

SPECIAL AUDIT REPORT

OF

TRANSPORTATION DEMAND MANAGEMENT
ABQ RIDE DEPARTMENT

REPORT NO. 08-106



City of Albuquerque
Office of Internal Audit and Investigations

Transportation Demand Management Audit – ABQ Ride
Report No. 08-106
Executive Summary

Background: The Office of Internal Audit and Investigations (OIAI) conducted a special audit of the Transportation Demand Management (TDM) program operated by the ABQ Ride Department (ABQ Ride). The TDM program is funded by a federal flow-through grant with the New Mexico Department of Transportation (NMDOT). In Fiscal Year 2007 (FY07) ABQ Ride executed a Memorandum of Agreement (MOA) with the NMDOT to provide for the TDM program. The MOA outlined the program budget, the terms of the grant period, reporting and audit requirements, retention of records requirements, as well as performance goals, objectives and strategies.

Objective: Is ABQ Ride complying with the MOA it has with the NMDOT?

- ABQ Ride used a rate of 86% to calculate reimbursement amounts. The MOA required an 85% reimbursement rate. This difference resulted in an over billing of \$8,232.
- The combined contractual services/media buys budget line item was overspent by \$112,380 (154%). ABQ Ride did not request an MOA amendment.
- 14 of 100 (14%) invoices sampled were for transactions that took place prior to July 1, 2006, the date allowed by the MOA.
- 8 of 100 (8%) invoices sampled could not be located by ABQ Ride.
- ABQ Ride submitted each of the FY07 reimbursement requests to NMDOT an average of 27 days late.
- 4 of 100 (4%) invoices sampled were for purchases that were not within the purpose of the TDM program.

Recommendation: ABQ Ride should comply with all of the requirements of TDM MOAs.

Objective: Has ABQ Ride met its goals, objectives and strategies identified in the FY07 TDM grant application?

Thirteen of the 44 (30%) strategies in the FY 07 TDM application were not accomplished.

Recommendation: ABQ Ride should ensure that it develops and meets attainable goals, objectives and strategies for the TDM program.

Other Findings: ABQ Ride currently has four prior year TDM grant activities open and active. In FY 07, the TDM program had expenditures charged to all four prior year activities.

Recommendation: ABQ Ride should reconcile and close the four prior year grant activities that are currently open and active.

Management responses are included in the audit report.



City of Albuquerque
Office of Internal Audit and Investigations
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

May 14, 2008

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Special Audit
Transportation Demand Management Grant
08-106

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a special audit of the Transportation Demand Management (TDM) grant program operated by the ABQ Ride Department (ABQ Ride).

The TDM program encourages the citizens of Albuquerque and surrounding areas to use alternative transportation. This program includes marketing campaigns, a comprehensive customer service call center, the Business Partnership Program (BPP), the Alternative Commute Transportation (ACT) Now program, Kids in Motion (KIM) and Teens in Motion (TIM), an educational component targeting future commuters. ABQ Ride has been granted federal flow-through funds administered through the New Mexico Department of Transportation (NMDOT) for several consecutive years.

In Fiscal Year 2007 (FY07) ABQ Ride executed a Memorandum of Agreement (MOA) with the NMDOT to provide for the TDM program. The MOA defined the term of the agreement as July 1, 2006 through June 30, 2007. The grant application for the TDM Program, prepared by ABQ Ride was incorporated into the MOA. The grant application defined FY07 performance goals, objectives, strategies and the program budget.

AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Is ABQ Ride complying with the MOA it has with the NMDOT?
- Has ABQ Ride met its goals, objectives and strategies identified in the FY 07 TDM grant application?

SCOPE

Our audit did not include an examination of all functions and activities related to the TDM grant program. Our scope included TDM program processes, reports, and expenditures incurred during FY07.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, March 14, 2008 and does not reflect events or accounting entries after that date.

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.

METHODOLOGY

OIAI interviewed ABQ Ride personnel who administer the TDM program. Document and processes reviewed included the following:

- Reimbursement requests sent to NMDOT.
- Statistical sample of transactions charged to the grant.
- Supporting documentation of grant transactions.
- Current and past ABQ Ride websites.

FINDINGS

The following findings concern areas that we believe could be improved by the implementation of the related recommendations.

1. ABQ RIDE SHOULD COMPLY WITH THE REQUIREMENTS OF TDM MOAs.

A. Reimbursement of Expenditures

The FY07 MOA states that NMDOT will pay the City 85% of actual costs incurred, not to exceed \$805,000, to promote TDM program activities.

ABQ Ride submitted invoices totaling \$823,268 to NMDOT, and requested reimbursement for \$708,010 or 86% of these costs. If the proper amount of 85% had been used, the reimbursement would have been \$699,778. The use of the wrong percentage resulted in an over billing of \$8,232. The ABQ Ride employee responsible for submitting invoices and requesting reimbursement was not provided with a copy of the FY07 MOA, and was not aware of the 85% limit.

