

PERFORMANCE AUDIT REPORT

Port Authority of Allegheny County

December 2018



Commonwealth of Pennsylvania
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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**EUGENE A. DePASQUALE
AUDITOR GENERAL**

December 6, 2018

Mr. Jeffrey W. Letwin, Esq.
Chairperson
Port Authority of Allegheny County
Heinz 57 Center
345 Sixth Avenue, Third Floor
Pittsburgh, PA 15222

Ms. Katharine Eagan Kelleman
Chief Executive Officer
Port Authority of Allegheny County
Heinz 57 Center
345 Sixth Avenue, Third Floor
Pittsburgh, PA 15222

Dear Chairperson Letwin and CEO Kelleman:

This report contains the results of the Department of the Auditor General's performance audit of the Port Authority of Allegheny County (Port Authority). The audit period was January 1, 2016 through December 31, 2017.

We conducted our audit pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act, 55 P.S. § 553.2(a)(1), which requires the Department of the Auditor General to conduct a performance audit of the Port Authority at least once every four years to "review the procedures and audit, settle, and adjust the accounts of the authority." To fulfill the financial aspects of this mandate, we relied on the work of the Port Authority's independent external accounting firm and reviewed the firm's working papers for the two-year period July 1, 2015 through June 30, 2017.

To fulfill the performance component of the mandate, we conducted a performance audit in accordance with applicable 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.

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Our audit objectives were to determine the adherence to and the effectiveness of the Port Authority's hiring policies and procedures, especially for hiring police officers and transportation drivers and to determine the effectiveness of how the Port Authority manages its service routes.

Our auditors found that the Port Authority designed and adequately implemented a comprehensive hiring process and maintained sufficient documentation in its employee files to support most of its decision-making, however, it failed to document the process in formal policies and procedures and had inadequate documentation for certain applicant driver and criminal history offenses. Additionally, our auditors found that while the Port Authority monitored the performance of individual routes and attempted to improve operations, it failed to adequately address the underlying problems affecting the efficiency, effectiveness and equity of its overall route performance. Finally, our auditors found that the Port Authority's service request evaluation process is flawed, inadequately documented, and ineffective. We offer 14 recommendations to alleviate identified deficiencies and strengthen the Port Authority's policies, management controls, and oversight of its operations.

In addition to our current audit objectives, we conducted procedures to determine the status of the implementation of our prior audit findings and recommendations as presented in the audit report released in March 2014. We found all the recommendations were adequately implemented.

In closing, I want to thank the Port Authority for its cooperation and assistance during the audit. The Port Authority is in general agreement with the findings and has indicated it will consider implementing our recommendations. We will follow up at the appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Eugene A. DePasquale
Auditor General

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Executive Summary

The Port Authority of Allegheny County (Port Authority), which is the second largest public transportation system in Pennsylvania, provides public transportation services within the City of Pittsburgh, all of Allegheny County, and into portions of neighboring Beaver and Westmoreland counties. The Port Authority's mission is to provide quality transit service in a manner that is efficient, effective, and equitable. The Port Authority is governed by a Board of Directors, which is responsible for directing and managing the business and property of the Port Authority, although the Board may delegate these duties to one or more of its agents or employees as it deems necessary. On November 8, 2017, the Board hired a new Chief Executive Officer for a five-year term that began in January 2018.

The Second Class County Port Authority Act requires the Department of the Auditor General to conduct a performance audit (with some financial components) of the Port Authority at least once every four years.¹ This performance audit covered the period of January 1, 2016 through December 31, 2017. We also reviewed the Port Authority's audited financial statements conducted by an independent external accounting firm and reviewed the firm's working papers for the two-year period July 1, 2015 through June 30, 2017. Further, we conducted procedures to determine the status of the implementation of our prior audit findings and recommendations as presented in the audit report released in March 2014. Additional information on the audit scope, as well as the audit objectives and methodology, can be found in *Appendix A*.

Our performance audit results are contained in three findings with 14 recommendations. The Port Authority is in general agreement with our findings and will consider implementing the recommendations to strengthen its operations.

Finding 1 – The Port Authority designed and adequately implemented a comprehensive hiring process and maintained sufficient documentation in its employee files to support most of its decision-making; however, it failed to document the process in formal policies and procedures and had inadequate documentation for certain applicant driver and criminal history offenses.

Based on our interviews with management and staff, review of available hiring policies and written procedures, and our testing of 40 new hires, we found that the Port Authority has designed a comprehensive hiring process, but failed to document this process in formal policies and procedures. Having formal hiring policies and procedures in writing would assist the Port Authority in meeting its operational needs by identifying the key processes, communicating them to those responsible for their performance, and monitoring the implementation of the processes to ensure they are operating effectively. Additionally, we found that the Port Authority generally

¹ 55 P.S. § 553.2(a)(1).

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followed its routine hiring practices and maintained supporting documentation to evidence that each step in the process was performed, as well as that any job-specific requirements were adequately completed, documented, and maintained in the Port Authority's employment files. However, we found one situation where an employee was improperly hired based on previous driver license suspensions error and two instances of inadequate documentation regarding decision-making over hiring employees with criminal history offenses.

Finding 2 – While the Port Authority monitored the performance of individual routes and attempted to improve operations, it failed to adequately address the underlying problems affecting the efficiency, effectiveness, and equity of its overall route performance.

Using information from the National Transit Database and the Port Authority's Annual Service Reports, we evaluated the effectiveness of the Port Authority's route management through the following three metrics for bus and light rail routes: On-time performance, Percentage of time in service, and Passengers per revenue hour. We evaluated the individual routes that did not meet the Port Authority's internal guidelines for these metrics and how the Port Authority addressed the underperforming routes. We also compared the Port Authority's performance for these three metrics to that of four of its peer transit agencies in other states. We found that the Port Authority is monitoring the performance metrics and implementing changes to improve its bus and light rail routes, however, certain enhancements should be made.

The Port Authority generally relied on adjusting bus schedules to improve on-time performance, which proved ineffective with buses not being on-time in one-third of cases, and its on-time performance remains poor as compared to its peers. Additionally, although the Port Authority improved its individual bus routes that had lower percentages of time spent in service, it has yet to address the overall problem of inconvenient garage locations which resulted in poor performance as compared to its peers. Further, the Port Authority monitored its passengers per revenue hour by individual routes as well as developed and implemented plans within a timely manner to address underperforming routes with few exceptions. The Port Authority is comparable or better than its peers in this area.

Finding 3 – The Port Authority's service request evaluation process is flawed, inadequately documented, and ineffective.

We found that the Port Authority developed a service request process in 2015 after there was a surplus in its 2014 operating year. The service request process is performed annually and includes grouping like requests and scoring the requests based on reasonable efficiency, equity and effective factors and averaging the results. Of the 163 grouped requests evaluated for the 2016 and 2017 calendar years, 76 were recommended to be implemented, but only two were implemented due to budget constraints. We also found that the requests are not accumulated from year to year. This means that if a customer submits a service request and it is not

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implemented in the current year, the customer would need to submit the request again each following year for consideration. Therefore, the entire process is started from scratch and repeated each year. We also found that the service request process lacked adequate documentation to support evaluations and supervisory review procedures. We concluded that this process appears to be overly complex and time consuming with the results having little to no impact on operations.

Financial-Related Mandate, Procedures, and Results

The Port Authority contracts with an independent CPA firm for an annual audit of the Port Authority's financial statements. After reviewing the CPA firm's working papers and financial audit reports, we determined that we could place adequate reliance on the scope, quality, and timing of the audit work performed by the CPA firm to collectively satisfy our mandated responsibilities prescribed in Section 553.2(a)(1) of the Second Class County Port Authority Act.

Status of Prior Audit Findings

Our prior audit of the Port Authority dated March 24, 2014, covered the period July 1, 2007 through December 31, 2012, and contained six findings related to procurement/contracting and relocation expenses, of which four offered a total of ten recommendations. We conducted limited procedures to determine the status of the implementation of these recommendations and found that all of the prior audit recommendations were adequately implemented and the prior audit findings have been resolved.

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Introduction and Background

This audit was conducted pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act, which requires the Department of the Auditor General to conduct a performance audit of the Port Authority of Allegheny County (Port Authority) at least once every four years to “review the procedures and audit, settle, and adjust the accounts of the authority.”²

In the sections that follow, we present background information related to the Port Authority, including its mission, organizational structure, hiring process, and ridership.

Overview of the Port Authority and its Mission

In 1956, the Second Class County Port Authority Act (Act) required the establishment of port authorities for each second-class county.³ The Port Authority of Allegheny County was created in 1959 when the Pennsylvania General Assembly authorized the consolidation of 33 private transit carriers, many of which were financially failing. The consolidation included the Pittsburgh Railways Company along with 32 independent bus and inclined plane companies. The Port Authority began its mass transit operations on March 1, 1964.⁴

The Port Authority, which is the second largest public transportation system in the state, provides public transportation services within the City of Pittsburgh, all of Allegheny County, and into portions of neighboring Beaver and Westmoreland counties.⁵

The Port Authority’s mission is to deliver outstanding transportation services that “connect people to life.”⁶ Specifically, the 2017 Port Authority Transit Service Guidelines state:

The Port Authority of Allegheny County strives to provide quality transit service in a manner that is efficient, effective, and equitable. To do so, the Port Authority must make a number of decisions based on competing priorities about where demand is greatest, which types of service would work best and be most appropriate, and where limited resources can and should be used. These decisions should aim to be as fair, consistent, and transparent as possible, as the [Port]

² 55 P.S. § 553.2(a)(1). Section 553.2(d) notes that this “section shall not be construed to prohibit more frequent reviews of the books and accounts of the authority.” See 55 P.S. § 553.2(d).

³ 55 P.S. § 551, as last amended by Act 61 of 2012. Please note that the Port Authority is “a single body corporate and politic” that “shall exercise the public powers of the Commonwealth as an agency thereof.” See 55 P.S. § 553(a).

⁴ <<http://portauthority.org/paac/CompanyInfoProjects/AgencyProfile.aspx>> (accessed June 5, 2018).

⁵ Ibid.

⁶ Ibid.

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Authority is a public agency charged with using public dollars to serve a critical community need.⁷

The Port Authority fleet consists of 726 buses and 83 light rail vehicles.⁸ The Port Authority provides various services, including 97 bus routes, 3 light rail routes, and 2 inclined planes. The Port Authority also sponsors the ACCESS paratransit program, which provides door-to-door, advance reservation, shared ride services. These services are supported by:

- 7,000 transit stops and stations
- 700 shelters
- 53 Park and Ride lots
- 129 locations where customers can purchase fare cards and tickets
- Various operational centers

In 2017, it cost the Port Authority an average of \$5.94 to transport each passenger it carried. With an average fare revenue of \$1.50, the remaining costs were funded through advertising revenue, along with grants from county, state, and federal sources. The Port Authority's 2017 Annual Service Report stated that the "cost per passenger served is the highest among its peers."⁹ Port Authority management attributes these higher costs to having an older system with significant legacy costs, a strong labor union, significant congestion, and the region's unique topography. See *Appendix B* for more detail regarding the Port Authority's revenues and expenses.

Organizational Structure

The Port Authority is governed by a Board of Directors (Board).¹⁰ The Board is comprised of 11 members, six of whom are appointed by the County Executive of Allegheny County. The Governor and legislative leaders from each of the four caucuses appoint the remaining five board members.¹¹ The Governor's appointee must be a Pennsylvania resident, while all of the other

⁷ Port Authority of Allegheny County, Transit Service Guidelines, November 2017.

⁸ Port Authority of Allegheny County, 2017 Annual Service Report.

⁹ Ibid.

¹⁰ 55 P.S. § 556(a).

¹¹ The President Pro Tempore of the Pennsylvania Senate, Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives each appoint a member to the board. See 55 P.S. § 556(c) and (e.1).

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appointees must be residents of Allegheny County.¹² Board members serve a four-year term and no member may serve more than three consecutive terms.¹³

The Board is responsible for directing and managing the business and property of the Port Authority. The Board may delegate these duties to one or more of its agents or employees as it deems necessary, subject to the supervision and control of the Board.¹⁴

Additionally, the Board may hire a Chief Executive Officer (CEO) who is responsible for the daily management of the Port Authority.¹⁵ The CEO reports to the Board and has responsibility for the general supervision and management of the business affairs of the Port Authority.¹⁶ On November 8, 2017, the Board voted to hire a new CEO for a five-year term that began in January 2018.¹⁷

The CEO is aided by six senior staff members who oversee the following divisions:

- Transit operations
- Finance
- Marketing, communications and planning
- Legal and corporate services
- Human resources
- Engineering and technical support¹⁸

¹² 55 P.S. § 556(h). All of the Allegheny County’s appointees must have “expertise or substantial experience in budgeting, finance, economic development, transportation or mass transit operations.”

See also <<http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=72>> (accessed June 22, 2018).

¹³ 55 P.S. § 556(d), (e)(2)-(3), (f), and (k).

¹⁴ 55 P.S. § 553(b). *See also* By-Laws of Port Authority of Allegheny County, Article II, Section 1.

¹⁵ 55 P.S. § 553(b)(8).

¹⁶ By-Laws of Port Authority of Allegheny County, Article IV, Section 2.

¹⁷ Port Authority November 8, 2018, special board meeting minutes.

¹⁸ PAAC Organizational chart, effective January 2018.

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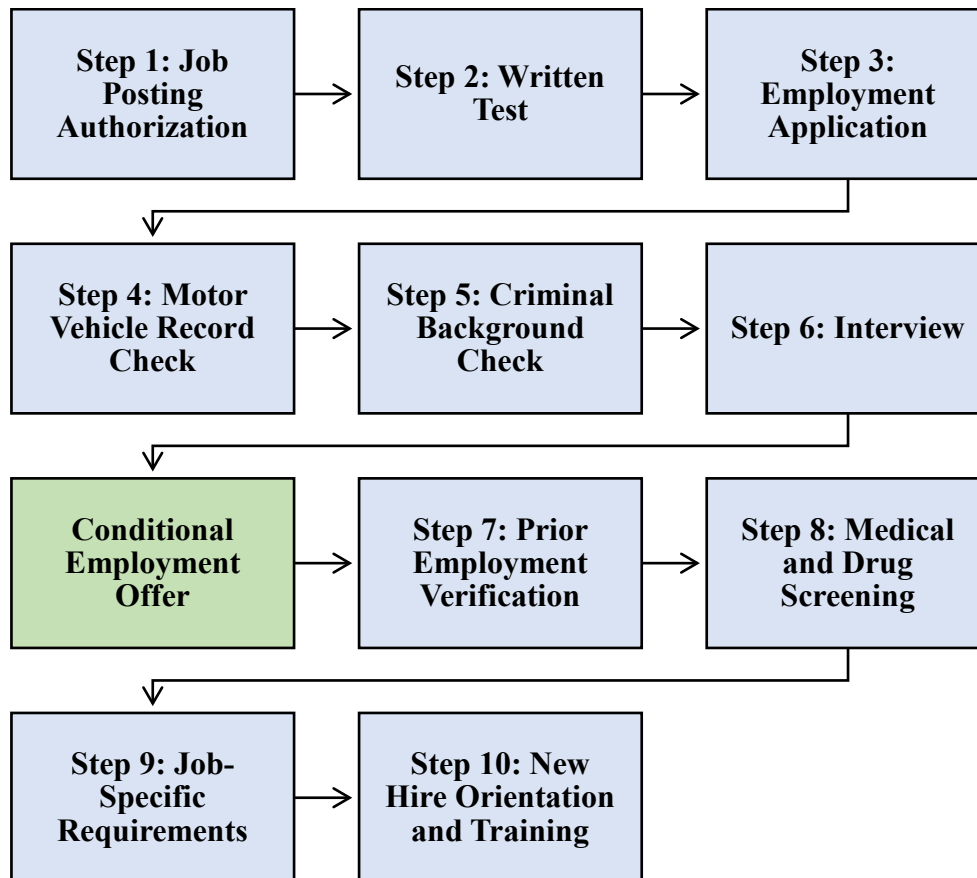
The Port Authority's Hiring Process

Approximately 2,500 Port Authority employees work at various locations throughout Allegheny County, with approximately 1,200 being transit operators. The number of active employees as of December 31, 2015, 2016, and 2017 are shown in the following table:

As of December 31	Active Employees
2015	2,517
2016	2,536
2017	2,533

Source: Created by Department of the Auditor General staff based on information provided by the Port Authority.

