

A Report on

The Review of Financial and Performance Audit Reports of Certain Mass Transit Authorities



Office of the State Auditor
Lawrence F. Alwin, CPA

January 1995

Report No. 95-047



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January 25, 1995

Members of the Legislative Audit Committee:

Our statutory review of the independent auditors' reports for the Dallas Area Rapid Transit, Capital Metropolitan Transit Authority, Corpus Christi Regional Transportation Authority, and Metropolitan Transit Authority of Harris County, Texas did not identify any significant current issues or significant repeated issues.

Our review also indicated that management of the four mass transit authorities responded to all of the financial and performance audit findings and recommendations issued from fiscal years 1991 through 1993. These findings and recommendations related to the mass transit authorities' internal controls, accounting and reporting, electronic data processing, and various program issues.

Management of the mass transit authorities explained all significant fluctuations in account balances identified during our review. The financial reporting of the mass transit authorities is considered to be consistent with prior year reports.

We appreciate the courtesy and cooperation of the management and staff of the mass transit authorities during the course of the review.

Sincerely,

A handwritten signature in cursive script that reads "Lawrence F. Alwin".

Lawrence F. Alwin, CPA
State Auditor

LFA/kob/enclosure

Key Points Of Report

A Report On The Review Of Financial And Performance Audit Reports Of Certain Mass Transit Authorities

January 1995

Key Facts and Findings

- The mass transit authorities' independent accounting firms identified financial audit findings and provided recommendations related to the authorities' internal controls, electronic data processing, and financial reporting. Management of the mass transit authorities responded to all findings and recommendations.
- The efficiency of the mass transit authorities' current operations cannot be assessed based only on the results of our review. This is primarily due to the reporting of inconsistent data by the mass transit authorities.
- The performance audit reports prepared from financial and operational data identified various areas for needed improvement in Administration and Management, Transit Operations, and System Maintenance. No opportunities for cost savings were identified in the reports. Management of the mass transit authorities responded to all findings and recommendations.
- No related standards exist either in the accounting profession or the mass transit industry to assess the size of the mass transit authorities' fund balances. However, the unreserved fund balances of the mass transit authorities, which ranged from \$9.4 million to \$65.6 million at the end of the 1993 fiscal year, appear reasonable when compared to current levels of expenditures.

Contact:

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This review and comment was conducted in accordance with Texas Revised Civil Statutes Annotated, Article 1118x, Sections 12C and 12E, and Article 1118y, Section 18A (Vernon's Supplement 1995).

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Executive Summary

Our review of the mass transit authorities' financial and performance audit reports concluded that no material weaknesses exist in the accounting and operations of these entities. However, the management letters of the independent accounting firms contained findings and recommendations for improvements, as listed below. Management of each mass transit authority has agreed to address the findings in the reports issued by the independent auditors.

Authoritative literature permits different accounting treatments within the mass transit industry, but does not address criteria for an assessment of the size of fund balances. As shown in Figure 3 (on page 6), unreserved fund balances of the mass transit authorities reviewed ranged from \$9.4 million to \$65.6 million at the end of the 1993 fiscal year, which appears reasonable when compared to each authority's total prior year expenditures.

Findings and Recommendations Were Presented for Financial and Performance Audits

From fiscal years 1991 through 1993, management letters from independent auditors conducting the mass transit authorities' financial audits contained findings and recommendations relating to internal control structures, electronic data processing (EDP), financial reporting, compliance with conflict of interest disclosure statements, and issues related to questioned costs.

In addition, recent performance audit reports of the four mass transit authorities contained findings and recommendations affecting different periods and different subjects, such as administration and management, transit operations, and system maintenance. The diverse nature of the findings and

recommendations makes a comparison of the authorities impractical.

Data Analysis Revealed Inconsistency of Data

Wide variations in annual performance indicator information were reported by Capital Metro and the Metropolitan Transit Authority of Harris County, Texas. Therefore, it is possible that when individual performance measures which include such data are used in the decision-making process, incorrect conclusions could be reached.

