underperformance Noted, but LDs Not Assessed** – for On-Time Performance (30.1), Missed Miles (30.2), and Customer Contacts (30.5), the tracking form noted that First Transit did not perform up to standard, but the tracking form indicated that the LDs would not be assessed:
 - On-Time Performance – the CleverCAD system calculates On-Time Performance (OTP) based on departure time, but the LDs were written

based on arrival time. The system went live in 2021, midway through the agreement. According to Public Transit management, they are still benchmarking contractor performance data to establish appropriate OTP metrics for the contractor.

- Missed Miles and Customer Contacts – LDs were not assessed due to COVID-19 supply chain disruptions, vehicle parts shortages, and workforce shortages, which significantly affected transit service reliability. According to management, many customer contacts were also not related to contractor performance during the pandemic – this includes complaints of mask use (use in general, or alleged inappropriate mask usage by passengers), as well as passengers being passed up because of passenger vehicle capacity limitations put in place during the pandemic. In July 2023, LDs have resumed for Missed Miles (30.2) and Customer Contacts (30.5). Public Transit management explained that during the pandemic, they determined to not assess these LDs. While this was communicated to First Transit in monthly contract meetings, and is noted on the LD spreadsheet, Public Transit should have better documented what LDs would not be enforced, for how long they would not be enforced, and if the LD was completely not applicable, or if a higher threshold of non-performance would be used.
- **Some Indicators Were Not Tracked** – if the performance indicator data was not available or tracked it was listed as N/A in the tracking form. It is unknown which SME is responsible for tracking some of the performance indicators.

Some of the noncompliance issues for which LDs were not assessed were extremely important to contract performance:

- On-Time Performance – First Transit failed to be on time in more than 21% of their scheduled routes. Missing 7% should result in the full assessment of LDs, but Public Transit never assessed LDs.
- Route Miles – First Transit failed to provide more than 6% of route miles, on average. Missing 0.4% of route miles should result in the full assessment of LDs, but Public Transit never assessed LDs.
- Maintenance – First Transit failed to complete bus repairs on time, but Public Transit only assessed some LDs. On average, running repairs were 525 days overdue and major repairs were 225 days overdue for each month of FY23, recognizing some vehicles carry over from month to month due to repairs not yet taking place.

Liquidated damage amounts as specified in the contract do not always appear sufficient to indicate reasonable approximations of damages suffered by the City.

According to the FTA guidance and Public Transit management, LDs should be a reasonable approximation of damages suffered by the City when services are below required levels, and align to historical precedence set by Public Transit. The two primary functions of the First Transit contract are to deliver services (timeliness and route mile requirements), and to deliver them safely (maintenance and safety requirements). Three

key performance measures have low LDs considering damages suffered by the City and the public when bus service is late or does not take place at all:

- On-Time Performance (30.1) – the contract specifies that if First Transit fails to meet route timeliness, each route would be assessed \$1,000 for 92.99-90.00%, 2,000 for 89.99-87.00%, and \$3,000 for 86.99-below. The amount cannot exceed 0.5% of the invoiced amount. In FY23, First Transit averaged only 78.5% of its routes on-time. The most they could have assessed was just under \$230,000 for the year.
- Route Miles (30.2) – the contract specifies that if First Transit fails to complete 99.6% of route miles, then First Transit can be assessed up to \$7,000 a month in LDs. There is no tiered system. In FY23, First Transit only completed 93.2% of route miles on average, far below the 99.6% requirement. The most they could have assessed was only \$84,000 for the year.
- Customer Contacts (30.5) – the contract specifies that a customer contact is any contact where First Transit is alleged to have failed to perform (customer complaints). Complaints of 4.01 – 5.00 (per 10,000 boardings) result in \$1,000 assessed, 5.01 – 6.00 in \$3,000, and 6.01 and greater in \$5,000. In FY23, First Transit averaged more than 6 complaints per 10,000 boardings. The most they could have assessed was only \$60,000 for the year.

For example, Valley Metro released a request for proposals (RFP) in November 2023 for West Valley bus service. Liquidated damages for On-Time Performance are \$5,000 for each route below 85% (66% greater than the First Transit contract). Liquidated damages for customer complaints over 4.50 are assessed \$15,000 per month (300% great than the First Transit contract). The First Transit performance measures offer a tiered approach, whereas Valley Metro's do not. In general, the First Transit contract's performance measures are stricter than those in the Valley Metro RFP.

Payments to First Transit matched the invoiced amount.