The Port Authority's hiring process is depicted in the next chart with a description of each step to follow.



Source: Created by the Department of the Auditor General staff based on interviews with Port Authority management.

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Step 1: Job Posting Authorization

Prior to advertising a job opening, a Job Authorization Form is completed and signed by the Division Assistant General Manager, Chief Financial Officer, Assistant General Manager of Human Resources, and Chief Executive Officer. Applicants apply for operator positions through Pennsylvania CareerLink® offices. Applicants for other positions submit resumes in response to publicly announced openings by the Port Authority.

Step 2: Written Test

Operator applicants who meet the minimum requirements for the position are scheduled to complete a written test administered and scored by a third party vendor, known as the START Transit Operator Test. This test is widely used in the transit industry and includes tests that assess an applicant's customer service, driving, reading, observation, and reporting skills.¹⁹ Applicants for transit police officer positions must complete the National Police Officer Selection Test, which is also administered and scored by a third party vendor. The test measures the basic skills of reading comprehension, writing ability, and arithmetic. Other positions do not require an initial written test.

Step 3: Employment Application

Once applicants pass any initial required written tests, the Port Authority mails the applicant an application to be completed and returned. Applications include general information about the applicant such as name, address, social security number, education history, and the applicant's work history for the previous five years. Applicants must also provide proof of the highest level of education that they achieved. Operators must have a GED or high school diploma. Other positions may require a higher level of education. Applicants must provide the Port Authority with a diploma, GED, or college transcripts as verification of education.

Step 4: Motor Vehicle Record Check

For positions that require a driver's license, the Port Authority obtains a consensual ten-year motor vehicle record for the applicant from the Pennsylvania Department of Transportation. Applicants will be disqualified from consideration for the position for the following infractions:

- A DUI within the last three years or having received two or more DUI occurrences in a lifetime.
- An at-fault accident within the last three years.

¹⁹ <<http://ergometrics.org/start.cfm>> (accessed August 8, 2018).

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- A license under suspension, cancellation, or revocation for a moving violation within the last three years or a conviction for leaving the scene of an accident involving bodily injury or death.
- Three or more license suspensions for moving violations within the last ten years.
- Four or more points on their current motor vehicle record.

Step 5: Criminal Background Check

The Port Authority obtains a criminal history for each applicant from the Pennsylvania State Police.²⁰ The Port Authority will take into account the time elapsed between any conviction and the employment application. The applicant may be disqualified from consideration for the following felony convictions:

- Crimes of a sexual nature committed against an individual including, but not limited to, rape, child molestation, and other related prohibited acts.
- Crimes involving violent or assaultive behavior including, but not limited to, murder, manslaughter, robbery, assault, battery, kidnapping, domestic abuse, mayhem, false imprisonment, extortion, prohibited carrying or use of a deadly weapon, and similar offenses.
- Crimes involving the possession, sale, use, or transportation of controlled substances.
- Crimes involving “dishonesty” including, but not limited to, theft, fraud, perjury, embezzlement, extortion, burglary, robbery, arson, forgery, bribery, and like offenses.

The Port Authority’s *Disqualification Criteria for Employment* guidelines indicate that any criminal convictions, including felonies or misdemeanors, will be reviewed on a case-by-case basis to determine the extent to which they relate to the specific position for which he or she applied. Additionally, the guidelines require that the Port Authority Employment and Development Department consult with its Legal Department before making a decision on whether a particular criminal conviction should prohibit an applicant from further consideration.

Step 6: Interview

Port Authority staff interview the applicant in a competency-based interview, which focuses its questions on past behavior of the applicant in different job-related situations in order to predict his or her future performance. All interviewers sign an Employment Process Disclosure Agreement that states he or she does not have a familial or personal relationship with the applicant. For operator positions, which are entry-level positions, one person from the Port Authority’s Employment and Development Department interviews the applicant. Applicants with satisfactory interview ratings are added to the pool of upcoming driver training classes. When a new class is announced, the applicant is offered conditional

²⁰ The “criminal history” is also known as a criminal background check.

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employment based on satisfactory results of a medical/drug screening, a Pennsylvania Child Abuse History Clearance, and securing a Commercial Driver's License permit.

For all non-operator positions, at least two Port Authority employees, one from the Employment and Development Department and one from the department that is doing the hiring, interview the applicant. Each interviewer has his or her own interview guide in which they make notes of the answers to the questions and the rating for the answer. After each interview, the interviewers will meet and agree to one rating for each question and both sign one guide that serves as the official rating. A spreadsheet is then made ranking each applicant on each question and a final score. The individual with the highest score will be offered conditional employment based on successful completion of the remaining hiring process procedures.

Step 7: Prior Employment Verification

The Port Authority staff verify prior employment listed on the application through calling the previous employer directly, verifying dates the individual worked for the company through Equifax, and/or obtaining the most recent W-2 from the applicant.

Step 8: Medical and Drug Screening

A third-party vendor performs medical examinations of the applicant. The Employment and Development Department receives an e-mail from the vendor indicating if the applicant passed, failed, or there is a hold on hiring the person. The Employment and Development Department also receives an e-mail from the Port Authority's Drug and Alcohol (D&A) Coordinator indicating if the person passed or failed the drug screening.

Step 9: Job-Specific Requirements

Operators are required to have a Commercial Driver's License (CDL) and obtain a Pennsylvania Child Abuse History Clearance. Transit Police Officers are required to complete a psychological exam administered and scored by third-party vendors, have an Act 120 Basic Training Program certification, and pass a physical agility test.²¹

Step 10: New Hire Orientation and Training

Successful candidates are then scheduled to participate in a new hire orientation and ten-week training program. As part of the new hire orientation, the employee completes a Form I-9, Employment Eligibility Verification, and verifies through their signature that they received and will read the Port Authority's policy statements. Policy statements include an

²¹ Municipal police officers' education and training program, see 53 Pa.C.S. § 2167.

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Equal Employment Opportunity and Anti-Harassment Policy, Information Technology Policies, Nepotism Policy, Patronage Policy, Conflict of Interest Policy, and other policies.

Port Authority management stated that during our audit period, there was no formal document or policy in place that specified what training courses must be completed by new employees. However, the Director of the Employment and Development Department explained that new Port Authority employees are required to complete several training courses generally within 30 days of being hired. There are different courses required for hourly, salary, and supervisors/managers as shown in the table below:

Course	Required Participation
Employee Drug and Alcohol	All Employees
Human Trafficking	All Employees
Ouch! That Stereotype Hurts	Hourly Employees
Civil Treatment for Employees	Salary Employees
Ethics: Compliance Beginning	Salary Employees
E-Mail, Think Before You Send	Salary Employees
Supervisor Drug and Alcohol	Supervisors/Managers
Civil Treatment for Leaders	Supervisors/Managers

Source: Courses and required participation provided by the Director of Employment and Development Department within the Port Authority.

Port Authority Ridership

Ridership at the Port Authority has seen a slight decrease over the past several years. Ridership data by mode of travel is shown in the following table:

Port Authority Ridership Statistics			
Mode of Transportation	2015	2016	2017
Bus	53,782,835	53,760,422	53,136,626
Rail	8,133,253	7,783,104	7,751,500
Incline	574,198	571,059	617,322
ACCESS Paratransit ^{a/}	1,512,016	1,494,399	1,479,124
Total	64,002,302	63,608,984	62,984,572

^{a/} ACCESS is door-to-door, advance reservation, shared-ride transportation provided throughout Allegheny County and to destinations in adjoining counties within 1.5 miles of the Allegheny County line, <<http://www.portauthority.org/paac/riderservices/accessparatransit.aspx>> (accessed August 17, 2018).

Source: Created by Department of the Auditor General staff based on information provided by the Port Authority.

According to the Congressional Research Services, most of the top 50 transit markets have experienced a decrease in ridership in the past several years. Data from the American Public Transportation Association indicated that annual public transportation ridership nationally

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declined by three percent between 2014 and 2016. Some factors contributing to the decline in ridership include lower gasoline prices, service problems at transit systems, increase in telecommuting for work, and the rise of ride-sourcing services.²²

The Port Authority strives to provide the highest amount of value to riders and taxpayers by maximizing the number of passenger trips provided with available resources, such as time, vehicles, and staff. Additionally, the Port Authority attempts to maximize access to the variety of destinations around Allegheny County. This includes residential, commercial, and recreational areas.²³

²² Congressional Research Services, *Trends in Public Transportation Ridership: Implications for Federal Policy*, March 26, 2018.

²³ Port Authority of Allegheny County, 2017 Annual Service Report.

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Finding 1 – The Port Authority designed and adequately implemented a comprehensive hiring process and maintained sufficient documentation in its employee files to support most of its decision-making; however, it failed to document the process in formal policies and procedures and had inadequate documentation for certain applicant driver and criminal history offenses.

As of December 31, 2017, the Port Authority of Allegheny County (Port Authority) employed 2,533 individuals, including 1,182 bus or rail operators, 45 transit police officers, and 1,306 support personnel. Support personnel includes all other positions, such as engineering, customer service, finance, human resources, and management. The Department of Employment and Organizational Development (Department) within the Port Authority’s Human Resources Division is responsible for hiring employees. Between January 1, 2016 and December 31, 2017, the Port Authority hired 330 individuals as outlined in the below table.

Job Position	Number Hired
Transit Operators	201
Transit Police Officers	14
Support Personnel	115
Total	330

Source: This data was compiled by the Department of the Auditor General staff from a PeopleSoft system report provided by the Port Authority.

Based on our interviews with management and staff from the Department, review of available hiring policy and written procedures, and our testing of 40 new hires, we found:

- The Port Authority designed a comprehensive hiring process, but failed to document this process in formal policies and procedures.
- The Port Authority generally followed its routine hiring practices. However, we found an error and instances of inadequate documentation regarding decision-making relating to applicant driver and criminal history offenses.

The Port Authority’s hiring process is outlined in detail in the *Introduction/Background* section of this report.

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The Port Authority designed a comprehensive hiring process, but failed to document this process in formal policies and procedures.

The Port Authority has a written one-page policy entitled, *Disqualification Criteria for Employment*, which lists driver's license infractions and criminal convictions that may disqualify an applicant from further consideration for a position. Additionally, the Port Authority has a three-page document entitled, *Employment Process* that describes its general hiring process. Based on our interviews with Port Authority management and the review of these two documents, we found that the Port Authority has designed a comprehensive hiring process; however, it has not documented its process into formal policies and procedures.

A hiring policy establishes the guidelines that all employees follow when recruiting and interviewing job applicants and making hiring decisions. The policy identifies the roles and responsibilities of those in charge of the hiring efforts, as well as defining the qualifications candidates must possess. To be effective, the hiring policy must be formally established, documented, and approved by the head(s) of the organization.

For example, the Commonwealth of Pennsylvania's hiring policy for non-civil service positions, has been documented in the Governor's Office Management Directive 515.10 (Amended). The Management Directive includes a policy statement that states in part that "vacancies will be filled by the best available candidates based on objective, work related criteria."²⁴ Additionally, the Management Directive contains the scope of the policy, the responsibilities of the various staff, and a detailed set of procedures. It also informs any applicant for a Commonwealth position of the expectations and timeframes, as well as informs applicable staff involved in the selection process as to their role and expectations with regard to the process.

We found that the Port Authority's *Employment Process* document is missing key procedures to be performed in the hiring process. Specifically, this document lacks:

- The requirement to use the Job Authorization Form that must be signed by the Division Assistant General Manager, Chief Financial Officer, Assistant General Manager of Human Resources, and Chief Executive Officer prior to posting and filling a job opening.
- Training requirements for new employees, including what training sessions must be completed for each job position and the timeframes in which the trainings must be completed.
- Details describing how the procedures should be performed and by whom. For example, the form indicates that qualified candidates are scheduled for a competency-based interview, but lacks detail indicating who and how many people must conduct the

²⁴ <https://www.oa.pa.gov/Policies/md/Documents/515_10.pdf> (accessed August 6, 2018). Excluding certain exceptions, this management directive only applies to all agencies under the Governor's jurisdiction.

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interviews, how the interviews should be documented, who is responsible for hiring decision-making, and how the hiring decision is made and documented.

- Details regarding how to verify prior work experience and which background checks and medical/drug screenings are required for applicants by job position.
- Requirements for supervisory reviews to ensure all required pre-employment documentation was obtained and was included in an applicant's file prior to hiring. According to the Port Authority management, the Director of the Employment and Organizational Development Department randomly reviews the files for compliance; however, we found that there is no formal process in place or documentation in the files to provide evidence that such reviews were conducted, how many are to be conducted, and how often the reviews are to be performed.

According to the Standards for Internal Control in the Federal Government, commonly known as the Green Book:

[E]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.²⁵

Having a comprehensive, consolidated hiring policy and detailed procedures there are formally adopted would assist the Port Authority in meeting its operational needs by identifying the key processes, communicating them to those responsible for their performance, and monitoring the implementation of the processes to ensure they are operating effectively. Failure to document the policy and procedures creates a risk that the hiring process may not be applied consistently throughout the organization. In addition, a formalized policy would reduce misinterpretation by staff, limit the loss of organizational knowledge during staff turnover, and minimize the risk of error or abuse within the Port Authority's hiring process.

²⁵ United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States dated September 2014, page 29, <<https://www.gao.gov/assets/670/665712.pdf>> (accessed April 9, 2018). The PA Governor's Office issued Management Directive 325.12, effective July 1, 2015, and amended May 15, 2018, which adopted these standards for implementing an effective internal control system for all Commonwealth agencies under the Governor's jurisdiction.

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The Port Authority generally followed its hiring practices; however, we found an error and instances of inadequate documentation regarding decision-making over applicant driver and criminal history offenses.