Summary of Audit Objective and Scope

Our objective was to review and comment on the financial audits of the Dallas Area Rapid Transit, Corpus Christi Regional Transit Authority, Metropolitan Transit Authority of Harris County, Texas, and Capital Metropolitan Transit Authority from fiscal years 1991 through 1993 and performance audit reports issued during the most current period.

This review was mandated by Texas Revised Civil Statutes Annotated, Articles 1118x and 1118y, which require the State Auditor to review and comment on the audit reports of certain mass transit authorities.

The scope included consideration of the following:

- Management's responses to financial audit findings
- Efficiency of operations
- Management's responses to performance audit findings
- Consistency in financial reporting
- Size of fund balances

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Section 1:

Mass Transit Authorities' Management Has Responded to Financial Audit Findings

Management of the mass transit authorities responded to the independent auditors' financial audit findings from fiscal years 1991 through 1993. Our review of the independent auditors' financial audit reports for this period identified no material weaknesses in internal controls or other significant findings. Although repeat audit findings were reported, none of the findings were considered significant.

Findings were issued relating to internal controls, electronic data processing, financial reporting, and other areas. The distribution of these findings among the mass transit authorities can be found in Appendix 3.

Section 2:

Factors Precluded An Assessment Of The Mass Transit Authorities' Efficiency

Based on our review of audit findings, a comparative assessment of the efficiency of the individual mass transit authorities could not be made.

Certain performance indicators contained wide variations between data reported by the mass transit authorities and the Texas Department of Transportation (TXDOT). TXDOT prepares a report on an annual basis which summarizes all mass transit authorities' performance indicators. The reported indicators which reflected wide variations are shown in Figure 1. The use of this data during the decision-making process could lead to erroneous conclusions.

Figure 1

Comparison of TXDOT's Performance Indicators Report to Each Mass Transit Authority's Performance Indicator Report for Fiscal Year 1991

REQUIRED PERFORMANCE INDICATORS	CAPITAL METRO		HARRIS COUNTY		DART		CORPUS CHRISTI	
	TXDOT Report	Agency Report	TXDOT Report	Agency Report	TXDOT Report	Agency Report	TXDOT Report	Agency Report
Number of total miles between mechanical road calls	75,646	6,377 (A)	3,864	6,782	5,184	5,184	7,626	7,626
Number of accidents per 100,000 vehicle miles	321	0.30 (A)	2.1	2.1	3.22	3.22	1.37	1.37
On-time performance	89.84%	53.99%	94.82%	94.82%	87.5%	87.5%	85.90%	N/A
Average vehicle occupancy	N/A	8.06	12.63	12.63	9.38	N/A	4.29	N/A

NOTE A: On August 25, 1992, Capital Metro issued a revised report for their fiscal year 1991 performance indicators as follows:

- * Number of Total Miles Between Mechanical Road Calls - 6,502
- * Number of Accidents per 100,000 vehicle miles - 6.2

Capital Metro noted that the primary reason for the changes identified in Note A above is the clarification of definitions and interpretations by reporting staff.

NOTE B: "N/A" indicates that numbers were not available or when indicators were calculated, they were not meaningful.

Section 3:

Management Of The Mass Transit Authorities Responded Satisfactorily To The Performance Audit Reports Which Identified Operational Areas For Improvement

The mass transit authorities' performance audits most frequently identified areas for improvement within transit operations and system maintenance. Opportunities for cost savings were not identified in the reports. None of the findings issued were considered material to the operations of the individual authorities.

By statute, each mass transit authority is to have a performance audit conducted once every four years. One of the following subjects must be examined at least once during every third performance audit: administration and management, transit operations, and system maintenance. Independent auditors issued performance audit reports as identified in Figure 2.

