



Internal Audit

Bear Line Shuttle Service Contract

June 26, 2015

Office of Internal Audit



Missouri State
U N I V E R S I T Y

DATE: June 26, 2015

TO: Tom Johnson, Director of Safety and Transportation
Ken McClure, Vice President for Administrative and Information Services

CC: Clifton M. Smart III, University President

FROM: Donna Christian, Director of Internal Audit and Compliance

RE: **INTERNAL AUDIT: BEAR LINE SHUTTLE SERVICE CONTRACT**

BACKGROUND

The University's Bear Line Shuttle offers a convenient and safe way to travel on campus. The shuttle offers eight different routes starting as early as 6:00 AM and running as late as 2:00 AM. No individual fares are charged and shuttles are equipped for persons with disabilities.

The Bear Line Shuttle is mostly funded through student fees. For the 2015-2016 academic year full-time students taking seven hours or more pay \$34.08 per semester. These fees are tracked separately within the University's accounting system and used solely for the cost associated with the Bear Line Shuttle.

The University contracts with a local private transportation company to provide the Bear Line Shuttle. The current contract began July 1, 2009 and with two contractual renewals ends June 30, 2015. The University solicited proposals in early 2015 and the shuttle service contract was awarded to the low bidder, which is the local private transportation company currently under contract.

OBJECTIVE AND SCOPE

This objective of this audit was to review the terms and conditions of the University's contract for campus shuttle service, and to compare the cost of providing the shuttle service to the amount of fees paid by students annually. The scope of this audit is July 1, 2009 through June 30, 2014.

SUMMARY

The audit includes recommendations to better track expenses and to improve oversight of departmental transportation. The audit commends the University's Safety and Transportation Department for improving contract terms and initiating a system to electronically track ridership.

Donna Christian, CPA, CGFM
Director of Internal Audit and Compliance
Fieldwork Completion Date: May 29, 2015

INTERNAL AUDIT DEPARTMENT

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OBSERVATIONS, RECOMMENDATIONS AND RESPONSES

1. Bear Line Shuttle System Budget

Student fees provide funding for the Bear Line Shuttle System. These fees are accounted for in a separate fund and organization number (Transit System Fund – Shuttle System) within the University's accounting system. The shuttle service contractor and other minor expenses are paid from this fund/org. Below is a summary of the income and expenses of the Transit System Fund - Shuttle System for the last six years.

<i>Fiscal Year Ended June 30,</i>							
	2014	2013	2012	2011	2010	2009	Total
Student Fees	\$ 1,143,883	1,137,680	1,142,759	1,154,021	1,157,718	1,123,727	6,859,788
Investment Income	3,472	3,624	4,584	4,229	6,365	14,950	37,224
Total Income	<u>1,147,355</u>	<u>1,141,304</u>	<u>1,147,343</u>	<u>1,158,250</u>	<u>1,164,083</u>	<u>1,138,677</u>	<u>6,897,012</u>
Shuttle Contractor	\$ 1,139,465	1,133,215	1,087,790	1,050,869	1,045,695	969,563	6,426,597
Other Expenses	5,780	15,078	2,105	23,585	5,735	29,336	81,619
Total Expenses	<u>1,145,245</u>	<u>1,148,293</u>	<u>1,089,895</u>	<u>1,074,454</u>	<u>1,051,430</u>	<u>998,899</u>	<u>6,508,216</u>
Income over (under) Expenses	\$ <u>2,110</u>	<u>-6,989</u>	<u>57,448</u>	<u>83,796</u>	<u>112,653</u>	<u>139,778</u>	<u>388,796</u>

Income has exceeded expenses by \$388,796 since 2009; however, employee related expenses to manage the system have not been charged to this fund. Several University employees are involved in the management of the Bear Line Shuttle System, but these costs are not tracked and allocated against the student fee income, which is specifically designated to pay all shuttle service costs. While FYE 2009 through FYE 2012 showed excess revenues, which could be used to cover employee costs, FYE 2013 and 2014 did not have excess revenues to cover employee costs.

As the shuttle contractor costs continue to increase and the University becomes less likely to cover these costs with the student fees, the Office for Administrative and Information Services may consider asking students to approve an increase in the shuttle fees at some point in the future. Without allocating all costs associated with this service (such as employee costs) the University doesn't have a complete accounting of all shuttle service costs.

Recommendation:

To properly track all expenses associated with the Bear Line Shuttle System, salary and fringe benefit costs of the employees whose time is spent managing the shuttle system should be allocated to this fund.

Management Response:

Safety and Transportation will look towards a percentage model. The department will determine the percentage of the employee work load that involves managing the shuttle operations and allocate accordingly.

2. Ridership

The number of individuals riding the Bear Line Shuttle has gone down slightly while Shuttle expenses have increased slightly. The following chart reflects ridership, expenses, and the calculated cost per rider for the last six years.