We judgmentally selected 40 of the 330 newly hired employees and examined documentation in their employment file to determine compliance with the Port Authority's hiring practices. We selected 25 transit operators hired within both years in the audit period, 5 transit police officers, and 10 support staff from various positions throughout the Port Authority. Specifically, we verified that the Port Authority retained adequate documentation to evidence that:

- The Division Assistant General Manager, Chief Financial Officer, Assistant General Manager of Human Resources, and Chief Executive Officer signed a Job Authorization Form prior to beginning the hiring process.
- The applicant passed the initial required test for the position and completed/signed an employment application.
- The Port Authority staff completed the required background check and motor vehicle record check and the applicant did not have any infractions that may require disqualification for employment.
- Port Authority staff who interviewed the applicant signed the Employment Process Disclosure Agreement to ensure they are independent and certify they do not intimately know the applicant.
- The Port Authority staff adequately completed the interview guide, recorded the applicant's questions and answers, and signed the documented results of the interview.
- The Port Authority staff verified the applicant's education and previous employment.
- The applicant obtained a Commercial Driver's License permit and PA Child Abuse History Clearance, if applicable.
- The applicant passed any required medical screening, drug screening, psychological evaluation, or other certification/test required for the position.

Based on our test work, we found that the Port Authority generally followed its hiring practices and maintained supporting documentation to evidence each step in the process was performed and any job-specific requirements were adequately completed, documented, and maintained within the Port Authority's files. However, we found three situations where the Port Authority either did not adhere to its applicant disqualification policy or failed to adequately document the reason for not disqualifying applicants with previous criminal convictions.

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- One employee was hired in April 2016 as a transit operator despite having four license suspensions for moving violations within the preceding ten years prior to the date of hire. The Port Authority Disqualification Criteria for Employment guidelines states that applicants will be disqualified from further consideration for three or more license suspensions for moving violations within the last ten years. Port Authority officials indicated that an internal error was made in counting the number of license suspensions on the driver history. The Port Authority was already aware of this oversight and had conducted mandatory re-training of its employees in March 2018 on how to count the number of suspensions on the Pennsylvania Department of Transportation history report. The hired employee with the prior license suspensions no longer worked for the Port Authority as of April 2017.
- Two employees were convicted of crimes of “dishonesty” including writing bad checks. The Port Authority takes the time from the conviction and hire date into consideration before making hiring decisions. In these two instances, the convictions occurred more than ten years prior to the date of hire. However, there was no documentation in the files that the Port Authority Legal Department was consulted prior to hiring these applicants, as required. Port Authority officials indicated that sometimes the communication between the Employment and Development Department and the Legal Department was done over the phone and documentation was not noted or maintained in the file.

In accordance with its *Disqualification Criteria for Employment*, the Port Authority’s Employment and Development Department and Legal Department must fully document consultations indicating that a comprehensive evaluation of the criminal offense was completed and must maintain the determination both in the Employment and Development Department and the Legal Department’s files. Specifically, such documentation should adequately describe the rationale for the conclusion made, such as why hiring the individual would not create unnecessary risks to the operations of the Port Authority. Failure to adhere to its motor vehicle history and criminal record disqualification policy may create additional exposure to lawsuits if a rider would be injured while in transport with a driver who does not meet the Port Authority’s policy requirements.

Recommendations for Finding 1

We recommend that the Port Authority:

1. Develop and implement an official, comprehensive hiring policy and written procedures to include, at a minimum:
 - a. Description of each step in the process, including how the procedures should be performed and by whom

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- b. Description of how each procedure should be documented including any required forms
 - c. Supervisory review procedures
 - d. Training requirements for new employees
2. Ensure that the Chief Executive Officer, Board of Directors, and the Port Authority Legal Department approve the official hiring policy and procedures and regularly review/update the procedures.
3. Comply with its disqualification guidelines and not hire individuals with a driver history that would disqualify them from consideration.
4. In close consultation with its Legal Department, conduct periodic training of staff responsible for checking drivers' histories so they fully understand how to read and interpret Pennsylvania Department of Transportation driver history reports.
5. Document all correspondence between the Employment and Development and Legal Departments regarding justification for hiring decisions regarding previous criminal convictions that need special attention pursuant to its policy.
6. Formalize a supervisory review process to ensure the driver and criminal history checks were adequately performed and any consultations with its Legal Department are adequately documented.

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Finding 2 – While the Port Authority monitored the performance of individual routes and attempted to improve operations, it failed to adequately address the underlying problems affecting the efficiency, effectiveness, and equity of its overall route performance.

The Port Authority of Allegheny County (Port Authority) provides a variety of transportation services to its customers with the majority of customers being serviced through its 97 bus routes and three light rails.²⁶ Since the Port Authority receives federal funding from the Federal Transit Administration (FTA), it is required to report certain financial and operating information to the FTA National Transit Database.²⁷ The FTA National Transit Database Policy Manual outlines the uniform reporting requirements.²⁸ The data reported can be used to calculate metrics used to measure the general efficiency and effectiveness of operations and route management.

Since the data collected is uniform across all transit agencies, it also assists transit agencies in improving operations through comparing its performance to that of its peers. The FTA also requires transit agencies to develop quantitative standards for certain indicators from which it does not collect uniform data, including vehicle load, service availability, and on-time performance. These standards will apply to each individual agency rather than across the transit industry.²⁹

The Port Authority releases an Annual Service Report to the public that presents various metrics the Port Authority utilizes to measure its goals of efficiency, effectiveness, and equity of its services, as defined in the following chart.

²⁶ During calendar year 2015, the Port Authority had 98 bus routes. It lowered to 97 bus routes in calendar year 2017.

²⁷ 49 U.S.C. § 5335(a).

²⁸ United States Department of Transportation, Federal Transit Administration, National Transit Database, Policy Manual, January 2017, <<https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/2017%20NTD%20Policy%20Manual.pdf>> (accessed October 22, 2018).

²⁹ Circular FTA C 4702.1B, Title VI Requirements and Guidelines for Federal Transit Administration Recipients, October 1, 2012, Appendix G-1, <https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/FTA_Title_VI_FINAL.pdf> (accessed October 22, 2018).

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Efficiency	Effectiveness	Equity
<ul style="list-style-type: none">• Maximizing the number of passenger trips provided with available resources, such as time, vehicles, and staff.	<ul style="list-style-type: none">• Maximizing the access to the variety of destinations around Allegheny County.	<ul style="list-style-type: none">• Maximizing the access to public transportation for persons with higher mobility needs, such as low-income persons, persons with disabilities, or the elderly.

Source: Created by the Department of the Auditor General staff from information published in the Port Authority of Allegheny County, 2017 Annual Service Report, pages 8, 14, and 18.

The Annual Service Report also presents the internal guidelines established by the Port Authority Board of Directors (Board) that serve as goals for each metric, whether individual routes met the established internal guidelines, and plans for improvement.

In order to effectively manage its service routes, transit agencies must consider a variety of related factors. The Port Authority's Transit Service Guidelines summarizes the complexities of managing service routes as follows:

The Port Authority strives to serve as many of Allegheny County's residents, workers, and visitors as it can with the resources that it has available. At the same time it needs to serve a wide variety of riders, trip types, and demands, many of which conflict with each other. For example, most riders want fast service, but many also want many bus stops in order to minimize the distances that they have to walk, which actually reduces vehicle speeds. Thus, service elements that will attract one type of rider to transit can drive other riders away, and the Port Authority must balance these competing desires.³⁰

³⁰ Port Authority of Allegheny County, Transit Service Guidelines, November 2017, <<http://www.portauthority.org/paac/Portals/0/Service%20Guidelines%20Final.pdf>> (accessed October 24, 2018).

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Using information from the National Transit Database and the Port Authority's Annual Service Reports, we evaluated the effectiveness of the Port Authority's route management through reviewing the following three metrics for bus and light rail routes:³¹

- On-time performance
- Percentage of time in service
- Passengers per revenue hour

We evaluated the number of individual routes that did not meet the Port Authority's internal guidelines for these metrics and attempted to determine whether the Port Authority adequately addressed the underperforming routes. The Port Authority's internal guidelines for these metrics are shown in *Appendix C* of this report.

Additionally, we compared the Port Authority's performance related to these three metrics to that of certain peer transit agencies. We selected four transit agencies that were identified as peer transit agencies by the Pennsylvania Department of Transportation, Pennsylvania Funding and Reform Commission, and a consulting firm that the Port Authority hired to determine its most appropriate peers, as follows:

- ❖ Maryland Transit Administration (MTA) operating in Baltimore, Maryland
- ❖ Greater Cleveland Regional Transit Authority (GCRTA) operating in Cleveland, Ohio
- ❖ Metro Transit operating in Minneapolis, Minnesota
- ❖ Bi-State Development Agency of the Missouri-Illinois District, dba St. Louis Metro, operating in St. Louis, Missouri

The peer transit agencies were selected by these entities based on similarities in city/metropolitan area populations, transit service levels, modes of service provided, or methods of route management.

Based on the results of our audit procedures, it appears that the Port Authority is monitoring performance metrics and implementing changes to improve its bus and light rail routes. However, certain enhancements should be made. Specifically, we found:

- The Port Authority generally relied on adjusting bus schedules to improve on-time performance, which proved ineffective. Its buses were not on-time in 33 percent of cases and performance remains poor as compared to other transit agencies.

³¹ Light rail is a transit mode that typically is an electric railway with a light volume traffic capacity compared to heavy rail. It is characterized by passenger rail cars operating singly (or in short, usually two car, trains) on fixed rails in shared or exclusive right-of-way, low or high platform loading, and vehicle power drawn from an overhead electric line via a trolley or a pantograph. *Source:* <<https://www.transit.dot.gov/ntd/national-transit-database-ntd-glossary>> (accessed October 22, 2018).

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- The Port Authority improved its individual bus routes that had a lower percent of time spent in service, but has yet to address the overall problem of inconvenient garage locations which resulted in poor performance as compared to its peers.
- The Port Authority monitored its passengers per revenue hour by individual routes as well as developed and implemented plans within a timely manner to address underperforming routes, with few exceptions. The Port Authority is comparable or better than its peers in this area.

The sections to follow provide further detail in these areas where improvements should be made to the Port Authority's route management.

The Port Authority generally relied on adjusting bus schedules to improve on-time performance, which proved ineffective. Its buses were not on-time in 33 percent of cases and performance remains poor as compared to other transit agencies.

On-time performance is an indication of how reliable and effective a transit agency is at providing services to its riders. Riders significantly depend on transit vehicles being at a specific place at a specific time. This is especially critical in areas where public transportation is the only option for travel to and from employment or other situations where timeliness is critical. Consistently poor performance could lead to unsatisfied customers, which may decrease ridership. On-time performance equates to the percent of occasions a bus arrives at the route's time points (key bus stops) within a defined arrival window.³²

As previously mentioned, individual public transportation providers set standards for on-time performance and define the parameters of the arrival window, or simply what "on-time" means. As a result, peer comparisons for on-time performance are somewhat different from other metrics because "on-time" does not have a standard definition, making comparisons difficult. For instance, in 2017 the Port Authority considered an arrival window of 1 minute ahead of schedule and 5 minutes behind schedule to be on-time, while another transit agency could have an arrival window spanning 7 minutes.

The Port Authority records on-time performance at every time point on every trip on every bus route through its Automatic Vehicle Location (AVL) systems linked to Global Positioning Systems onboard its buses.³³ On-time performance can be difficult to adjust due to several

³² Time points are key stops along the bus route where on-time performance is measured. On-time performance is not measured at every bus stop.

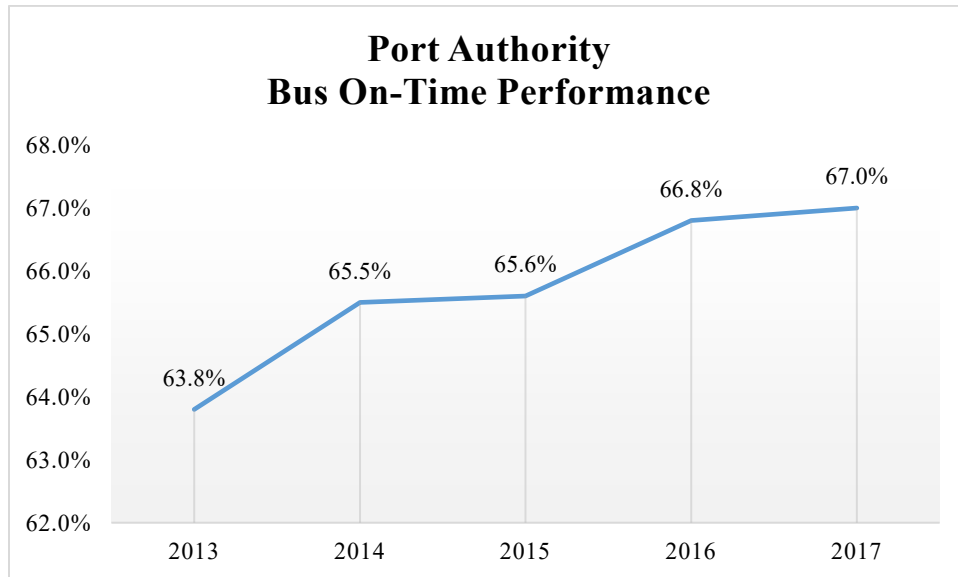
³³ Port Authority measures rail on-time performance through a manual process as AVL data is not available on these vehicles, and, due to limited samples, does not report it through the Annual Service Report as of 2017. *Source:* Port Authority of Allegheny County 2017 Annual Service Report, page 16.

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variables that cause delays which are outside the control of the Port Authority, such as traffic, construction, and weather. Based on this information, we reviewed how the Port Authority's individual routes were performing and whether the Port Authority adequately addressed the underperforming routes.

The Port Authority measures on-time performance for buses each month and updates bus schedules quarterly to adjust for changes in running times between two schedule points on a given route (within budgetary constraints). As seen in the following table, the Port Authority's on-time performance for buses has been improving since 2013; however, it was still relatively low at 67 percent in 2017. According to management, the increase was mostly due to a greater ability to analyze appropriate travel times for buses by time of day using historical location data provided by the automated systems and then adjusting schedules to match actual conditions in the field.³⁴



Source: Port Authority of Allegheny County, 2017 Annual Service Report, page 16. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

Although its bus on-time performance has slightly increased, it remains low compared to its peers. For instance, in 2017 the Minneapolis Metro and Baltimore MTA had bus on-time performance of 86 and 74 percent, respectively, using the same 6 minute arrival window.³⁵ Port Authority management attributes their poor on-time performance to peak-hour congestion which

³⁴ Port Authority of Allegheny County, 2017 Annual Service Report, page 16.

³⁵ Port Authority of Allegheny County, 2017 Annual Service Report, page 16. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

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contributes to unreliable travel times, especially within the City of Pittsburgh, making scheduling and adherence to specified times difficult.

Individual Route Management

The following chart shows the number of Port Authority routes that underperformed for calendar years 2015 through 2017. We present these numbers based on the years each route underperformed in order to avoid double counting routes that underperformed in multiple years.

