

State of Rhode Island – General Assembly  
Office of the Auditor General

# AUDIT SUMMARY

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## Rhode Island Public Transit Authority Performance Audit

We completed a performance audit of the Rhode Island Public Transit Authority (RIPTA). Our audit focused on evaluating the practices and procedures employed by RIPTA in administering its operations and financial matters. Our objective was to identify practices and procedures which could be made more efficient.

RIPTA provides statewide transportation services with a fleet of 220 buses. Additionally, ten compressed natural gas trolleys provide service within downtown Providence. A fleet of 87 vans purchased by RIPTA are leased to various carriers who provide “door to door” Paratransit service primarily for elderly and disabled individuals. As of March 1999, RIPTA reported a total of 549 full and part time employees. Fiscal 1999 revenues totaled \$44.1 million of which \$22.5 million (51%) was derived from appropriations by the State of a portion of the gasoline tax and

\$10.4 million (24%) from passenger revenues.

RIPTA has embarked on various initiatives in an effort to improve its core services and increase ridership. Some of these efforts included revamping its fare structure, reorganizing routes, purchasing 50 new buses, introducing compressed natural gas trolleys for the LINK service in downtown Providence, implementing a quality control process to ensure consistent condition of the buses, and planning construction of a new maintenance garage. These and other efforts are highlighted in the Noteworthy Accomplishments section of the report.

However, funding RIPTA’s operations continues to be a challenge. Prior to fiscal 1999, both the federal and state governments subsidized operating expenses and capital needs; however, the federal government ceased operating

assistance and now generally provides funding only for capital items. RIPTA’s operations are largely subsidized by tax revenue because passenger fares support between 25% and 30% of total annual operating costs. RIPTA sought and obtained additional State support to alleviate a significant part of the shortfall caused by the elimination of federal operating assistance. State operating assistance to RIPTA increased more than \$9 million in fiscal 1999 to a total of \$22.5 million.

In fiscal 1999, the federal government also discontinued a subsidy for monthly pass purchases. In dealing with this shortfall and also in an attempt to increase passenger revenues, RIPTA restructured and simplified its rate structure. RIPTA’s implementation of a new fare policy in October 1998 resulted in fiscal 1999 passenger revenues that were essentially unchanged from 1998 levels, while fiscal 1999 estimates indicate a decrease in ridership. These results are not consistent with RIPTA’s needs and goals to increase both passenger revenue and total ridership. Further refinement of RIPTA’s fare policy may be necessary to accomplish these goals and provide the increased revenue necessary to maintain quality

service and implement planned initiatives.

RIPTA should develop a written plan to accomplish its stated goal of increasing the percentage of operating costs derived from passenger fares by 2% each year until it reaches 35%. Further, contract revenue from providing transportation to individuals participating in the State's Rite Care program (Medicaid managed care enrollees) should cover the true cost of providing this service. This revenue source may be nearly \$760,000 less than it should be using available estimates of costs and ridership. Maximizing passenger revenue and other revenue sources are important to avoid dependence on increasing amounts of state subsidy.

In addition to revenue enhancements, opportunities for cost savings and improved transit service could be realized by coordinating RIPTA's fixed route service with its paratransit service. Paratransit service is provided with a fleet of vans as opposed to fixed route service, which is typically provided with large buses. Further clarification of roles and responsibilities as well as investment in necessary infrastructure (central dispatch point, new radio system, and an integrated scheduling and telephone system) are necessary before this coordination can be fully achieved. Other cost savings and quality service enhancements can be achieved by centralizing maintenance for all paratransit vehicles. Presently, each contracted

paratransit operator is responsible for maintaining the vehicles it leases from RIPTA. We found that maintenance costs varied widely for common services.

RIPTA can also improve key support functions such as management information systems, finance, and purchasing. Improvements in these areas will contribute to the overall efficiency and effectiveness of RIPTA, ensuring that the cost of services is affordable both to users of the system and those who subsidize its operations. Because of the increased level of State financial support, the State has an even greater interest in ensuring RIPTA is operating effectively and efficiently.

RIPTA should improve its procurement practices for lower dollar goods and services to ensure compliance with State law, maximize vendor participation, and obtain goods and services at the lowest possible price. We found that RIPTA needs to monitor and identify its recurring high volume lower cost procurements and use annual blanket orders or master price agreements to obtain discounts. Further, better planning of project needs may have resulted in costs savings by seeking bids for total project requirements rather than viewing each component separately. RIPTA also needs to improve its administration of its purchasing function by requiring purchase orders for all purchases and ensuring that the procurement department is

contacted prior to initiating any purchase.

RIPTA's primary computer system does not adequately serve RIPTA's management information needs. Consequently, personnel have developed many inefficient manual or personal computer based systems to meet specific needs. A complete assessment of RIPTA's information needs is required and new or re-engineered systems will most likely be necessary. RIPTA should engage a systems consultant with transit experience to assist with this process.

We also noted inefficient procedures within the finance area, which are clearly impacted by the inadequacies of RIPTA's computer system. Again, manual procedures are common and data is often accumulated many times in multiple forms to meet specific needs.

RIPTA's bus radio system is obsolete and hard to repair since replacement parts are no longer manufactured. RIPTA provides drivers with cell phones if their buses do not have working radios; however, RIPTA needs to ensure that all buses have reliable radios, particularly in the event of accidents, breakdowns, and other emergency situations.

The report contains a total of 58 recommendations.

*Copies of this audit report can be obtained by calling 222-2435.*