Figure 2

Performance Audit Reports Released During 1992 and 1993

Mass Transit Authority	Release Date	Scope of Report
Austin Capital Metropolitan Transit Authority	March 1993	Administration and Management, Transit Operations, and System Maintenance
Corpus Christi Regional Transit Authority	October 1992	Administration and Management, Transit Operations, and System Maintenance
Dallas Area Rapid Transit Authority	May 1992	System Maintenance
Metropolitan Transit Authority of Harris County, Texas	February 1993	Transit Operations

Management has responded satisfactorily to the performance audit findings. Copies of these reports may be obtained from the State Auditor's Office.

Section 4:

Each Mass Transit Authority Reported Its Financial Activity On A Consistent Basis

The mass transit authorities' financial statements have been prepared on a basis consistent with that of the preceding year. However, accounting standards permit some flexibility in financial reporting between the authorities. Because of these differences, it may be misleading to compare mass transit authorities' financial activities.

Our analytical reviews of summarized financial data for each of the four mass transit authorities did not disclose any unusual trends.

Section 5:

No Industry Standard Exists To Determine If Mass Transit Authorities Have Excessive Fund Balances

The mass transit industry does not have standards that address the appropriate size of fund balances. No standards exist to determine whether fund balances are excessive. The difficulty in establishing industry standards is complicated due to the variability of each mass transit authority's future financial needs.

In the mass transit industry, fund balances are comprised of amounts invested in fixed assets, contributed capital, reserved amounts for specific purposes, and unreserved balances available for future operations. Fixed assets and contributed capital accounts do not usually represent resources available to address current operational needs.

Reserved amounts represent a segregation of assets for a specific purpose, such as construction or the purchase of new vehicles. Usually, the unreserved portion of the fund balance is the only portion available for use in current operations.

Except for Dallas Area Rapid Transit, the unreserved fund balances in each of the four metropolitan transit authorities were less than its previous year total expenditures. This fact would suggest that the authorities' unreserved fund balances are reasonable in relation to total annual expenditures incurred by each authority. Figure 3 below presents this relationship for the mass transit authorities reviewed.

Total fund balances for the four metropolitan transit authorities changed from 1992 to 1993 in a range from a minus one percent to an increase of 15 percent. This is generally consistent with changes from fiscal year 1991 to 1992. Therefore, significant increases of fund balances have not occurred at the mass transit authorities reviewed.

Figure 3
1993 Fiscal Year-end Fund Balances and Expenditures (in millions)

FUND DESCRIPTION	CAPITAL METRO	HARRIS COUNTY	DART (A)	CORPUS CHRISTI
Total year-end Fund Balances	\$116.7	\$513	\$853.5	\$24.2
Total year-end Unreserved Fund Balances	\$43.2	\$12.3	\$684.6	\$9.4
Total Annual Expenditures	\$58.7	\$237.8	\$198.4	\$14.6

Note A: Due to the accounting treatment at Dallas Area Rapid Transit, obligations for light rail construction in the amount of \$619 million are reflected in the entity's Notes to the Financial Statements, rather than as a reservation of its fund balances. This potential expenditure would significantly deplete fiscal year-end unreserved fund balances from \$684.6 million to \$65.6 million.

While Dallas Area Rapid Transit uses the Enterprise Fund, the other three mass transit authorities - Austin Capital Metropolitan Transit Authority, Corpus Christi Regional Transit Authority, and Metropolitan Transit Authority of Harris County, Texas, report expenditures using various other fund types. Hence, encumbrances are recognized by these three entities, which can affect reported fund balances.

Objective, Scope, And Methodology

Objective

Our objective was to review and comment on the following mass transit authorities' financial audits for fiscal years 1991 through 1993 and performance audits reports issued during the most current period:

- Dallas Area Rapid Transit
- Corpus Christi Regional Transportation Authority
- Metropolitan Transit Authority of Harris County, Texas
- Capital Metropolitan Transit Authority

This engagement was conducted pursuant to Texas Revised Civil Statutes Annotated, Article 1118x, Sections 12C and 12E, and Article 1118y, Section 18a (Vernon Supplement 1990). These statutes require the State Auditor's Office to review and comment on certain mass transit authorities' financial and performance audit reports.

Scope

The following areas were addressed during the course of our review:

Area 1: Has management addressed findings noted in the mass transit authorities' management letters?