Calendar Year	Number of Bus Routes Underperforming	2015	2016	2017
2015 only	2	2	0	0
2015 and 2017	15	15	0	15
2015, 2016, and 2017	23	23	23	23
2016 and 2017	10	0	10	10
2017 only	33	0	0	33
Total Underperforming	83	40	33	81
Number of Adjustments*		23	17	25
Total Routes		98	97	97

**The number of adjustments to bus schedules in this table only reflect that respective year's adjustments made to underperforming routes. It does not include any future years' adjustments made to the respective year's underperforming routes and does not include the respective year's adjustments made to routes that met the guidelines.*

Source: Compiled by the Department of the Auditor General staff from data reported in the Port Authority of Allegheny County, Annual Service Reports for 2015, 2016, and 2017. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

As seen in the above table, the Port Authority made adjustments to bus schedules for only a portion of its underperforming routes and planned to continue to make adjustments in future years. The Port Authority strengthened its guideline for on-time performance in both 2016 and 2017. Consequently, we were unable to determine whether these adjustments were considered to be successful.

In summary, we found that the Port Authority's on-time performance improved between 2013 and 2017; however, it remains poor as compared to its peer agencies. Overall, it appears the Port Authority is monitoring its on-time performance for individual routes; however, it did not address all underperforming routes. Additionally, the Port Authority generally relied on adjusting the bus schedules to improve on-time performance. The Port Authority has just recently begun to look at other factors that could improve its performance. The Port Authority created a cross functional team in October 2018 which includes people from its operations, scheduling,

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planning, maintenance, and information technology divisions, to evaluate what can be done to improve overall on-time performance. With on-time performance being a critical factor for its customers, the Port Authority should strive to do better.

The Port Authority improved its individual bus routes that had a lower percent of time spent in service, but has yet to address the overall problem of inconvenient garage locations which resulted in poor performance as compared to its peers.

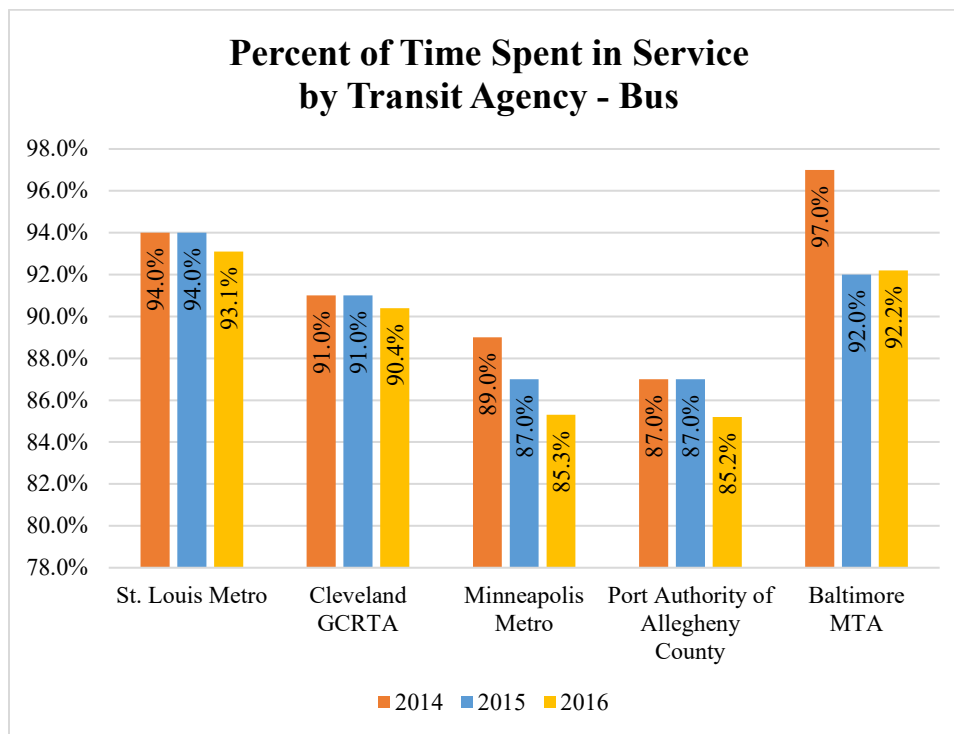
The Port Authority attempts to maximize the amount of time buses are in service.³⁶ This allows the Port Authority to provide the most service possible and indicates how efficient they are at using their resources.

In comparison with the peer agencies we reviewed, the Port Authority performed the worst for the percentage of time that buses were in service, as seen in the following table.

³⁶ Buses are considered out-of-service when the buses are heading to and from the bus garages/rail center, as well as time spent moving from the end of one route to the end of another to begin a trip on a different route. *Source:* Port Authority of Allegheny County, 2017 Transit Service Guidelines, page 12.

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Source: Compiled by the Department of the Auditor General staff from data reported in the Port Authority of Allegheny County, Annual Service Reports for 2015, 2016, and 2017. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

According to Port Authority management, its percentage of time in service is lower because of the geographic challenges of Allegheny County's street network. Also, management stated that its collective bargaining agreement obligates the Port Authority to provide vehicle operators with suitable accommodations to eat their meals. Suitable accommodations is defined as a place that has commercial food service, a noncommercial eating place where an operator may eat food brought from home, and toilet and washing facilities.³⁷ Currently, the only accommodations used are the Port Authority's four garages. Two of the garages are close to the service areas or near major roadways. The East Liberty Garage is located in the middle of its service area and the Ross Garage is located off a major roadway, so the time the buses are out of service (driving to the garages for meal periods) is less. On the other hand, the West Mifflin and Collier Garages are located away from their service areas and are surrounded by local roads. This causes the time out of service to be greater and thus less efficient.

³⁷ Agreement between Local 85 Amalgamated Transit Union Pittsburgh, PA and Port Authority of Allegheny County, Covering Wages and Working Conditions commencing July 1, 2012, Part III, Section 305 F, page 61.

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The Port Authority's light rail in-service time (97.3% in 2016) is comparable to its peers. These numbers do not vary much from one transit agency to the next because light-rail vehicle storage and maintenance facilities are almost always built near the terminals of the light-rail line.³⁸

Individual Route Management

We reviewed how the Port Authority's individual routes were performing and whether the Port Authority adequately addressed those underperforming routes according to its internal guidelines. Each route is classified under one of the Port Authority's five internal guidelines for percentage of time in service based on the mode of transportation, type of route, and service day. The following chart shows the number of bus routes that underperformed for calendar years 2015 through 2017.

Calendar Year	Number of Bus Routes Underperforming	2015	2016	2017
2015 only	1	1	0	0
2015 and 2016	6	6	6	0
2016 only	2	0	2	0
Total Underperforming	9	7	8	0
Total Routes		98	97	97

Source: Compiled by the Department of the Auditor General staff from data reported in the Port Authority of Allegheny County, Annual Service Reports for 2015, 2016, and 2017. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

Based on our discussions with Port Authority management and review of the Annual Service Reports, we found the Port Authority developed a reasonable plan, implemented it in a timely manner, and was successful in improving all nine routes that had underperformed in 2015 and/or 2016. In 2017, all of the Port Authority's routes met their guidelines.

In summary, we found that by 2017 all of the Port Authority's individual routes were meeting the internal guidelines established by the Port Authority Board. However, the Port Authority's percentage of time spent in service is low compared to its peers due to the location of its garages and resulting logistical issues. In order to improve, it is necessary for the Port Authority to bring its percentage of time spent in service in line with its peers in order to set attainable standards of improvement. Accordingly, Port Authority management indicated that it is researching alternate suitable accommodations for operator meal periods and alternate garage locations.

³⁸ Port Authority of Allegheny County, 2017 Annual Service Report, page 13.

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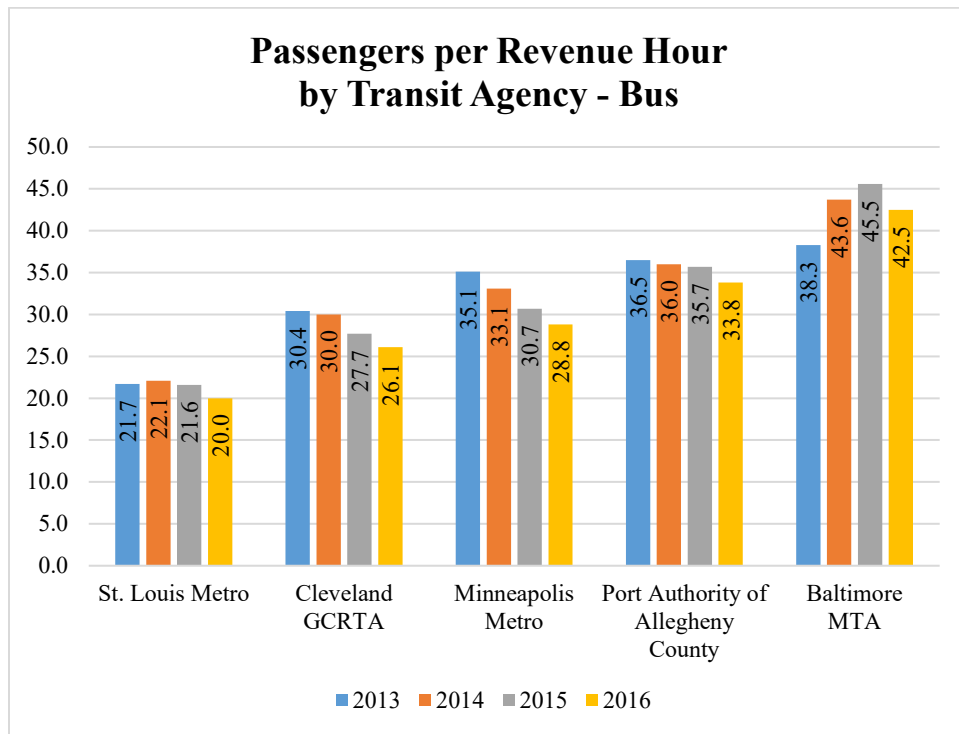
The Port Authority monitored its passengers per revenue hour by individual routes as well as developed and implemented plans within a timely manner to address underperforming routes, with few exceptions. The Port Authority is comparable or better than its peers in this area.

The more passengers that the Port Authority can carry each revenue hour, the more efficient it is at using its resources. As seen in the following charts, the Port Authority's passengers per revenue hour has been decreasing over the past several years for bus and light rail, which means the Port Authority has become less efficient in this area. It has decreased from carrying an average of 36.5 to 33.8 bus passengers per revenue hour between calendar years 2013 and 2017. According to Port Authority management, the decline follows a national trend of ridership loss on transit due to lower gasoline prices and increased use of ride-sharing services.³⁹ The trend of declining bus ridership appears to be consistent among the peer transit agencies we reviewed, with the exception of Baltimore, as seen in the following chart.

³⁹ Port Authority of Allegheny County, 2016 Annual Service Report, pages 6-7.

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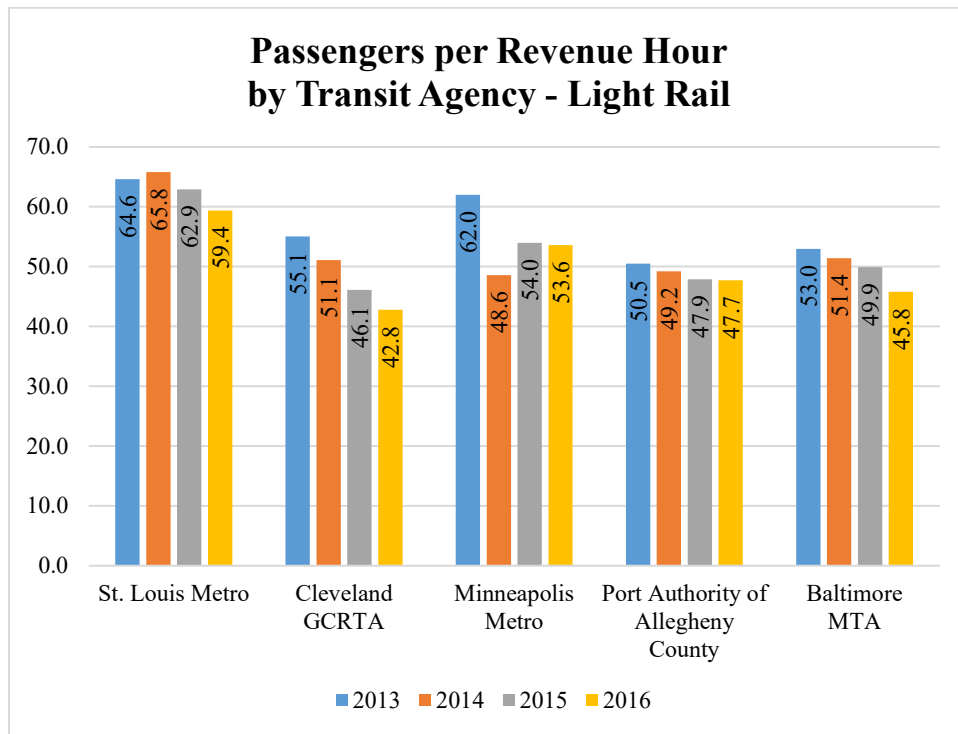
Source: Compiled by the Department of the Auditor General staff from data reported by the United States Department of Transportation, Federal Transit Administration, National Transit Database Transit Agency Profiles, <<https://www.transit.dot.gov/ntd/transit-agency-profiles>> (accessed October 19, 2018). This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

In comparison with the peer agencies we reviewed, the Port Authority had the second highest passengers per revenue hour. Therefore, although the number of passengers per revenue hour has been decreasing, it appears that the Port Authority's overall performance in this area is better than most of the peer transit agencies we compared.

For light rail transit, the Port Authority's performance appears to be average as compared to its peers. There has also been a decline in light rail ridership between calendar years 2013 and 2016; however, the decline for the Port Authority does not appear to be as much as its peer agencies as seen in the following chart.

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Source: Compiled by the Department of the Auditor General staff from data reported by the United States Department of Transportation, Federal Transit Administration, National Transit Database Transit Agency Profiles, <<https://www.transit.dot.gov/ntd/transit-agency-profiles>> (accessed October 19, 2018). This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

Individual Route Management

We also reviewed how the Port Authority's individual routes were performing as compared to its internal guidelines and whether the Port Authority adequately addressed those underperforming routes. Each route is classified under one of the Port Authority's 15 guidelines for passengers per revenue hour based on the mode of transportation, type of route, and service day. The following chart shows the number of bus and light rail routes that underperformed for calendar years 2015 through 2017.

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Calendar Year	Number of Routes Underperforming	2015	2016	2017
2015 only	2	2	0	0
2015 and 2016	2	2	2	0
2015, 2016, and 2017	6	6	6	6
2016 only	5	0	5	0
2016 and 2017	1	0	1	1
2017 only	11	0	0	11
Total Underperforming	27	10	14	18
Total Routes		102	101	101

Source: Compiled by the Department of the Auditor General staff from data reported in the Port Authority of Allegheny County, Annual Service Reports for 2015, 2016, and 2017. This data is of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient audit evidence in total to support our finding and conclusions.