We reviewed all monthly invoices for FY23 to ensure the total amount on the invoice matched the current total amount approved for services. In all instances, First Transit invoices matched the total amount for approved services, minus LDs Public Transit had submitted. In all instances, Public Transit paid the amount on the invoice.

Recommendations

- 1.1 Assess liquidated damages as allowed by the contract. If liquidated damages will not be assessed as specified in the contract, such as for On-Time Performance, Public Transit should document which liquidated damages will not be enforced, for how long they will not be enforced, and if full enforcement will be dropped or if a higher threshold of non-performance will be followed.
- 1.2 Ensure data used to assess liquidated damages is accurate and agrees to Subject Matter Expert findings. Whenever the SME findings are not followed, the contract

monitor should document why they were not followed and how liquidated damages were determined.

- 1.3 Update the liquidated damages spreadsheet to denote responsibility for tracking each of the 22 performance indicators, and confirm all 22 performance indicators are tracked.
- 1.4 When creating the next solicitation for the fixed route transit service, consider updating liquidated damage amounts to be a better approximation of damages suffered by the City for 30.1 On-Time Performance, 30.2 Missed Revenue Miles, and 30.5 Contractor Influenced Customer Contact, recognizing that Federal Transit Administration guidance should still be followed.
- 1.5 Create a plan to update the 30.1 On-Time Performance measure to reflect data that is provided by the CleverCAD system, so that 30.1 can be accurately measured and assessed.

2 – Contract Monitoring

Background

A.R.3.10 – General Procurement Procedures requires departments to have monitoring procedures in place to ensure compliance with contract requirements. First Transit is required to provide documents and reports ranging from daily to annually. The monthly invoices include the following as backup documentation:

- Operating Statement
- On-Time Performance Report
- Monthly Management Report
- Road Call Report
- Vehicle Accident Summary Report

The monthly invoice and supporting backup documentation are due by the 10th of the month for the previous month's service. We met with Public Transit staff to document the contract monitoring process, and to request documentation provided by First Transit from July 2022 through June 2023.

The contract requires that First Transit maintain commercial general liability, automobile liability, workers compensation, employer's liability, and fidelity bond or crime insurance. An excess liability policy or umbrella liability policy may be used to meet the minimum liability requirements.

The contract requires that First Transit employees receive initial training as well as annual training, including annual safety meetings. First Transit provided a detailed training plan in the contract proposal. We reviewed First Transit's process for monitoring training, and we reviewed records to ensure minimum requirements were met.

Results

Public Transit did not have a process in place to ensure First Transit submitted the monthly invoices and backup documentation accurately and on time.

Invoices are due on the 10th of the month for the previous month's service. First Transit submitted 11 of the 12 FY23 invoices late. At times, the invoices contained inaccurate information. When this happens, it requires extra correction time from the Contract Supervisor. If this is not caught by Public Transit, it results in incorrect billing.

Timely Submittal of Monthly Invoices and Documentation

2022	Jul	Aug	Sep	Oct	Nov	Dec
	⊗	⊗	⊗	⊗	⊗	⊗
2023	Jan	Feb	Mar	Apr	May	Jun
	✓	⊗	⊗	⊗	⊗	⊗

First Transit only submitted one monthly invoice and back-up documentation on time.

First Transit did not have a process to ensure staff completed continuous training requirements.

We requested a list of all employees from First Transit and selected a sample for testing. First Transit provided a list of 600 employees who were hired on this contract. We selected 25 current and 5 past employees for testing. Two employees were in positions that did not require training and one employee only needed the Operator Evaluation and Re-certification. The other 27 employees were required to receive all training.

Training Record Results

Type of Training	Records Provided	Records Requested	Percent Compliant
Initial ADA Training	26	27	96%
Last ADA Training	26	27	96%
Bus System Training	25	27	93%
Annual Safety Meeting	13	27	48%

Type of Training	Records Provided	Records Requested	Percent Compliant
Annual Operator Evaluation and Re-Certification	26	28	93%
Total	116	136	85%

First Transit did not meet the contract training requirements.

Fourteen of the 28 employees tested were fully trained. Training is required to ensure employees are aware of the proper and safe use of equipment, customer assistance and interaction, and safety standards. Ensuring contractor staff receives the minimum training required reduces the risk that an employee or transit customer will get hurt. The Public Transit contract monitor did not periodically receive or review training records to ensure contract compliance. According to Public Transit management, the current collective bargaining agreement with First Transit's unionized operators cannot mandate their attendance at annual safety meetings. Public Transit should work with First Transit to identify how safety training can take place.