Area 2: Do the current operations of the mass transit authorities appear efficient?

Area 3: Did the performance reports prepared from financial and operational data identify areas of improvement? If so, has management addressed any finding(s) noted in these reports?

Area 4: Is the financial reporting of the mass transit authorities consistent with prior years?

Area 5: Do the mass transit authorities have excessive fund balances? Are the reasons for such excessive fund balances explained?

Methodology

The methodology used during this review consisted of collecting and analyzing basic financial and performance data/information, performing fluctuation analyses of account balances shown on annual financial statements, calculating and analyzing basic financial ratios, reviewing and evaluating the performance reports, reviewing management letter comments, and analyzing performance indicators.

Information collected to accomplish our objectives included the following:

- Interviews with transit authorities' management and personnel
- Documentary evidence such as:
 - annual financial reports for fiscal years 1991, 1992, and 1993
 - most current performance reports
 - the Texas Department of Transportation's Performance Indicators and Statistical Reports
- Independent third-party information
- Enabling legislation
- Other correspondence with the transit authorities

Procedures and tests conducted:

- Review of prior year's working papers for audit background
- Determination of the criteria to select significant account balances for a trend and fluctuation analysis
- Investigation of the account balances which met or exceeded the criteria set for significant account balances
- Investigation of the increases in sales tax revenues, using reasonableness tests with Comptroller data as a necessary audit tool

Analysis techniques used:

- Fluctuation analysis
- Trend analysis
- Comparison of the Texas Department of Transportation's performance indicators to the mass transit authorities' indicators and between years of operation
- Review of current performance reports

Criteria used:

- Service Efforts and Accomplishments reports by the Governmental Accounting Standards Board (GASB) on performance measures
- American Institute of Certified Public Accountants (AICPA) Reporting Standards

Fieldwork was conducted from June 13, 1994, through July 29, 1994. The review was conducted in accordance with applicable professional standards, including:

- Generally Accepted Government Auditing Standards
- Generally Accepted Auditing Standards

The audit work was performed by the following members of the State Auditor's staff:

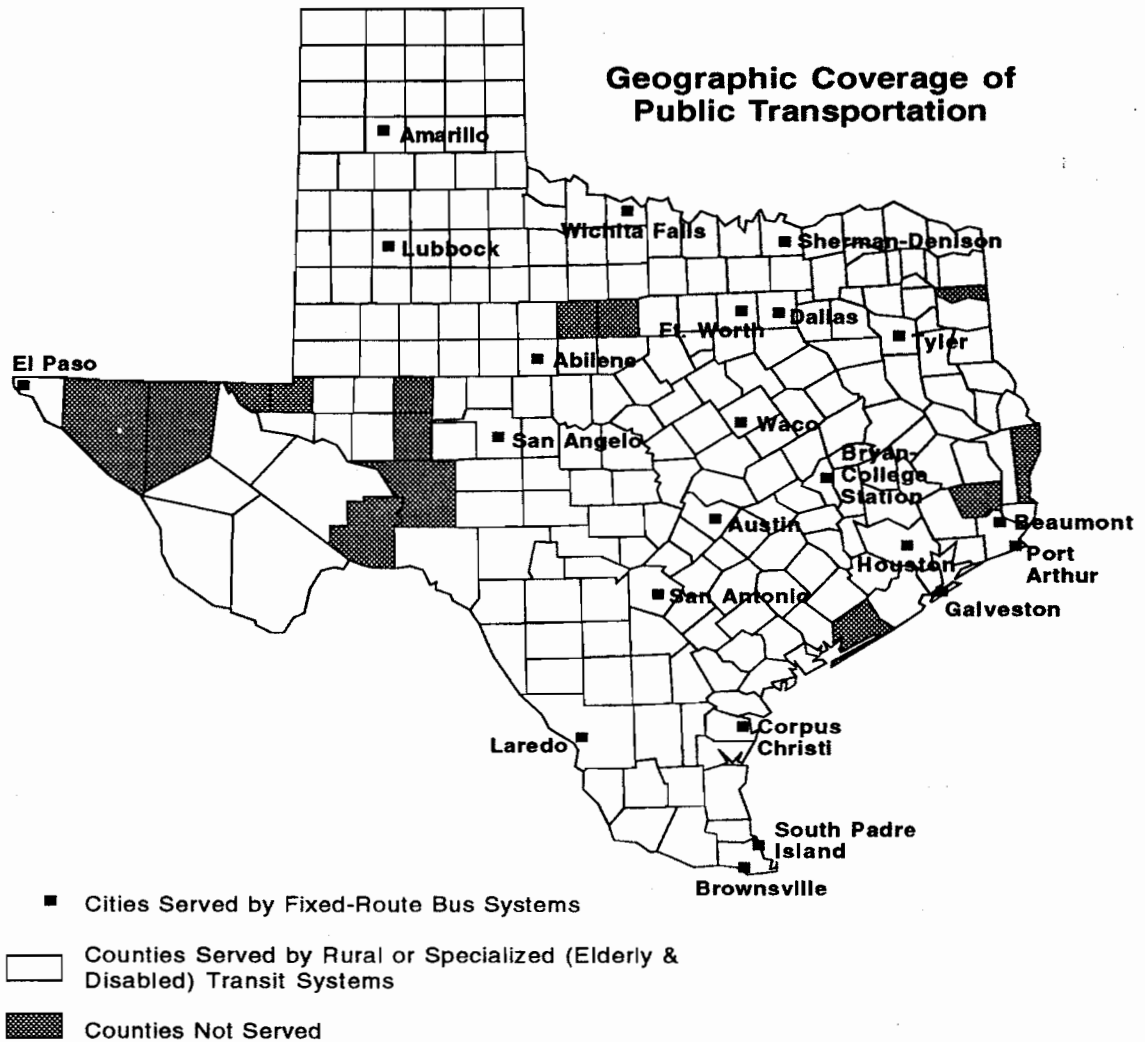
- C.Y. Ihekwoaba, CPA, CFE (Project Manager)
- Paul Flores, CPA

- **Larry Vinyard, CPA, CIA, CQA, CFE (Quality Control Reviewer)**
- **Paul H. Hagen, CPA (Audit Manager)**
- **Craig D. Kinton, CPA (Director)**

Texas Map with Location of the Metropolitan Transit Authority Offices

The mass transit authorities reviewed maintain offices in Austin, Dallas, Houston, and Corpus Christi. All areas served by mass transit authorities in Texas are shown below.

Cities and Counties Served by Public Transportation System



Source: Texas Department of Transportation. 1992 *Texas Transit Statistics*

Overview of Mass Transit Authorities' Financial Audit Management Findings (by Functional Area)

CAPITAL METRO

1993 fiscal year

Financial reporting:

- Financial Status Report was not filed in a timely manner.
- Grant #TX-90-0212 did not agree to the disbursements detail.

Grant drawdowns: Drawdowns on several grants were not processed in a timely manner.

Outstanding checks: Outstanding checks for fiscal years 1990 through 1992 were not reconciled during fiscal year 1993.

Risk management: General liability claims and workers' compensation claim payables were not reasonably stated in the annual financial statements, resulting in audit adjustments.

Uncollateralized deposits: Uncollateralized deposits totaled \$1.2 million as of September 30, 1993.

1992 fiscal year

Internal audit: The Internal Audit policy and procedures manual does not address procedures related to irregularities involving senior management.

Fixed Assets:

- The Fixed Asset Disposal Request was not being used to initiate fixed asset disposal.
- Certain obsolete fixed assets were deleted without reimbursing the Federal Transit Authority for the deletions.

Grant receivables: Certain grant receivables approximating \$87,000 relating to 1989 have not been collected as of May 1993.

Risk management: No policies and procedures address the accumulation and validation of data for internal and fiscal purposes.

1991 fiscal year

Fixed assets: No comprehensive schedule of fixed assets and the related accumulated depreciation exists.