B. Budget

ABQ Ride submitted a project budget totaling \$942,182 to NMDOT. The application contained a line item for contractual services and one for media buys. ABQ Ride combined these line items when requesting reimbursement. The combined contractual services/media buys budget line item was \$205,819. ABQ Ride spent \$318,199 on the contractual services/media buys line item, overspending it by \$112,380 or 154%. According to a planner at NMDOT, deviations from the budget require an amendment to the FY07 MOA. ABQ Ride did not request an amendment.

C. Expenditures Outside the Grant Period

The FY07 MOA states “expenses incurred as of July 1, 2006 will be reimbursable...this agreement shall be in effect until June 30, 2007.”

OIAI selected a statistical sample of the 473 vendor invoices totaling \$376,846, which were charged to the FY07 TDM grant. Fourteen of the 100 (14%) invoices sampled were for transactions that took place prior to July 1, 2006. The 14 items totaled \$5,770. When this error rate is applied to the entire population, this may amount to over \$39,000 in expenditures outside of the grant period.

A contributing factor of invoices being charged outside of the grant period is the length of time from when the invoice is received to its payment and posting in the City’s accounting system. The 14 invoices mentioned above were outstanding an average of 70 days. The ABQ Ride employee responsible for preparing reimbursement requests to NMDOT uses the City’s financial reporting system, ReportNet, to identify reimbursable transactions. ReportNet shows the date the invoices were paid, which was after July 1, 2006; however, the invoice detail shows the transactions took place prior to July 1, 2006.

D. Missing Invoices

The FY07 MOA states that ABQ Ride shall maintain all books, documents, papers, accounting records, and other evidence pertaining to costs incurred on the project for three years from the date of the last expenditure report.

ABQ Ride was unable to locate 8 of the 100 (8%) invoices sampled. ABQ Ride management stated that the invoices were probably misplaced due to staff turnover.

E. Reimbursement Requests

The FY07 MOA states that invoices (reimbursement requests) are to be submitted on a quarterly basis and received by the NMDOT by the 25th day of the following month.

ABQ Ride submitted each of the quarterly reimbursement requests to NMDOT an average of 27 days after the due date:

Quarter	Date Due	Date Submitted	Days Over Due
1st	10/25/2006	12/1/2006	37
2nd	1/25/2007	2/9/2007	15
3rd	4/25/2007	5/15/2007	20
4th	7/25/2007	8/29/2007	35
	Average number of days overdue		27

The ABQ Ride employee responsible for submitting invoices and requesting reimbursement was not provided with a copy of the FY07 MOA; and therefore, did not know that a due date was specified.

F. Expenditures Outside TDM Purpose

The FY07 MOA states that only those expenses properly documented and deemed eligible will be reimbursed.

Four of the 100 (4%) invoices sampled totaling \$1,019 were for general ABQ Ride operational expenses and were not within the purpose of the TDM program. When this error rate is applied to the entire population, this may amount to almost \$7,000 in expenditures outside of the TDM

program purpose. ABQ Ride management agreed that the invoices should not have been charged to the TDM program, but did not give a reason why they were initially included.

While reviewing the FY06 and FY07 TDM expenditure detail on ReportNet, OIAI identified \$6,095 which related to another City project and was incorrectly charged to the TDM program. ABQ Ride requested reimbursement for \$225 under the FY07 TDM MOA. The former Planning and Marketing Division manager approved these invoices to be charged to the TDM program.

OIAI also identified four adjustments totaling \$1,138 where ABQ Ride received vendor credits for invoices previously reimbursed by NMDOT. ABQ Ride's subsequent reimbursement requests were not adjusted for these credits. ABQ Ride did not review credits on ReportNet to determine their effect on previously submitted reimbursements.

If ABQ Ride does not comply with the requirements of the MOAs, it might not be selected to receive future grant awards. Section 7 of the FY07 MOA states that NMDOT has the option to terminate the agreement in whole or in part if ABQ Ride, does not comply with any of the provisions.

RECOMMENDATION

ABQ Ride should:

- Comply with the requirements of TDM MOAs.
- Monitor the TDM budget and submit an amendment if it anticipates overspending line items.
- Ensure that employees involved with the TDM program have access to appropriate resources, such as the MOA and invoices.
- Determine the amount of funding that should be returned to NMDOT.

RESPONSE FROM ABQ RIDE

- *“A review of each year’s TDM grant MOA is now part of the TDM process to ensure compliance with any requirements contained in the MOA.*
- *“Work sheets for each activity have been developed and are being used to record all projected and actual expenditures. Should a need arise to transfer funds between activities, a formal request will be submitted to NMDOT outlining the proposed transfer and reason(s). No action will be taken until a response is received from NMDOT.*

- ***“A formal process is in place where all invoices are reviewed and signed off by the marketing manager, TDM grant administrator, and marketing division manager. Copies of invoice supporting documents are copied for the marketing files and photos of the item(s) purchased by the voucher are taken and made part of the marketing file package. After division coordination, the vouchers are sent to finance for processing.*”**
- ***“ABQ RIDE will research the billings and will work with the Grant Users Group and DFAS to refund the overpayment.”***

2. ABQ RIDE SHOULD ENSURE THAT IT DEVELOPS AND MEETS ATTAINABLE GOALS, OBJECTIVES AND STRATEGIES FOR THE TDM PROGRAM.

The FY07 MOA indicates how the TDM program will be undertaken and completed and identifies goals, objectives, and strategies developed by ABQ Ride. The FY07 MOA contained 44 strategies. ABQ Ride completed 31 (70%) of these. ABQ Ride did not accomplish the following 13 strategies which relate to TDM program objectives.