To evaluate the underperforming routes, we reviewed the planned changes reported within the Annual Service Reports. We found that each year, the Port Authority developed planned changes to address each underperforming route. Generally, we found that the Port Authority's plans to fix the underperforming routes appeared reasonable. We reviewed the 27 underperforming routes (i.e., 23 bus and 4 light rail) and found:

- 9 routes where the Port Authority developed a reasonable plan, implemented it in a timely manner, and was successful in improving the performance of the routes.
- 10 routes where the time period to implement the plans (September 2018 through June 2019) has not passed; therefore, we were unable to determine if the plans were implemented in a timely manner or whether the plans improved performance.
- 6 routes where the Port Authority has implemented its plans; however, these changes have yet to be evaluated to determine whether an improvement occurred. The Port Authority Transit Service Guidelines allow up to 24 months to pass before an evaluation is required.⁴⁰ Since this time has not yet elapsed, we were unable to determine if the implemented plan was successful in fixing the performance issue.
- 2 routes that were not addressed by the Port Authority in a timely manner as follows.
 - A weekday express bus route had underperformed in calendar year 2015. The Port Authority planned to perform a marketing campaign and distribute mail flyers throughout the local area to improve awareness of this route and to attempt to stimulate ridership. However, this plan was never implemented due to a

⁴⁰ Port Authority of Allegheny County, 2017 Transit Service Guidelines, page 22.

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miscommunication between the Service Planning Department and the Marketing Department. As a result, the route continued to underperform in 2016 and 2017.

- A Sunday local route had underperformed in calendar year 2015. The Port Authority planned to reschedule Sunday trips to improve efficiency. However, there was only one bus serving this area and it could not make any changes. The Port Authority then decided to monitor the route. It continued to underperform in calendar years 2016 and 2017. The Port Authority now plans to consolidate the last two trips on Sunday evenings due to low ridership.

In summary, it appears that the Port Authority's bus and light rail passengers per revenue hour are generally in line with its peer agencies or slightly better. The Port Authority appears to be adequately monitoring its routes in this area. However, it did not timely address two of the underperforming routes. Also, we were unable to determine whether all plans were implemented and resulted in improving performance due to timing issues.

In conclusion, it appears that the Port Authority is monitoring performance metrics for individual routes and implementing changes to improve. However, the Port Authority placed too much reliance on the individual routes and did not adequately address the overall problems causing its poor performance as compared to peers for on-time performance and percent of time in service.

Recommendations for Finding 2

We recommend that the Port Authority:

1. Continue to monitor route performance on an individual basis and ensure all underperforming routes are addressed in a timely manner.
2. Implement procedures to evaluate overall route performance to assist in identifying and correcting the underlying problems.
3. Consider renegotiating the collective bargaining agreement at the end of the current term to revise its provisions that negatively affect the ability to adequately manage service routes.
4. Pursue alternate suitable accommodations for vehicle operator meal periods, alternate garage locations, and/or other strategies that could increase percentage of time in service.

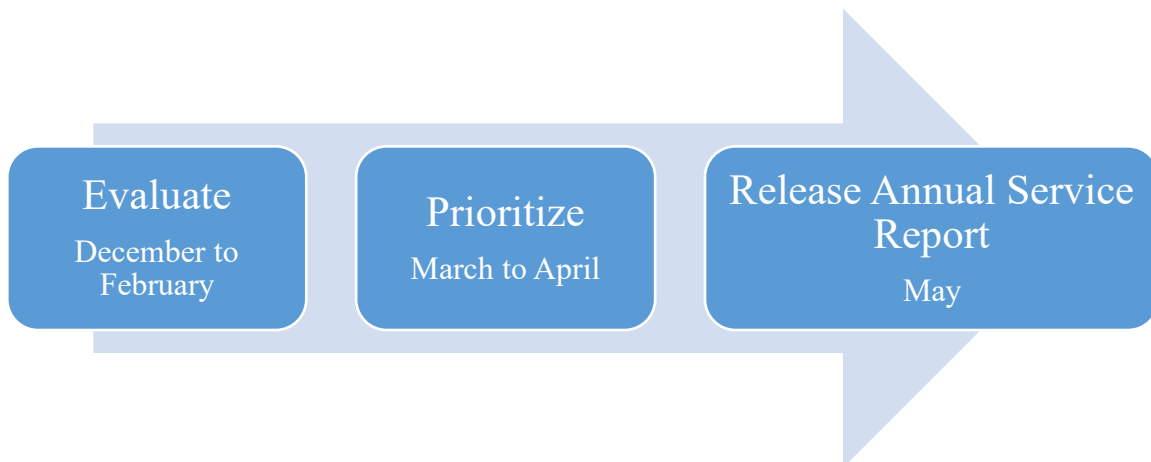
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Finding 3 – The Port Authority’s service request evaluation process is flawed, inadequately documented, and ineffective.

Responding to customer service needs is vital to the Port Authority of Allegheny County’s (Port Authority) mission and sustainability. According to management, the Port Authority had a surplus in its 2014 operating budget and, as a result, decided that they should have an objective method of evaluating service requests from the public that could be used to recommend service changes using surplus funds. The following year, the Port Authority implemented a service request process to give the public a voice in the changes they implement to bus and light rail routes and to prioritize the requests they already received. According to Port Authority officials, the public can submit their service requests in a number of ways including an online form, phone call, email, letter, petition, or at public meetings.⁴¹ Prior to this time, the Port Authority did not have a formal process for evaluating service requests and any changes were made on a case by case basis.

The Port Authority collects service requests year-round. The timing of the service request evaluation process through implementation is shown in the chart below.



Source: Created by the Department of the Auditor General staff from information on the Port Authority’s website at <<http://www.portauthority.org/paac/RiderServices/ServiceRequests.aspx>> (accessed October 18, 2018).

On December 1 of each year, the Port Authority begins its process of evaluating the service requests received throughout the year. The requests are separated into minor and major requests. According to the Transit Service Guidelines, minor changes consist of adjusting bus schedules, bus stop placements, detours, holiday or special event service adjustments, and trips; while a major service change is defined as any service change which affects more than 30% of a route’s

⁴¹ The public can submit their service requests on Port Authority’s website through an online form powered by Survey Monkey. This form can be accessed at <<https://www.surveymonkey.com/r/MRBM7QB>>.

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miles.⁴² All other requests that are either not related to services or are considered unreasonable are discarded. Our review of the service requests focused on the major requests, which includes requests to eliminate a route, expand/extend a route, create a new route, or add service days to existing routes. Individual major requests are aggregated into groups based on similarities. For instance, multiple individual requests could be made to add weekend service to the same area.

Port Authority staff calculates a score (1-100) for each of the following: efficiency, effectiveness, and equity for each grouped request.⁴³ The average of these three equally weighted scores becomes the grouped request's final score.⁴⁴ The factors considered in developing these scores are as follows:

- The efficiency score is calculated from two equally weighted categories including:
 - Total annual cost
 - Total projected ridership
- The equity score is calculated using the Port Authority's equity index. This index includes five populations which the Port Authority strives to ensure have access to their services including:
 - Low income households
 - Minority races
 - Senior citizens
 - Persons with disabilities
 - Persons without access to a vehicle
- The effectiveness score is calculated from four equally weighted categories including:
 - New service area
 - Jobs and residents served
 - Weekly added trips
 - Travel time

It seems reasonable that the Port Authority evaluates requests based on the above factors, consistent with its goals as discussed in Finding 2. After the average of the efficiency, equity, and effectiveness scores is calculated creating the final score, the grouped requests are then ranked in order from the highest overall final score to the lowest and presented in the Annual Service Report. If the grouped request requires too many key vehicles making it infeasible or if the request removes service, it is not recommended to the Board. The remaining requests, which

⁴² Port Authority of Allegheny County, 2017 Annual Service Report, page 28.

⁴³ The Port Authority's definitions of efficiency, effectiveness, and equity are outlined in Finding 2.

⁴⁴ Port Authority of Allegheny County, 2015 Annual Service Report Appendix, page 1.

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are deemed feasible based on existing constraints, are recommended to the Board for implementation if the budget allows in the ranked order. If the highest scoring request costs more than the budget allows, the request may be skipped and the next highest scoring request may be chosen for implementation. The recommended service requests received in calendar year 2016 ranged from no costs up to \$1.78 million. The recommended service requests received in calendar year 2017 ranged from \$1,000 up to \$3.22 million.

The following chart shows the total number of requests received by the Port Authority during the calendar years 2016 and 2017, including the number of requests that were considered to be major requests, the number of groups into which the individual requests were aggregated, and the number of grouped requests that were recommended and resulted in a service change.

Calendar Year	Total Service Requests Received	Major Service Requests Received	Grouped Major Service Requests	Recommended to be Implemented	Changes Implemented
2016	704	208	91	36	1
2017	116	85	72	40	1 ^{a/}
Total	820	293	163	76	2

^{a/} This service change was not yet implemented at the time of our test work, but is approved and planned to be implemented in mid-November 2018.

Source: This table was compiled by the staff of the Department of the Auditor General based on data provided by Port Authority management.

As seen in the above table, only 2 of the 76 changes to services that were recommended to be completed were able to be implemented based on budgetary constraints.⁴⁵ We commend the Port Authority for attempting to address the public needs by evaluating their concerns and requests; however, the results of our audit show improvements should be made. We found that:

- The Port Authority's service request process is flawed causing the appearance that it is not worth the time and effort to perform.
- The Port Authority's policy and procedures related to this service request process are insufficient and have not been updated to reflect current practices.
- The Port Authority's service request process lacks adequate documentation to support evaluations and supervisory review procedures.

The sections to follow provide further detail in these areas where improvements should be made to the Port Authority's service request process.

⁴⁵ The 2016 request was to extend route 78 to downtown and convert route 78 to route P78 on weekdays. This change had no related annual operating costs. The 2017 request was to reroute route 21 on every other trip via University Boulevard in Moon Township instead of Sewickley, which had an annual operating cost of \$100,000.

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The Port Authority's service request process is flawed causing the appearance that it is not worth the time and effort to perform.

According to Port Authority management, the service request process is performed annually and the requests are not accumulated from year to year. This means if a customer submits a service request and it is not implemented in the current year, the customer would need to submit the request again each following year for consideration. Management stated the process was designed this way because it would be too time consuming to update all of the prior requests to reflect any changes in conditions that may have occurred within the past year.

The listing of ranked requests serves as the order in which to implement the changes based on the available budget. For instance, if the highest ranked request would cost \$2 million and second highest would cost \$1 million, but there was only \$1 million in the budget, the second highest request would be the final recommendation to the Board. But again, any requests that were not implemented are not carried over to be considered in future years. The entire process is started from scratch and repeated in the next year.

Without accumulating the requests from year to year, all the time and effort put into the process each year appears wasted. Worse yet, only 2 of 76 scored and ranked recommended requests received in calendar years 2016 and 2017 were implemented. This process of evaluating and prioritizing service requests, which takes five months to complete, does not seem to be accomplishing the Port Authority's original intention to addressing public service requests.

Management stated that the original intent of this process was to prioritize service requests received in order to present them and make recommendations at the Board meetings. In October 2018, the Port Authority hired a new Chief Development Officer, who is currently reviewing the process and has acknowledged that moving forward, the current process may no longer be the most appropriate or efficient way to evaluate service change requests. Management stated that one idea currently being considered is a long-term (three to five years) planning approach. This would be more goal oriented and relate to the service guidelines discussed in Finding 2. Based on the results of our review, we agree that management needs to reevaluate its service request process to better meet the needs of the public while considering its goals of efficiency, effectiveness, and equity.

The Port Authority's policy and procedures related to the service request process are insufficient and have not been updated to reflect current practices.

The Port Authority's 2015 Annual Service Report included an Appendix that described the methodology of how the grouped major service requests would be scored. According to Port Authority management, this Appendix serves as its policy and procedures for the service request

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process. However, these procedures recorded in the Appendix were not formally approved by the Board and do not sufficiently address all aspects of the request evaluation process. The same Appendix was carried forward for the 2016 and 2017 Annual Service Reports. However, in 2017 the method for calculating the effectiveness score changed, but the Appendix was not updated. According to Port Authority officials, they are aware the procedures need to be updated but have not had the opportunity to do so.

The Appendix also lacks the details that formalized policy and procedures should address, including:

- Overall timeline for the service request process
- Job titles of who performs each step in the process
- Instructions on completing standard score sheets
- Supervisory review procedures
- How to document the evaluation and scoring process

According to the Standards for Internal Control in the Federal Government, commonly known as the Green Book, formalized policy and procedures are an important part of an entity's internal control. It states:

[E]ffective documentation assists in management's design of internal control by establishing and communicating the who, what, when, where, and why of internal control execution to personnel. Documentation also provides a means to retain organizational knowledge and mitigate the risk of having that knowledge limited to a few personnel, as well as a means to communicate that knowledge as needed to external parties, such as external auditors.⁴⁶

We also noted that the Appendix still appears to be in draft form even though it is posted on the Port Authority's website for the public. The document contains at least two informal notes in parentheses that appear to be editor comments. For example, the following excerpt appears under the Jobs and Residents Served portion of the Appendix:

The jobs and residents served score is calculated for proposals which that? (I'm not good with which vs. that) will serve any new areas or new areas for a particular day, similar to the new service area score. The new service area by day of the week is overlaid (another word?) with Census block group data which included the number of jobs and residents as gathered from both Census ACS 2014 data and Census Longitudinal Employer-Household Dynamics (LEHD)

⁴⁶ United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States dated September 2014, page 29, <<https://www.gao.gov/assets/670/665712.pdf>> (accessed April 9, 2018). The PA Governor's Office issued Management Directive 325.12, effective July 1, 2015 and amended May 15, 2018, which adopted these standards for implementing an effective internal control system for all Commonwealth agencies.

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survey data. Any block group whose centroid (center point) lays in the new walkable service area is assumed to be served, and the jobs and residents within that block group are counted.⁴⁷

Improving its written policy and procedures related to the service request process would assist the Port Authority in meeting its operational needs by identifying the key processes, communicating them to those responsible for their performance, and monitoring the implementation of the processes to ensure they are operating effectively. Failure to document the policy and procedures creates a risk that the scoring process may not be applied consistently for each request. In addition, a formalized policy would reduce misinterpretation by staff and reduce the loss of organizational knowledge during staff turnover.

The Port Authority's service request process lacks adequate documentation to support evaluations and supervisory review procedures.

During 2016 and 2017, according to Port Authority officials, one Port Authority staff member was primarily responsible, with some limited assistance from other staff, for the entire service request process, including collecting, compiling, scoring, and ranking all the service requests received.⁴⁸ There was no review performed by another person (supervisor) of the employee's work to ensure the process was performed accurately and consistently in accordance with the Port Authority's procedures. Without adequate supervisory review procedures, the Port Authority has no assurance that the service requests were properly evaluated in accordance with its policy and procedures and that adequate documentation exists to support the evaluations. Having additional staff or a supervisor assigned to the evaluation would provide additional assurance to the public that the evaluation process was conducted fairly with no personal preference or bias involved.

In order to determine if major service requests received by the Port Authority were evaluated in accordance with its policy and procedures, we judgmentally selected a total of 43 grouped requests as seen in the below table.

⁴⁷ Appendix to Annual Service Report Page 3

<http://www.portauthority.org/paac/RiderServices/ServiceRequests.aspx> (accessed October 10, 2018).