Public Transit ensured First Transit insurance documents were valid and included proper coverage minimums.

We reviewed the certificate of insurance documents from July 2021 to July 2024. The insurance on file is current. First Transit met or exceeded all minimum coverages listed previously and listed the City as an additional insured.

Recommendations

- 2.1 Develop a contract monitoring plan to ensure compliance with requirements such as report submittals, training, and insurance.
- 2.2 Work with First Transit to identify how safety training can take place for as many employees as possible.

Attachment A – FY23 Liquidated Damages

Section	Performance Indicator	Public Transit Invoiced		Audit's Estimate	Total Not Collected
30.1	On-Time Performance	\$	-	\$ 229,137.41	\$ 229,137.41
30.2	Missed Revenue Miles	\$	-	\$ 84,000.00	\$ 84,000.00
30.3	Overall Vehicle Appearance	\$	300.00	\$ 300.00	\$ -
30.4	Late or Inaccurate Reports or Data	\$	2,000.00	\$ 5,500.00	\$ 3,500.00
30.5	Contractor Influenced Customer Contact	\$	-	\$ 52,000.00	\$ 52,000.00
30.6	Preventable Accidents Per 100,000 Revenue Vehicle Miles	\$	10,000.00	\$ 10,000.00	\$ -
30.7	Total Miles Between Road Calls	\$	-	\$ -	\$ -
30.8	Traffic Citations	\$	3,000.00	\$ 3,000.00	\$ -
30.9	Operator Uniform	\$	100.00	\$ 100.00	\$ -
30.10	Operator Maintaining Facility Cleanliness	\$	-	\$ 3,250.00	\$ 3,250.00
30.11	Operator Fare Collection and Farebox Operation	\$	3,750.00	\$ 3,750.00	\$ -
30.12	Operator Accessible Features Operation	\$	500.00	\$ 500.00	\$ -
30.13	Announcement of Stops	\$	3,000.00	\$ 3,000.00	\$ -
30.14	Key Personnel	\$	-	\$ -	\$ -
30.15	Customer Relations	\$	14,000.00	\$ 14,000.00	\$ -
30.16	Monthly Inspections	\$	-	n/a	n/a
30.17	Running Repairs	\$	87,500.00	\$ 597,900.00	\$ 510,400.00
30.18	Major Repairs	\$	2,400.00	\$ 262,000.00	\$ 259,600.00
30.19	Preventive Maintenance and Safety Inspection Interval	\$	-	\$ -	\$ -
30.20	Preventive Maintenance – Record Keeping	\$	-	n/a	n/a
30.21	Late Start/First Time-Point	\$	-	n/a	n/a
30.22	Work Stoppage	\$	-	n/a	n/a
TOTAL		\$	126,550.00	\$1,268,437.41	\$1,141,887.41

Scope, Methods, and Standards

Scope

We audited First Transit, Inc (Contract 146890) to ensure contract terms were met and invoices were accurate for Fiscal Year 2023 (July 2022 through June 2023).

The internal control components and underlying principles that are significant to the audit objectives are:

- Control Activities
 - Management should design activities to achieve objectives and respond to risks.
- Information & Communication
 - Management should use quality information to achieve the entity's objectives.
- Monitoring Activities
 - Management should establish and operate activities to monitor the internal control system and evaluate the results.
 - Management should remediate identified internal control deficiencies on a timely basis.

Methods

We used the following methods to complete this audit:

- We reviewed the First Transit contract, change order, and amendments to gain an understanding of the requirements.
- We interviewed Public Transit and First Transit staff on monitoring practices.
- We verified the accuracy of monthly transactions and payments made to the vendor.
- We reviewed Public Transit's monitoring and monthly reporting process.
- We evaluated compliance with insurance requirements.

Unless otherwise stated in the report, all sampling in this audit was conducted using a judgmental methodology to maximize efficiency based on auditor knowledge of the population being tested. As such, sample results cannot be extrapolated to the entire population and are limited to a discussion of only those items reviewed.

Data Reliability

The financial system (SAP) data was previously determined to be reliable through an independent audit review. We assessed the reliability of CleverCAD data by (1) performing electronic testing, (2) reviewing existing information about the data and the system that produced it, and (3) interviewing agency officials knowledgeable about the data and determined that this data was sufficiently reliable for the purposes of this audit.

Standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. Any deficiencies in internal controls deemed to be insignificant to the audit objectives but that warranted the attention of those charged with governance were delivered in a separate memo. We are independent per the generally accepted government auditing requirements for internal auditors.