Strategy	Goal	Actual	Cause
# of ACT Now and BPP partner maintenance meetings.	600	286	The TDM program experienced high staff turnover which contributed to not meeting the strategy.
# of ACT NOW and BPP agreements	720	27	
# of BPP member baseline surveys administered	150	3	
# of KIM program classroom presentations	260	0	Instead of conducting KIM presentations, ABQ Ride focused on class passes. More than 2,000 passes were distributed.

- Work with Welcome Wagon, realtor organizations, homebuilders and local mortgage companies to obtain names and addresses of new residents. Each new resident would receive a promotional packet of things to do in the City and how to travel there by alternative transportation.
- Inform the public about park-and-ride locations in their neighborhoods, using direct mail and free one-trip passes. ABQ Ride did not use direct mail and free passes. ABQ Ride reported it did promote park-and-ride locations through a campaign which distributed materials at information tables.

- Continue to distribute a non-users survey that will be sent to City residents and mailed annually to determine and develop potential markets.
- Coordinate several food drives during the winter holidays to illustrate ABQ Ride's commitment to the community and improve the public's perception of ABQ Ride.
- Increase ridership in the high-end and choice commuter categories by 10% by developing a "Found Time" campaign to emphasize the importance of the extra free time "found" when you use alternative transportation.
- Present the TIM Program to charter schools.
- At middle and high schools presentations, ABQ Ride will set up information tables to sell student bus passes. When students sign up to receive a discounted bus pass, they will also receive a free 10-minute phone card. ABQ Ride set up approximately five information tables to promote and sell the summer fun bus passes; however, the free 10-minute phone cards were not distributed.
- Continue to sell Rapid Ride station naming rights as a way to increase ABQ Ride's visibility and create an identity for each station.
- Add a public information officer to the marketing staff in order to increase public awareness of ABQ Ride programs and efforts.

ABQ Ride reports the primary cause of these strategies not being achieved was due to TDM program staff turnover and vacant positions. ABQ Ride may not be selected to receive future grant awards if it does not meet its goals, strategies, and objectives outlined in the MOA.

RECOMMENDATION

ABQ Ride should ensure that it develops and meets attainable goals, objectives and strategies for the TDM program.

RESPONSE FROM ABQ RIDE

"The approach to constructing goals, objectives and strategies has changed to create a "closed loop" approach. Under this approach, division goals, linked to city goals, are supported by objectives capable of providing measurable results to allow accurate analysis for future goal and budget development."

3. ABQ RIDE SHOULD RECONCILE AND CLOSE THE FOUR PRIOR YEAR GRANT ACTIVITIES THAT ARE CURRENTLY OPEN AND ACTIVE.

ABQ Ride currently has four prior year TDM grant activities open and active. In FY07, the TDM program had expenditures charged to all four prior year activities. These grant activities and their balances as of February 2008 are listed below.

Activity Description	5717230 2001 TDM Grant	5717260 2003 TDM Grant	5717271 2005 TDM Grant	5717280 2006 TDM Grant	Total
Total Revenues	\$1,112,000	\$ 584,242	\$ 755,186	\$803,526	\$3,254,954
Total Expenses	1,109,879	731,362	962,083	422,456	3,225,780
Net Revenues/Expenses	\$ 2,121	\$(147,120)	\$(206,897)	\$381,070	\$ 29,174

ABQ Ride reviews transactions in all four prior year activities as well as the current year activity when determining which expenditures to submit for reimbursement. These prior year activities are not in balance (revenues received do not equal expenditures.) Separate records are not maintained for each grant year and current and prior year expenditures are commingled.

Generally Accepted Accounting Principles (GAAP) requires expenses be recognized in the period in which related revenue is recognized. The City is unable to determine the true expenditure amount for a specific year if the four prior year grant activities are not reconciled and closed.

RECOMMENDATION

ABQ Ride should reconcile and close the four prior year grant activities that are currently open and active.

RESPONSE FROM ABQ RIDE

“ABQ Ride, along with all the other City Departments, is participating in the City’s newly formed Grant User Group. Clearing all open grants by the fiscal year-end of the group and ABQ Ride.”

CONCLUSION

ABQ Ride should comply with the requirements of TDM MOAs, and determine, if applicable, the amount that needs to be refunded to NMDOT. OIAI believes that the overall recommendations will strengthen ABQ Ride's grant monitoring process.

We appreciate the assistance and cooperation of ABQ Ride personnel during the audit.

Budget Auditor

REVIEWED:

Audit Manager

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

Carmen Kavelman, CPA, CISA, CGAP
Director
Office of Internal Audit & Investigations

Chairperson, Accountability in Government
Oversight Committee