⁴⁸ There was a second individual that specifically assisted in calculating added service hours for a proposed schedule for each request to determine its overall cost to feed into the efficiency score.

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Calendar Year	Total Grouped Requests	Grouped Requests Reviewed	Individual Requests Included in Grouped Requests Reviewed
2016	91	24	48
2017	72	19	21
Total	163	43	69

Source: This table was compiled by the staff of the Department of the Auditor General based on data provided by Port Authority management.

For each of the grouped requests selected for review, we obtained the original individual requests received by the Port Authority. We compared the original individual requests to the Port Authority's records and determined whether the grouped request included all of the information from the individual requests. The Port Authority could not locate the original individual request for one of the 69 individual requests reviewed. This one individual request was the only request for its group. For the remaining 68 individual requests, we found the Port Authority's records were accurate and properly grouped.

We also attempted to obtain documentation from the Port Authority to support the efficiency, effectiveness, and equity scores listed within the Annual Service Reports. However, inadequate documentation exists to verify whether the evaluations were performed in accordance with policy and procedures as follows:

- The efficiency score is based on projected average costs per rider gained if the change was to be implemented. The projected cost is developed by creating a service plan for the change and estimating the total number of vehicle hours needed to complete the change. A spreadsheet called a ridership model uses current ridership data, destination data, and population data to assist in calculating the projected ridership. For 38 of 43 grouped requests reviewed, we found the Port Authority retained documentation of the ridership model results and the results agreed to the efficiency score within the Annual Service Report. However, the Port Authority was unable to locate the ridership models to support the remaining 5 efficiency scores.
- The equity score is calculated based on an index that considers how that change could affect certain populations from having adequate access to public transportation, such as low-income households, senior citizens, or persons with a disability. For 18 of the 43 grouped requests reviewed, the Port Authority provided calculation files which agreed to the equity scores in the Annual Service Report. Additionally, one grouped request was found to be infeasible and appropriately did not have an equity score. However, the Port Authority was unable to locate calculation files used to support the remaining 24 equity scores. Therefore, we were unable to determine the validity of the equity scores contained in the Annual Service Report.

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- The effectiveness score is used to project the new connections that the change in transportation will add to the community, such as new jobs and residents served. The Port Authority did not retain documentation to support these scores. According to management, the effectiveness data is embedded into a Geographic Information System (GIS) system which is a compilation of job and census data, and separate files are not retained.⁴⁹ Therefore, we were unable to review documentation to support the effectiveness scores.

Internal control standards state that management should assign key responsibilities to different people to reduce the risk of error, including having a separate person review completed tasks/transactions so no one individual controls all aspects of a process. Additionally, management should clearly document the work performed “in a manner that allows the documentation to be readily available for examination.”⁵⁰

The Port Authority’s service request process is still relatively new, as it was only established in 2015, and the Port Authority has taken steps to improve the process, such as assigning additional staff to assist in the process in 2017. We also recognize that budgetary-related constraints and concerns impact the decision-making process in regards to service requests. However, the Port Authority should redesign this process and update its written policies and procedures to ensure the effectiveness of the program and its accountability to the public it serves. The Port Authority should also consistently document and maintain its evaluation and scoring of the requests.

Currently, this process appears to be overly complex and time consuming with the results having little to no impact on operations. Port Authority management recognizes this process may not be the most appropriate or effective way to look at service requests moving forward and has plans to reevaluate the process to determine whether it is serving the purpose for which it was originally intended.

Recommendations for Finding 3

We recommend that the Port Authority:

1. Evaluate the design of the service request process to ensure the results are of benefit to operations and outweigh the costs.

⁴⁹ A geographic information system (GIS) is a computer system used for storing and displaying data related to positions on Earth’s surface. This system can include data about people, landscape, and landmarks. *Source:* <<https://www.nationalgeographic.org/encyclopedia/geographic-information-system-gis/>> (accessed October 19, 2018).

⁵⁰ United States Government Accountability Office Standards for the Internal Control in the Federal Government by the Comptroller General of the United States, dated September 2014, pages 47-48.

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2. Consider revising the timing of the service request process to ensure funds are available within the budget prior to conducting the evaluation and scoring of service requests.
3. Create formal policies and procedures for the service request process that are approved by the Board, including, at a minimum:
 - a. Description of the overall timeline for the service request process
 - b. Job titles of who performs each step in the process
 - c. Detailed instructions on how to calculate each score
 - d. Description of how to document the evaluation and scoring process
 - e. Supervisory review procedures
4. Implement procedures for supervisory review throughout the service request evaluation process, including input and aggregation of the individual requests, evaluation and scoring of the aggregated request groups, ranking/prioritization to recommend changes, and presentation in the Annual Service Report.

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Financial-Related Mandate, Procedures, and Results

This report addresses the financial-related mandate in Section 553.2(a)(1) of the Second Class County Port Authority Act, which requires the Department of the Auditor General to conduct a performance audit of the Port Authority at least once every four years to “review the procedures and audit, settle and adjust the accounts of the authority.”⁵¹

The Port Authority of Allegheny County (Port Authority) contracts with an independent CPA firm for an annual audit of the Port Authority’s financial statements. The Department of the Auditor General reviewed the CPA firm’s working papers and financial audit reports to determine if the above-mentioned mandated requirements pertaining to the financial review have been fulfilled or whether additional procedures needed to be performed in order to fulfill these mandated responsibilities.

We performed the following procedures to determine whether the audit work performed by the CPA firm for the Port Authority financial statement audits contained in its Single Audits for the fiscal years ended June 30, 2016 and 2017 adequately addressed the mandated requirements pertaining to the financial review of the accounts of the Port Authority:

- Verified that the CPA firm auditors were independent to conduct these financial audits of the Port Authority.
- Verified the CPA firm auditors possessed the technical knowledge, skills, and experience necessary to perform and report on the financial audits of the Port Authority.
- Obtained a copy of the most recent peer review report of the CPA firm, which included a rating of *Pass* for the year ended May 31, 2016.⁵²
- Obtained a copy of the Quality Control Review performed by the U.S. Department of Transportation (U.S. DOT) of the CPA firm’s Single Audit of the Port Authority’s U.S. DOT major grant programs for the fiscal year ended June 30, 2015. The CPA firm received an overall rating of *pass*.
- Reviewed the CPA firm’s working papers related to these financial statement audits.

⁵¹ 55 P.S. § 553.2(a)(1).

⁵² External peer reviews are required to be conducted at least once every three years by reviewers independent of the audit organization, per the Government Auditing Standards, 2011 Revision, paragraph 3.82 b. Paragraph 3.101 indicates that the best peer review rating is *Pass*.

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- Reviewed these financial statement audit reports and noted that the CPA firm issued unmodified opinions for each fiscal year.⁵³

Based on these procedures, nothing came to our attention that would warrant the extension of our audit procedures to encompass additional coverage of the aforementioned mandate. It appears we can place adequate reliance on the scope, quality, and timing of the audit work performed by the CPA firm to collectively satisfy our mandated responsibilities prescribed in Section 553.2(a)(1) of the Second Class County Port Authority Act.

⁵³ The most recent audit of the Port Authority (for the fiscal year ended June 30, 2017) can be found at <http://www.portauthority.org/PAAC/Portals/Capital/SingleAudits/SingleAudit17.pdf> (accessed June 29, 2018).

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Status of Prior Audit Findings

Our prior audit of the Port Authority of Allegheny County (Port Authority) dated March 24, 2014, covered the period July 1, 2007 through December 31, 2012, and contained six findings. Two of the six prior audit findings did not offer recommendations. The following section provides the status of the remaining four prior audit findings, which contained ten recommendations.

Prior Finding 1 - The Port Authority did not comply with its own procurement requirements and did not implement FTA recommendations when awarding contracts. (Resolved)

In our prior audit, we tested 46 contracts and found several instances where the Port Authority did not consistently comply with its procurement requirements and did not implement Federal Transit Administration (FTA) recommendations related to vendor debarment and suspension of participating in any program which receives federal funds. Specifically, we found the following:

- The files for three contracts awarded after the FTA’s 2011 recommendations did not contain evidence that the Port Authority checked the Excluded Parties List System (EPLS) prior to awarding a contract, which was required for all contracts exceeding \$25,000.⁵⁴
- Although we found that the Port Authority obtained the signed suspension and debarment certifications for the 46 contractors reviewed, we found that the files for 12 contracts did not contain signed suspension and debarment certifications for the 50 associated subcontractors and did not include evidence that the Port Authority checked the EPLS for these subcontractors at the time of the award.⁵⁵
- The files for five contracts did not include the required certifications for 10 of the associated subcontractors (that had subcontracts greater than \$100,000) attesting that each did not use federal funds “to pay any person for influencing or attempting to influence an officer or employee of any agency, a Member of Congress, an officer or employee of Congress, or an employee of a Member of Congress.”⁵⁶

⁵⁴ EPLS is an electronic, web-based system that identifies those parties excluded from receiving federal contracts and certain types of federal assistance and benefits.

⁵⁵ FTA Circular 4220.1F, Chapter IV, page 5,

<<https://www.transit.dot.gov/sites/fta.dot.gov/files/docs/Third%20Party%20Contracting%20Guidance%20%28Circular%204220.1F%29.pdf>> (accessed July 31, 2018).

⁵⁶ 31 U.S.C. § 1352.

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- For one contract, the Port Authority did not allow 30 days from the time the bid was advertised to the date the sealed bids were opened. This is in violation of the Port Authority's procurement manuals for contracts with an anticipated value in excess of \$100,000.
- Of the four contracts that were awarded sole source, we found that one was not signed by appropriate management personnel. Additionally, there was no evidence that the Port Authority's legal department reviewed and approved the contract.

We recommended that the Port Authority: (1) Check the EPLS prior to awarding any and all contracts exceeding \$25,000 and maintain documentation of such checks in its contract files; (2) Obtain proper lobbying and suspension and debarment certifications from contractors and subcontractors in compliance with its policies, procedures, and contracts; (3) Publish advertisements, including records thereof, for its invitations to bid at least 30 days prior to the bid opening in compliance with its policies and procedures; and (4) Ensure that all sole source procurements receive the required management oversight and approval, as well as legal review and approval, before the contracts are awarded.

Status as of this audit

The Port Authority executed 297 contracts valued at over \$100,000 between January 1, 2016 and December 31, 2017. During our current audit, we judgmentally selected 12 of the 297 contracts to review. We ensured our selection of contracts spanned the different types of contracts, including sole source contracts, construction contracts, professional service contracts, and contracts for services or materials obtained through request for bids. We found the following:

- The Port Authority checked the exclusion records in the System for Award Management (SAM) prior to awarding contracts in order to verify the contractors were not suspended or debarred.⁵⁷ We found that the Port Authority adequately documented its SAM review within its contract files and none of the 12 contractors had been suspended or debarred.
- The Port Authority's standard request for proposal requires contractors to sign a statement on a Subcontractor Utilization Report, which certifies that the contractor verified each of its subcontractors with contracts over \$25,000 were not suspended or debarred according to the SAM.⁵⁸ The 12 contracts reviewed contained a total of 25

⁵⁷ In July 2012, EPLS was combined with other national contractor data into one main contractor database, entitled the System of Award Management. The exclusion records in the SAM still contain the names of parties debarred, suspended, or otherwise excluded by agencies, as well as parties declared ineligible under statutory or regulatory authority. *Source:* <<https://uscontractorregistration.com/about-sam/>> (accessed July 31, 2018).

⁵⁸ Each contractor signs the following statement: "For each lower tier 'covered transaction' (2 C.F.R. Part 180) for the Work which equals or exceeds \$25,000, the Contractor hereby represents and certifies to Authority that the Contractor has independently verified that each person with which it has entered into such a transaction is not

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subcontractors with contracts over \$25,000 and each had a signed certification statement on the Subcontractor Utilization Report within its contract file.

- Eleven of the 12 contracts reviewed did not involve federal funding. The remaining contract had four subcontractors with appropriated federal funds over \$100,000 each. We verified the Port Authority obtained and maintained those lobbying certifications within its contract file.
- Of the 10 contracts competitively bid, we verified that the Port Authority publicly advertised its invitation for bids 30 days prior to bid opening for all ten competitively bid contracts.
- Of the two contracts that were sole source procurements, we verified that the Port Authority obtained proper approvals prior to awarding these two sole source contracts. The documented approvals included the Department Head, Director of Purchasing, and a representative of the Legal Department as required by the Port Authority's policies.

Based on the results of our limited procedures, nothing came to our attention to suggest the prior audit recommendations were not adequately implemented. Therefore, we consider the prior audit finding to be resolved.

Prior Finding 2 - The Port Authority made questionable decisions regarding some of its contracts. (Resolved)

In our prior audit, we reviewed 46 contracts and found the Port Authority did not take adequate and appropriate actions to ensure it prudently spent its funds on three contracts. Specifically, we found that the Port Authority:

- Automatically extended a contract for equipment cleaner despite test results showing the product performed poorly and potentially caused adverse health effects.
- Automatically extended two service contracts without any price comparisons to ensure that it was still receiving the service at the lowest possible price.
- Paid over \$60,000 to a contractor to develop a fare policy that had not been adopted as of November 2013, or over more than two years after the policy was presented to the board of directors.

disbarred or disqualified from entering the transaction and has also verified the debarment status of each such person by utilizing the current list of suspended and debarred contractors at <https://www.sam.gov>.”

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We recommended that the Port Authority: (1) Not automatically extend contracts that were originally awarded based on lowest bid without first conducting and documenting a price comparison to ensure extending the contract would be the most fiscally prudent decision as well as document such a comparison in the contract file; (2) Timely and appropriately respond to product performance tests in order to avoid the automatic extension of contracts for poorly performing products; and (3) Evaluate its needs before awarding any contract or contract extension to ensure that it only spends funds on products that it will use, as well as products that do not potentially harm its employees.

Status as of this audit

Between January 1, 2015 and December 31, 2017, the Port Authority had 109 active contracts that were extended beyond the original terms. We selected five of those contracts where extensions were exercised. For all five contract extensions, we found that a representative from the department managing the contract prepared the justification for the contract extension, including an evaluation of the contractor performance and a cost analysis. The Port Authority purchasing department manager reviewed and signed each cost analysis prior to exercising the extension. Based on our review of the justification and cost analysis, it appears that the determination to extend these contracts was reasonable. As a result, our prior audit recommendations were implemented and the prior audit finding is resolved.

Prior Finding 3 - The Port Authority failed to adequately prepare contract bid proposals for two contracts, which led to change orders that significantly increased the cost of each contract and possibly resulted in other vendors not submitting bids. (Resolved)

In our prior audit, we reviewed 46 contracts and found two instances in which the Port Authority had to increase the value of its contracts after the contracts were awarded because the Port Authority did not perform adequate project planning prior to awarding the contracts. In both instances, the Port Authority selected a vendor based on responses to a poorly developed request for bids.

First, the Port Authority awarded a contract totaling \$841,215 to a vendor to overlay pavement on a large parking lot owned by the Port Authority. However, after completing a portion of the lot, the Port Authority officials decided a full-depth paving was needed, and increased the contract by \$520,000, or 62 percent. Second, the Port Authority awarded a contract totaling \$1.0 million to an electrical vendor for upgrades and improvements to property and facilities owned or operated by the Port Authority. The contract was increased by \$700,000, or 70 percent, after operations personnel performed a site visit and discovered electrical equipment needed to be relocated.