<i>Fiscal Year Ending June 30,</i>	<i>Number of Riders</i>	<i>Shuttle Expenses*</i>	<i>Calculated Cost Per Rider</i>
2009	894,383	\$ 998,899	\$ 1.12
2010	966,735	\$ 1,051,431	\$ 1.09
2011	1,025,478	\$ 1,074,453	\$ 1.05
2012	1,001,746	\$ 1,089,895	\$ 1.09
2013	992,513	\$ 1,148,293	\$ 1.16
2014	928,937	\$ 1,145,245	\$ 1.23

*As reported in the Transit System Fund. Does not include employee costs.

The ridership information reflected in the chart above was collected daily by shuttle drivers manually and submitted to the University's Safety and Transportation Department. This data only included the number of riders each day by shuttle. The Safety and Transportation Department reviews this information; however, the limited detail available makes it difficult to analyze ridership and draw accurate conclusions regarding the shuttle routes.

For the Spring 2015 semester the University began tracking ridership electronically, which provides significantly more data that will be useful to the University in making future shuttle route decisions. For example, the University will now know the time of day riders used each shuttle. Also, the electronic data may be more accurate than relying on shuttle drivers to remember to count and write down the number of riders at each stop.

We commend the University's Safety and Transportation Department for implementing a system to electronically track ridership and recommend the Department begin to analyze this data to determine if shuttle routes need to be adjusted to help increase ridership and/or decrease costs.

Recommendation:

Analyze electronically collected ridership data to determine if shuttle routes need to be adjusted to help increase ridership and/or decrease costs

Management Response:

Electronic data in relation to ridership is now being utilized. Shuttle routes will be analyzed and adjusted in light of findings.

3. Bear Line Shuttle System Contract

The University's contract for shuttle services, dated July 1, 2009 through June 30, 2015, contained a provision to pay the shuttle contractor a fuel surcharge that was confusing to calculate and very time consuming to manage.

The calculation of the fuel surcharge requires the contractor to submit all fuel receipts to the University. This amounted to hundreds of individual fuel receipts over the course of each year. Based upon contract terms, the fuel surcharge is calculated each time a shuttle bus is fueled. As a result, the documentation and calculations associated with this fuel surcharge are not only time consuming for the contractor, but equally time consuming for University personnel to verify the accuracy of the surcharge calculations and review documentation. The University paid approximately \$19,000 in fuel surcharges to the transportation company during the fiscal year ending June 30, 2014.

Beginning July 1, 2015 the new Shuttle Service contract will contain a more simplified method of calculating the fuel surcharge. The surcharge will now be calculated quarterly based upon average actual fuel prices for Springfield obtained from a website (www.missourigasprices.com). This will eliminate the need for the transportation company to submit each fuel receipt to the University and no longer require the surcharge to be calculated each time fuel is purchased.

We commend the University's Safety and Transportation Department and Procurement Services for working to simplify the fuel surcharge calculation and save personnel time to manage this contract in the future.

Recommendation:

None

4. Additional Transportation Services

Amounts paid by University Departments for additional transportation services do not always agree with contract terms, and invoices submitted by the shuttle contractor do not contain adequate detail as required by the contract. University Departments often obtain transportation from the shuttle service that is outside of the normal campus shuttle routes. For example, this could include transportation for student trips or transportation to or from the airport for student groups. The University paid approximately \$55,000 and \$75,000 for additional transportation services during the fiscal years ending June 30, 2014 and 2013, respectively.

- Greenwood Laboratory School is routinely charged \$100 per hour for transportation services when the highest contracted rate for additional transportation is \$82.69 per hour for a 35-passenger bus.

- A gratuity is sometimes added to invoices for transportation services billed to departments. For example, the College of Business is routinely charged a gratuity. Contract terms do not authorize a gratuity to be charged. Approximately \$1,400 in gratuity was paid during the FYE June 30, 2014.
- Invoices from the contractor for departmental transportation services do not always provide adequate details, such as the size of the bus, number of miles traveled, number of service hours, or other circumstances. According to the contract, additional transportation services may be charged by the hour, by the mile or by the day and vary depending on the size of bus. Without adequate detailed trip information it is often unclear whether or not the amount charged agrees with contracted rates.

Several departments we communicated with during this audit were not aware that the University's contract for shuttle services also included provisions for departmental transportation services. As a result, various departments were not aware of the contracted rate amounts. Since the University's Safety and Transportation Department manages the shuttle service portion of the contract, they should consider being the central point of contact for scheduling departmental transportation and the final approval of all departmental transportation invoices. This centralized management will help ensure additional transportation charges for University departments comply with contract terms.

Recommendation:

The University's Safety and Transportation Department should consider being the central point of contact for scheduling departmental transportation and the final approval of all departmental transportation invoices.

Management Response:

Safety and Transportation will be the central point of contact. To facilitate this, the online vehicle reservation form will be updated to include shuttle reservations so there is one process to reserve these services. The shuttle contractor has been notified that all University department transportation service requests will go through Safety and Transportation.