Groundskeeping and maintenance supplies: Grounds and maintenance supplies are not being inventoried and are expensed when purchased.

Investment policy: The investment policy has not been revised since April 23, 1990.

Payroll Withholding: The withholding accounts on the general ledger could not be reconciled to the actual withholdings from the payroll register. In addition, the amounts on the general ledger did not reflect actual liability as of year end.

DALLAS AREA RAPID TRANSIT

1993 fiscal year

Property and equipment:

- Some of the leasehold improvements have been amortized over a period greater than the lease term.
- No formal policy for reviewing lease agreements exists to determine if they are capital or operating leases.

Inventory: There is no consistent pricing out of the light rail materials inventory. Some items were entered into the system at a unit price and others at a batch price.

Grants: Grant information is maintained in a duplicate system with no reconciliation of the grant information from the two systems.

Expenditures: Certain expense charges were not supported by adequate invoice documentation.

Personnel records: Some employees' files did not contain signed letters of notification and acceptance of employment in accordance with DART's policy.

Noncompliance and Questioned Cost:

- Third quarter Quarterly Progress reports with the Federal Transit Authority not filed timely.
- Quarterly Disadvantaged Business Enterprise Reports included incorrect goals and certain purchases that should have been excluded under Federal Transit Authority regulation.
- Quarterly Disadvantaged Report Enterprise Reports were filed late for the first three quarters of fiscal year 1993.
- Payment was untimely according to the provisions of the Prompt Payment Act.
- There was a lack of procedures to monitor compliance with the Davis-Bacon Act during fiscal year 1993.

1992 fiscal year

Property and Equipment:

- Property and equipment retirements and transfers are not updated in the fixed asset system on a timely basis, but only at year-end. Depreciation is estimated throughout the year, rather than calculated.

- Information concerning property and equipment additions is entered separately into the accounts payable system, the fixed asset data base, and the property subledger.
- Fixed asset system is not able to distinguish and summarize specific types of assets, including their net book values, without significant manual effort.

Budgeting and Reporting: Board members and management receive reports including financial and budget information that are not prepared by the accounting department.

Inventory:

- Inventory system does not provide management with sufficient information to perform detailed analysis of excess and obsolete parts and inventory pricing.
- Internal Audit plan did not include any observation of the physical inventory, detailed testing of the test counts, or count sheet documentation.

Claims and Litigation: Exposure to lawsuits and claims is analyzed by two departments, risk management and legal, resulting in significantly different amounts in numerous cases.

Expenditures: All expenditures are subjected to three levels of reviews.

Internal Audit:

- Internal Audit department is newly created and does not have the full complement of resources to address high-risk areas.
- Internal audit has not undergone a third-party peer review.

FTA Section 9 Reporting: Compilation of Federal Transit Authority Section 9 Report is labor intensive and subject to clerical errors.

Personnel Records: Personnel records were not always well maintained. Based on 30 employee files sampled for testing, 2 files could not be located, 1 employee had no pay documentation in his file, 10 employees did not have current pay rate information in the files, 2 employees had incorrect W-4s, and 13 employees had incorrect deduction information in their files.

Information Systems Controls:

- DART has not established independent security administration; this function is performed by two programmers and an analyst.
- All programmers have access to update and modify production programs and data.
- There was a lack of procedures to generate and review a security violations log on a daily basis.
- There was a lack of adequate reporting log to ensure that application-specific incidents are identified so that problematic trends can be addressed.
- Uninterruptible Power Supply system is not utilized for IBM machine.
- There was a lack of a formal disaster recovery plan.

1991 fiscal year

Conflict of Interest Disclosure Statement: One out of twelve employees tested did not have a current Statement of Financial Interest and Affiliation in their files.

Call Accounting System: The Call Accounting System was not operational during most of fiscal 1991, therefore, telephone usage was not monitored.

Cash Disbursements: Seven out of 56 invoices tested were not paid in a timely manner resulting in violation of the Prompt Payment Act and subjecting Dallas Area Rapid Transit to a 12 percent annual finance charge on the unpaid balance.