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We recommended that the Port Authority adequately plan needed work before issuing request for bids documents, including conducting all necessary and thorough site visits, ensuring adequate competition among vendors, monitoring of projects on a regular basis, and considering the potential effects of cheaper methods of work.

Status of as this audit

The Port Authority awarded 297 contracts exceeding \$100,000 with a start date between January 1, 2016 and December 31, 2017. We judgmentally selected 12 contracts that exceeded \$100,000 to review. Six of the 12 contracts had change orders; however, they were not the result of significant changes to the original request for bids document and were not excessive. Two of the contracts with change orders caused the contract amount to be decreased and the other four contract increases ranged from 1.3 to 4.7 percent of the original contract value.

Additionally, according to the Port Authority's policy, its Board of Directors must approve any change orders to engineering and construction contracts that increases the value of the contract by more than ten percent or if the amount of the change order is more than \$200,000. For further evidence to assess whether any contracts incurred excessive change orders, we reviewed the Port Authority Board of Director's meeting minutes from January 2016 through December 2017 and did not find any approvals for change orders for construction and engineering contracts.

Based on the results of our limited procedures, including the fact that the Board minutes showed no contracts with change orders exceeding \$200,000 and the results of our review of 12 selected contracts, nothing came to our attention to suggest the prior audit recommendations were not adequately implemented. Therefore, we consider the prior audit finding to be resolved.

Prior Finding 4 - The Port Authority paid excessive relocation expenses of more than \$28,000 to one employee and failed to properly adhere to its relocation policy for two other employees, which cost the Port Authority nearly \$5,000. (Resolved)

In November 2007, the Port Authority implemented an employee relocation policy that stated the total of all relocation expenses for one employee should not exceed \$35,000. Additionally, the policy stated the monthly maximum for temporary board and lodging was \$2,000 per month and should not be paid for more than 60 days, unless otherwise approved by the Chief Executive Officer (CEO). In our prior audit, we found one employee was paid \$28,695 for relocation expenses, including temporary lodging for five months at a cost of \$2,150 per month. The CEO provided written approval for these expenses. Therefore, the Port Authority was in compliance with its policy; however, these expenses appeared to be excessive when compared to other employees and documentation did not justify the high level of expenses. Additionally, the Port

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Authority erroneously paid for two months of lodging twice, resulting in an overpayment of \$4,300, but once we brought it the Port Authority's attention, the employee paid the money back.

We also found that one employee that was paid \$2,575 in relocation expenses left employment within two months of hire and another employee that was paid \$4,347 for relocation expenses left employment less than two years after hire. The Port Authority failed to enforce its policy, whereby an employee must reimburse the Port Authority 100 percent of relocation expenses if he or she left employment within one year of hire and 50 percent if between one and two years of hire.

We recommended that the Port Authority: (1) Adhere to its relocation policy and only reimburse employees for expenses within the prescribed maximums of the policy, or if exceptions are made, document justification from both the CEO and its Board of Directors; and (2) Enforce its relocation policy provision requiring a refund to the agency in the event of an employee's resignation within two years of hire and ensure that it includes appropriate language that details the provisions of the relocation policy in all employment letters.

Status as of this audit

In August 2013, the Port Authority revised its relocation policy to provide that if relocation expenses are to exceed \$20,000, or if any exceptions to the policy are going to be offered to a candidate, the CEO (or designee) must document the justification in writing and receive written concurrence from the Port Authority's Board of Directors before the relocation expenses are authorized, approved, or paid.

In January 2018, the Port Authority revised its relocation policy again to require that any relocation benefits offered to a new employee for the CEO position must be reviewed and approved by the Chair of the Port Authority's Board of Directors. Additionally, the revised policy states that the Port Authority may also increase the gross amount of the payment to account for the taxes that would be deducted from the employee's reimbursement.

For the period January 1, 2016 through December 31, 2017, the Port Authority reimbursed three employees a total of \$29,865, including \$21,919 for the new CEO that started in January 2018. All expenses included receipts and other supporting documentation dated prior to reimbursement. Reimbursement for the new CEO included \$14,449 in actual expenses and \$7,470 for taxes. The reimbursement was approved by the Port Authority Board Chairman. The reimbursements for the other two employees were approved by the Director of Employment and Development, Director of Human Resources, and Chief Financial Officer in compliance with its policy. As of our review, all three individuals were still employed by the Port Authority; therefore, no refunds of relocation expenses were required.

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Based on the results of our procedures, the prior audit recommendations were implemented and the prior audit finding is resolved.

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Port Authority of Allegheny County's Response and Auditor's Conclusion

We provided copies of our draft audit findings and status of prior findings and related recommendations to the Port Authority of Allegheny County (Port Authority) for its review. On the pages that follow, we included the Port Authority's response in its entirety. Following the Port Authority's response is our auditor's conclusion.

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Audit Response from the Port Authority of Allegheny County

**Port Authority of Allegheny County's Response to
Department of the Auditor General's
2018 Draft Performance Audit Report**

Date Draft Report Received by Port Authority: November 9, 2018
Date of Port Authority's Response to Draft Report: November 27, 2018

FINDING NO. 1 – The Port Authority generally followed its hiring practices; however, we found an error and instances of inadequate documentation regarding decision-making over applicant driver and criminal history offenses.

Auditor General Recommendations for Finding 1 and Port Authority's Responses:

1. Develop and implement an official, comprehensive hiring policy and written procedures to include, at a minimum:
 - a. Description of each step in the process, including how the procedures should be performed and by whom.
 - b. Description of how each procedure should be documented including any required forms
 - c. Supervisory review procedures
 - d. Training requirement for new employees

Port Authority's Response: Port Authority concurs with this recommendation and its Employment Department and Legal Department personnel have prepared a proposed Employment Process Policy (Employment Policy), attached hereto as Exhibit "A." This proposed Employment Process Policy would be presented to Port Authority's Chief Executive Officer and Chief Legal Officer for review and approval prior to administrative issuance by Port Authority's Chief Human Resources Officer. A copy of the Employment Process Policy would also be provided to Port Authority Board Members upon its issuance.

2. Ensure that the Chief Executive Officer, Board of Directors, and the Port Authority Legal Department approve the official hiring policy and procedures and regularly review/update the procedures.

Port Authority's Response: As currently proposed and as noted above, the Employment Policy would be subject to Chief Executive Officer and Legal and Consulting Services Department review and approval prior to issuance and prior to any subsequent amendments or updates being made to the Employment Policy. See Employment Policy at Page 1, Section 6, PROCEDURES. Additionally, a copy of the Employment Policy would be provided to Port Authority's Board Members upon its issuance and when any subsequent amendments or updates are made to the Employment Policy. Port Authority

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management has drafted the Employment Policy in this manner in recognition of the fact that Port Authority's Board has delegated, pursuant to Section 556 of the Second Class County Port Authority Act and the Board-adopted Limits of Authority Policy, the hiring of employees to Port Authority's Chief Executive Officer and her designated management team. Accordingly, Port Authority management believes that the Employment Policy is more appropriately issued administratively at the management-level rather than a policy that should be subject to formal Port Authority Board review and adoption.

3. Comply with its disqualification guidelines and not hire individuals with a driver history that would disqualify them from consideration.

Port Authority's Response: As currently proposed, a senior recruiter, manager or director within the Employment Department will review the candidate file, including all background and motor vehicle checks, to assess and ensure the accuracy of employment determinations. See Employment Policy at Page 3, Filling of Bus Operator Positions, Section 3)(a); and at Page 4, Filling Other Positions, Section 5)(a).

4. In close consultation with its Legal Department, conduct periodic training of staff responsible for checking drivers' histories so they fully understand how to read and interpret Pennsylvania Department of Transportation driver history reports.

Port Authority's Response: To ensure that relevant Employment Department management and staff are properly understanding and interpreting driver history reports, the proposed Employment Policy provides that the Legal and Corporate Services Division will hold training sessions with relevant Employment Department management and staff on a bi-annual basis and otherwise as changes occur in the law or transit industry. See Employment Policy, at Page 1, Section 6. PROCEDURES.

5. Document all correspondence between the Employment and Development and Legal Departments regarding justification for hiring decisions regarding previous criminal convictions that need special attention pursuant to its policy.

Port Authority's Response: As currently proposed, Port Authority's Employment Policy would require Employment Department staff to consult with the Chief Human Resources Officer and Legal and Consulting Services Department, as needed, when determining whether the results of a candidate's background check and/or driving history will exclude a candidate from continuing in the employment process. An Applicant Investigation Checklist will be annotated or an e-mail will be sent to reflect the recommended guidance, along with the rationale for the conclusion made. See Employment Policy, at Page 3, Filling of Bus Operator Positions, Sections 3)(a), 3)(b); and at Page 4, Filling Other Positions, Section 5)(a), 5)(b).

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6. Formalize a supervisory review process to ensure the driver and criminal history checks were adequately performed and any consultation with its Legal Department are adequately documented.

Port Authority's Response: Please see Port Authority's response to Recommendation No. 5 above, which is referenced herein.

FINDING NO. 2 - While Port Authority monitored the performance of individual routes and attempted to improve operations, it failed to adequately address the underlying problems affecting the efficiency, effectiveness, and equity of its overall route performance.

Auditor General Recommendations for Finding 2 and Port Authority's Responses:

1. Continue to monitor route performance on an individual basis and ensure all underperforming routes are addressed in a timely manner.

Port Authority's Response: Port Authority management concurs that there is room for further improvement in addressing efficiency, equity, and effectiveness of our current route performance. Port Authority's recently hired Chief Development Officer is working with relevant Planning and other Port Authority staff to develop a scope of work for a potential Comprehensive Operations Analysis (COA), which is a transit industry standard approach to periodically review the current route network with an eye toward improving agency performance with respect to Board-approved goals of efficiency, effectiveness and equity. Subject to budgetary approval and procurement requirements, Port Authority would expect to have a consultant team engaged by mid-2019 to begin this work. The final report from a COA would likely not be available until early 2020, and the recommendations generated from the report would then be subject to further Port Authority management review and consideration, with the end product likely being proposed amendments to Port Authority's existing Transit Service Guidelines to better monitor, evaluate and address route efficiency, equity and effectiveness.

2. Implement procedures to evaluate overall route performance to assist in identifying and correcting the underlying problems.

Port Authority's Response: In addition to the planned COA referenced above, in the nearer term, Port Authority management has formed a cross-functional team as part of its agency-wide Tactical Plan to look at various initiatives focused on improving the customer experience and efficiency and effectiveness of the service. This should result in improvements prior to the longer term work to be completed under the planned COA. This team has been tasked with having near-term improvements identified no later than the end of Port Authority Fiscal Year 2019 (June 30, 2019), and it is anticipated these improvements would be implemented in Fiscal Year 2020 beginning on July 1, 2019 and ending on June 30, 2020.

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3. Consider renegotiating the collective bargaining agreement at the end of the current term to revise its provisions that negatively affect the ability to adequately manage service routes.

Port Authority's Response: Port Authority generally concurs with this recommendation, but caveats its response by noting that collective bargaining is generally a complex process that will take several months with results that Port Authority cannot predict at this time. Notwithstanding this caveat, relevant Port Authority senior management plans to meet with Port Authority's labor counsel in the Spring of 2019 to fully develop Port Authority's goals and objectives in bargaining, which Port Authority anticipates will include some proposed work rule changes to provide Port Authority with the ability to more effectively and efficiently manage and operate its service routes. The current collective bargaining agreement for represented operating personnel expires on June 30, 2020; negotiations with the union representing these employees will begin in the Fall of 2019 and likely take several months before a new agreement is agreed to in principle and presented to the union's membership and Port Authority's Board for proposed ratification.

4. Pursue alternate suitable accommodations for vehicle operator meal periods, alternate garage locations, and/or other strategies that could increase percentage of time in service.\

Port Authority's Response: Port Authority management concurs with this recommendation, in part. As part of Port Authority's FY 2019 Tactical Plan efforts described in Port Authority's Response to Recommendation No. 2 above, Port Authority's cross-functional Planning and Operations team is looking at potential alternatives that would not require collective bargaining agreement amendments but would improve the percentage of time that transit vehicles are in service. These approaches are expected to be developed by the end of Port Authority Fiscal Year 2019 (June 30, 2019) and implemented throughout Fiscal Year 2020 beginning on July 1, 2019 and ending on June 30, 2020. In regard to alternative garage locations, Port Authority notes that two (2) of its four (4) existing bus garage locations are already located on or near rapid transit lanes (the East Liberty Garage located along Port Authority's Martin Luther King, Jr. East Busway the Ross Garage located near the I-279 North High Occupancy Vehicle Lanes). Regarding its other bus garage locations and the potential for a new garage location, this will require further analysis by Port Authority and will be dependent on a variety of factors, including but not limited to current garage capacity; anticipated future capacity and service needs based upon a long-range service plan that Port Authority's recently hired Chief Development Officer has been tasked with completing; availability and cost of suitable property; stakeholder input including local elected officials and community stakeholders; identification of significant capital funding that would be required to pursue such a new facility; and ultimately, Port Authority Board review and approval for any such action.

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FINDING NO. 3 – Port Authority’s service request evaluation process is flawed, inadequately documented, and ineffective.

Auditor General Recommendations for Finding 3 and Port Authority’s Responses:

1. Evaluate the design of the service request process to ensure the results are of benefit to operations and outweigh the costs.

Port Authority’s Response: While Port Authority’s respectfully disagrees with the characterization of its existing Board-adopted Transit Service Guidelines (as most recently amended via Port Authority Board Resolution in December of 2017) as “flawed” and “ineffective,” Port Authority management concurs that the Transit Service Guidelines can be further improved and made more transparent for Port Authority’s stakeholders in regards to the service request process. Port Authority will continue to utilize the efficiency score for its CY 2018 Annual Service Report, but anticipates longer term adjustments could be made to the efficiency score basis and overall Transit Service Guidelines as a result of recommendations generated by the planned COA noted above in response to portions of Recommendations for Finding 2.

2. Consider revising the timing of the service request process to ensure funds are available within the budget prior to conducting the evaluation and scoring of service requests.

Port Authority’s Response: Port Authority initially notes that the current timing of the completion of the Annual Service Reports typically coincides with public presentation of Port Authority’s preliminary fiscal year operating budget, a point at which Port Authority Finance and Planning personnel have a generally solid anticipation as to what, if any funding, would be available in the coming fiscal year for implementation of service changes. Notwithstanding the foregoing and in light of the Auditor General’s recommendation, Port Authority will reconsider the timing of its evaluation and scoring of service requests once the planned COA noted above is completed and broader recommendations that will likely result in a list of recommended changes to the Transit Service Guidelines are compiled for further stakeholder input and Port Authority Board consideration.