Charter Revenue Accounting: Delays in receiving revenue information often result in underrecording charter revenue at month end.

Fixed Assets Accounting: There was an untimely reconciliation of actual fixed assets to detailed schedules and reconciliation of categorized fixed assets schedules to the general ledger.

Information Security:

- There was a lack of written computer security policies and inconsistent guidance to users regarding their computer security responsibilities.
- Current computer security procedures over user passwords, terminal timeouts, maximum sign-on attempts, and violation reporting do not adequately protect information resources.
- Existing computer controls do not prevent unauthorized modifications to the operating system, production programs, or data files.
- A complete business continuity plan has not been implemented.

METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY, TEXAS

1993 fiscal year

Bank Reconciliation: As of August 30, 1993, no bank reconciliations for the payroll account or operating account had been prepared since May 1993. In addition, the claims and health account had not been reconciled since March 1993.

Inventory System: The perpetual inventory system is not reconciled to the general ledger.

Recording Capital Asset Additions: The practice of recording Enterprise Fund capital asset additions in the General Fixed Asset Account Group (GFAAG) results in large transfers from the GFAAG to Enterprise Fund at year end.

EDP Procedures:

- The computer write keys for Operating Time Keeping and Payroll applications have not been changed since August 26, 1992.

- The MIS policies and procedures manual has not been updated to contain detailed security procedures for the UNISYS, Local Area Network, and DEC VAX environment.
- There was a lack of program documentation and users' procedures for significant EDP applications, accounts payable, general ledger, and fixed assets.
- A contingency plan to ensure a timely recovery from either temporary or catastrophic interruptions should be formalized and tested.
- Certain change controls reviewed did not have appropriate authorization by the user and/or the Manager of Production Services.

1992 fiscal year

Improve a number operational and control procedures over EDP:

- Enhance documentation over PC user access to the mainframe.
- Strengthen tape library logging and usage procedures.
- Revise and update disaster recovery plan.
- Strengthen controls over program and runstream documentation.
- Ensure proper matching of payments to outstanding token/tickets accounts receivable.
- Ensure that sufficient accruals for legal and construction work-in-process billings have been made.
- Ensure that differences between the material management system inventory amounts and the general ledger are properly reconciled each month.
- Simplify the overhead cost allocation process.

1991 fiscal year

Refund of Sale Proceeds to Urban Mass Transit Authority (UMTA): Review and modify existing procedures for calculating refunds on asset disposal, so that future refunds to UMTA are properly calculated and made.

Reconciliation of General Ledger inventory to the MMS system: The maintenance parts inventory balance per the general ledger is not reconciled to the detailed listing on the MMS system due to complications associated with both systems. This has resulted in a difference of \$410,453 between the two systems.

Control over filing of invoices: Several vendor invoices could not be located to support certain liabilities and expenditures.

CORPUS CHRISTI REGIONAL TRANSIT AUTHORITY

1993 fiscal year

Financial reporting:

- The fiscal year 1993 monthly financial statements did not reflect an accrual for pension expense nor did the 1993 budget provide for pension expense.
- A change in accounting principles from straight-line method of depreciation to accelerated method has not been disclosed in the notes to the financial

- statements in accordance with GAAP. Secondly, adopting the accelerated method of depreciation for certain buses and not for others is questionable.
- There were 23 adjusting entries resulting in \$330,000.
 - The monthly statements of cash flow are not in accordance with generally accepted accounting principles because only changes in unrestricted cash and cash equivalents are reflected.
 - The December 1993 income statement reflected an incorrect budget amount for passenger service revenue due to the omission of a March 1993 budgetary revision.
 - The internal comparative December 1993 and 1992 balance sheets reflected unaudited 1992 balance sheet information. Secondly, contrary to the Board's policy, some departments failed to explain the variances between budgeted and actual expenditure amounts.
 - The monthly and year-end financial statements were found to deviate from generally accepted accounting principles. Such deficiencies indicate that the supervisory review by management of the Finance Department is inadequate in detecting material errors in the financial statements.

Procurement Controls:

- There are inconsistencies between written procurement procedures and actual practice.
- There was no documented contract in place during 1993 with the Authority's advertising agency and security service provider. A \$9,000 payment was made for architectural schematic design services prior to the Board's approval and execution of the contract.
- Six change orders, which totaled \$41,968, were executed on the same date without the Board's approval. In addition, a progress payment of \$60,979 was made based on a faxed copy of the payment request without any internal approval.

Grant Administrative Controls:

- Management does not have a listing of debarred or suspended parties/contractors or documentation that such a listing was reviewed prior to awarding of contracts. Without such documentation, it is difficult to monitor compliance of the federal regulation prohibiting awarding of federally funded contracts to debarred or suspended contractors is made difficult.
- Management is using an outdated wage rate listing in complying with the federal regulation which requires the monitoring of construction contractors on grant funded projects to ensure that such contractors pay laborers prevailing wage rates.
- For grant TX90-265, the financial status report incorrectly stated the cumulative amount of total funds authorized in lieu of the federal funds authorized amount; the December 31, 1993, quarterly report for three buses incorrectly stated the federal outlay to date in lieu of the total net outlay to date; for grant TX03-156, the December 31, 1993, financial status report incorrectly stated the cumulative amount of federal funds authorized by \$472,000.

Monitoring of Fare Box Receipts: Improve fare box receipt system by a periodic comparison and reconciliation of actual cash collected against what should be collected based on trip cards.

1992 fiscal year

Alternative Benefit Plans: The Authority should consider merging its single employer plan (defined benefit plan and defined contribution plan) into multiple-employer plans for purposes of less internal administration, lower administration costs, and broader based investments.

Personal Leave Liability: A detail of personal leave liability by employee as computed by the payroll system was not generated as of year end. Consequently, the auditors could not verify if the payroll system was calculating personal leave liability correctly at year end.

Unsupported Reconciling Item: There was an unsupported reconciling item of \$1,100 in the cash operating account.

Accounts Payable System Capabilities: An aged detail of accounts payable could not be generated from the accounts payable system due to system limitations.

GAAP Presentation: The annual report published for the period ending December 31, 1991, presented financial information which was not fully in accordance with generally accepted accounting principles.

1991 fiscal year

Accounts Payable Reconciliation and Documentation: Due in part to the computer system conversion, various accounts payable transactions were entered directly into the general ledger and thus bypassed the accounts payable subsidiary system.

Analysis of Amounts Due To: The transit authority had in their records \$145,613 as due to the City of Corpus Christi at year end relating to street improvements and various supplies. City staff could not confirm this amount upon inquiry due to lack of reconciliation between the City of Corpus Christi and the Authority's balances and transactions.

Improve Audit Efficiency: Consider more assistance to the independent auditors during audits in the areas of internal adjustment relating to contributed capital grants prior to closeout, accrual adjustments prior to closeout for compensated absences, and preparation of a working draft of the annual report prior to start of audit.

Copies of this report have been distributed to the following:

Legislative Audit Committee

Honorable James E. "Pete" Laney, Speaker of the House, Chair
Honorable Bob Bullock, Lieutenant Governor, Vice Chair
Senator John Montford, Chair, Senate Finance Committee
Senator Kenneth Armbrister, Chair, Senate State Affairs Committee
Representative Robert Junell, Chair, House Appropriations Committee
Representative Tom Craddick, Chair, House Ways and Means Committee

Governor of Texas

Honorable George W. Bush

Legislative Budget Board

Sunset Advisory Commission

Mass Transit Authorities

Mr. Michael Bolton, General Manager, Austin Capital Metropolitan
Transit Authority
Mr. Tom Niskala, General Manager, Corpus Christi Regional Transit
Authority
Mr. Roger S. Noble, President, Dallas Area Rapid Transit
Mr. Robert G. MacClennan, General Manager, Metropolitan Transit
Authority of Harris County, Texas