3. Create formal policies and procedures for the service request process that are approved by the Board, including, at a minimum:
 - a. Description of the overall timeline for the service request process
 - b. Job titles of who performs each step in the current process
 - c. Detailed instructions on how to calculate each score
 - d. Description of how to document the evaluation and scoring process
 - e. Supervisory review procedures

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Port Authority's Response: As noted above, Port Authority management concurs that its existing Transit Service Guidelines can be further improved and clarified, including to address the items recommended by the Auditor General in this Recommendation No. 3. Port Authority Planning staff, under the direction of Port Authority's Chief Development Officer, will work with Port Authority senior management and legal counsel to prepare proposed amendments to the existing Transit Service Guidelines, with the goal of presenting same to Port Authority's Board for review and approval by the end of Fiscal Year 2019 (June 30, 2019) to be in effect for the CY 2019 Annual Service Report evaluation process.

4. Implement procedures for supervisory review throughout the service request evaluation process, including input and aggregation of the individual request, evaluation and scoring of the aggregated request groups, ranking/prioritization to recommend changes, and presentation in the Annual Service Report.

Port Authority's Response: Port Authority's concurs with this recommendation. Please see Port Authority's Response to Recommendation No. 3 above, which is referenced herein.

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Auditor's Conclusion to the Port Authority of Allegheny County's Response

The Port Authority of Allegheny County (Port Authority) is in general agreement with our findings and will implement, or consider implementing, our recommendations. Within its response, the Port Authority references its proposed Employment Process Policy as Exhibit A. We did not include this in our report since it is in draft form.

While the Port Authority agreed that its employment policy should be approved by the Chief Executive Officer (CEO) and its Legal and Consulting Service Department, it stated that the Board would not approve the policy. The Port Authority stated that the Board has delegated the hiring of employees to the CEO and management team and the employment policy would be more appropriately issued at the management-level. This decision appears to be reasonable; however, as the governing body of the Port Authority, the Board retains the ultimate responsibility over all Port Authority operations and should, at a minimum, be aware of all policy revisions.

Within its response, the Port Authority also noted that the collective bargaining process is complex and, although it plans to develop its goals and objectives in bargaining, the outcome of the process cannot be predicted at this time. Additionally, the Port Authority stated that locating alternate garage locations to increase percent of time in service is dependent upon several factors, but it is in agreement to further analyze the situation along with other strategies. We recognize that both of these situations would be significant changes that would need to be carefully considered.

We commend the Port Authority for proactively addressing these issues. We will follow up at an appropriate time to determine whether and to what extent all recommendations have been properly implemented.

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Appendix A

Objectives, Scope, and Methodology

The Department of the Auditor General conducted this performance audit pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act, 55 P.S. § 553.2(a)(1), which requires the Department of the Auditor General to conduct a performance audit of the Port Authority at least once every four years to “review the procedures and audit, settle, and adjust the accounts of the authority.”

We conducted this audit in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.

Objectives

Our performance audit objectives were to:

- Determine the adherence to and the effectiveness of the Port Authority’s hiring policies and procedures, especially for hiring police officers and transportation drivers. [See Finding 1]
- Determine the effectiveness of how the Port Authority manages its service routes. [See Finding 2 and Finding 3]

With regard to the financial aspects of our mandate noted above, we did not conduct our own financial statement audit, but instead reviewed the audited financial statements and related working papers conducted by an external independent CPA firm.

We also conducted procedures to determine the status of the Port Authority’s implementation of the prior performance audit’s findings and recommendations from the report issued in March 2014 (see Status of Prior Audit Findings).

Scope

This performance audit covered the period January 1, 2016 through December 31, 2017. With regard to the financial aspects of the mandate, we reviewed the audited financial statements, related working papers, and other documentation for the two-year period July 1, 2015 through June 30, 2017.

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Port Authority management is responsible for establishing and maintaining effective internal controls to provide reasonable assurance of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures.

In conducting our audit, we obtained an understanding of the Port Authority's internal controls, including any information system controls, if applicable, that we considered to be significant within the context of our audit objectives.

For those internal controls that we determined to be significant within the context of our audit objectives, we also assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

Methodology

All of the items selected for testing within this audit were based on auditor's professional judgment. Consequently, the results of our testing cannot be projected to, and are not representative of, the corresponding populations.

To address our audit objectives, we performed the following procedures:

- Reviewed 55 P.S. §§ 553 and 556 (Second Class County Port Authority Act), 53 Pa.C.S. § 2167 (Municipal Officers Education and Training Program), Code of Federal Regulations, Title 49, Subtitle A, Part 40 (Procedures for Transportation Workplace Drug and Alcohol Testing Programs), 49 U.S.C. § 5335 (National Transit Database), Circular FTA C 4702.1B (Title VI Requirements and Guidelines for Federal Transit Administration Recipients), and FTA Circular 4220.1F, Chapter IV (Federal Transit Administration Third Party Contracting Guidance) to determine legislative and regulatory requirements related to the audit objectives.
- Reviewed the United States Department of Transportation, Federal Transit Administration, National Transit Database Policy Manual (dated January 2017), By-Laws of Port Authority of Allegheny County, Port Authority of Allegheny County Transit Service Guidelines, the Port Authority of Allegheny County Annual Service Reports for 2015-2017, and other applicable policies and procedures.
- Interviewed the Port Authority's Chief Executive Officer, Chief Financial Officer, Chief Development Officer, Director of Employment and Development, Director of Service Development/ITS Technology, Director of Purchasing, and other management to gain an understanding of hiring practices and route management and to evaluate whether

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management controls considered to be significant within the context of the audit objectives were adequately designed.

- Obtained a listing of the 330 new employees that were hired between January 1, 2016 and December 31, 2017, judgmentally selected 40 individuals (based on the date of hire and position), and verified the Port Authority maintained adequate documentation evidencing compliance with its procedures. Specifically, we ensured:
 - The applicant passed the initial required test and completed and signed an employment application.
 - The Port Authority completed a criminal background check and motor vehicle history prior to the candidate's starting date and that the candidate did not have any infractions that would require disqualification for employment according to Port Authority internal guidelines.
 - The Port Authority reviewed the candidate's education history, previous employment, results of medical/drug screenings, CDL permit, PA Child Abuse History Clearance, and other applicable tests/certifications.
 - The Port Authority recruiters signed an Employment Process Disclosure Agreement to ensure they are independent and certify they do not intimately know the candidate.
 - The Port Authority adequately documented its interviews and maintained related hiring forms, including a signed I-9 Form, signed offer letter, and signed Job Authorization Form.
- Reviewed performance for bus and light rail routes included in the 2015, 2016, and 2017 Annual Service Reports that did not meet the Port Authority internal guidelines for the metrics: Passengers per Revenue Vehicle Hour, Percentage of Time In-Service, and On-Time Performance.
- Determined whether the Port Authority's plan to improve each underperforming route appeared reasonable, the plan was implemented in a timely manner, and the route changes caused the route to improve and subsequently meet guidelines.
- Selected four transit agencies that were identified as peer transit agencies by the Pennsylvania Department of Transportation, Pennsylvania Funding and Reform Commission, and a consulting firm that the Port Authority hired to determine its most appropriate peers (Maryland Transit Administration (MTA) operating in Baltimore, Maryland, Greater Cleveland Regional Transit Authority (GCRTA) operating in Cleveland, Ohio, Metro Transit operating in Minneapolis, Minnesota, and Bi-State

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Development Agency of the Missouri-Illinois District, dba St. Louis Metro, operating in St. Louis, Missouri). We compared the performance of the Port Authority to these peers for the three metrics previously indicated.

- Reviewed the factors used to develop the efficiency, equity, and effectiveness scores in order to rank service requests.
- Obtained a file of all service requests received between January 1, 2016 and December 31, 2017. We judgmentally selected 43 grouped requests, consisting of 69 individual requests, based on the type of requests. We reviewed the original request received by the Port Authority and available documentation to support the efficiency, equity, and effectiveness scores. We verified the final score was mathematically accurate (average of the three individual scores). We also determined which of the selected service requests were implemented or planned to be implemented.

To address the financial aspects of the mandate:

- Reviewed the Port Authority's independent external auditing firm's latest peer review report and the report from the U.S. Department of Transportation's latest quality control review of one of the firm's Single Audits of the Port Authority. We verified that the individuals who conducted the audit were independent of the Port Authority and qualified to perform the audit.
- For the fiscal years ended June 30, 2016 and 2017, we reviewed the CPA firm's audit planning documentation and execution working papers with conclusions to gain assurance that the results of the audits could be relied upon.

To address the Status of Prior Audit Findings, we performed the following procedures:

- Obtained a listing of the 297 contracts exceeding \$100,000 that were executed between January 1, 2016 and December 31, 2017. We judgmentally selected 12 contracts for review during the audit period based on dollar amount and contract type. We verified that the contracts were procured in compliance with its policies and procedures; and adequate documentation existed to evidence the proper advertisement of the bid, the contractors and subcontractors were not suspended or debarred, and applicable subcontractors had lobbying certifications. We also reviewed the contract change orders to determine whether they were appropriate and not excessive.
- For the three employees that received relocation expense reimbursements between January 1, 2016 and December 31, 2017, we reviewed the employment offer letter, receipts/invoices, and other support documentation to determine if the Port Authority made relocation reimbursements to employees in accordance with the Port Authority's policy.

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- Reviewed payroll listings to verify the three employees that were provided relocation reimbursements were currently employed and did not leave employment within two years of being hired.

Data Reliability

In performing this audit, we used a listing of new employees generated by the Port Authority's PeopleSoft System for the period January 1, 2016 through December 31, 2017, the service request tracking sheets for the 2016 and 2017 calendar years, a listing of contracts exceeding \$100,000 generated by the Port Authority's PeopleSoft System for the period January 1, 2016 through December 31, 2017, a listing of relocation expenses incurred between January 1, 2016 through December 31, 2017, the 2015-2017 Annual Service Reports, and data from the Federal Transit Administration National Transit Database.

Government Auditing Standards requires us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

To assess the completeness and accuracy of the listing of new employees, we conducted audit procedures as follows:

- Interviewed Port Authority management to gain an understanding of the PeopleSoft System and how it is used to track new employees.
- Compared the payroll records in calendar years 2016 and 2017 to those from 2015 to identify newly hired employees and reconciled those newly hired employees from the payroll records to the file of new employees generated from the system.
- Traced the name, position, and date of hire from the data file to source documents within the employee's file, including the application and signed I-9 form, for the 40 new employees tested.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Port Authority's listing of new employees was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

To assess the completeness and accuracy of the service request tracking sheets, we conducted audit procedures as follows:

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- Interviewed Port Authority management to gain an understanding of how the listing of service requests are created and aggregated.
- Traced each individual major request received to the grouped requests and traced each grouped request to the corresponding Annual Service Report.
- Obtained the original request received for the 68 requests (we selected 69 requests for review; however, one could not be located) that were aggregated into the 43 grouped requests tested and ensured the service requested agreed to the grouped request.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Port Authority's service request tracking sheets was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

To assess the completeness and accuracy of the listing of contracts exceeding \$100,000, we conducted audit procedures as follows:

- Obtained the meeting minutes for the April 2016, September 2016, February 2017, and June 2017 Board meetings and verified the approved contracts exceeding \$100,000 within the Board meeting minutes were included on the listing provided.
- Traced information from the contract listing to the original contracts for our 12 test items.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Port Authority's listing of contracts exceeding \$100,000 was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

To assess the completeness and accuracy of the listing of relocation expenses, we conducted audit procedures as follows:

- Obtained a listing of new employees from January 1, 2016 through December 31, 2017, to identify the senior level management personnel that were hired during that time. We requested the employment offer letters for those individuals to determine whether any relocation expenses were to be paid by the Port Authority.
- Obtained the 2016, 2017, and 2018 Payables Voucher Detail Report for Account 503011 (Employment Costs) and reviewed the vendor names and comments from the report to determine whether there were additional relocation expenses paid.

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- Traced the employees and amount of relocation expenses to source documents, including the employment offer letter and supporting receipts, for the three relocation expenses during the audit period.

Based on the above procedures, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the Port Authority's listing of relocation expenses was sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

We did not perform procedures to validate the completeness and accuracy of the Annual Service Reports and the National Transit Database; however, this is the best data available. As such, we deemed this information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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Appendix B

Port Authority of Allegheny County Statement of Revenues and Expenses and Changes in Net Position for the years ended June 30, 2015, 2016, and 2017

	2017	2016	2015
Operating Revenues:			
Passenger Fares	\$ 89,370,256	\$ 91,844,867	\$ 92,022,554
State Shared Program	\$ 12,126,941	\$ 12,639,664	\$ 12,802,423
Advertising	\$ 2,520,834	\$ 2,328,226	\$ 2,099,170
Miscellaneous	\$ 595,038	\$ 806,314	\$ 521,116
Total Operating Revenue	\$ 104,613,069	\$ 107,619,071	\$ 107,445,263
Operating Expenses:			
Salaries and Wages	\$ 152,634,259	\$ 149,541,878	\$ 140,753,582
Fringe Benefits	\$ 149,354,492	\$ 140,458,832	\$ 130,536,140
Pension Expense, Net	\$ 27,205,340	\$ 27,029,226	\$ (3,873,872)
OPEB Expense, Net	\$ 10,599,846	\$ 21,843,364	\$ 36,837,567
Contract Services	\$ 12,023,377	\$ 17,330,724	\$ 12,301,049
Fuel and Lubricant	\$ 15,675,308	\$ 16,294,676	\$ 22,271,186
Tires and Tubes	\$ 1,921,029	\$ 1,847,109	\$ 1,753,808
Other Materials and Supplies	\$ 20,310,579	\$ 22,045,673	\$ 20,315,020
Utilities	\$ 8,023,033	\$ 7,486,315	\$ 7,957,948
Casualty and Liability	\$ 2,119,581	\$ 2,937,600	\$ 2,140,865
Purchased Transportation	\$ 26,037,079	\$ 26,356,045	\$ 26,252,873
Leases and Rentals	\$ 1,496,226	\$ 1,500,447	\$ 1,514,277
Miscellaneous	\$ 4,840,862	\$ 4,710,583	\$ 3,460,859
Depreciation	\$ 97,590,489	\$ 98,412,562	\$ 105,163,957
Total Operating Expense	\$ 529,831,500	\$ 537,795,034	\$ 507,385,259
Operating Loss	\$ (425,218,431)	\$ (430,175,963)	\$ (399,939,996)
Non-Operating Revenues (Expense):			
Capital Funds used for Operating Assistance	\$ 289,350,464	\$ 282,289,394	\$ 261,241,355
Interest Income	\$ 155,438	\$ 34,445	\$ 16,178
Interest Expense	\$ (10,307,985)	\$ (11,393,229)	\$ (12,248,402)
Loss on Sale of Land	\$ (2,443,486)	\$ -	\$ -
Total Non-Operating Revenues (Expense)	\$ 276,754,431	\$ 270,930,610	\$ 249,009,131
Capital Grant Funding:			
Federal	\$ 36,685,394	\$ 44,972,524	\$ 38,366,904
State	\$ 65,412,076	\$ 46,344,082	\$ 39,492,903
Local	\$ 3,870,558	\$ 3,531,809	\$ 2,946,638

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Total Capital Grant Funding	\$ 105,968,028	\$ 94,848,415	\$ 80,806,445
Change in Net Position	\$ (42,495,972)	\$ (64,396,398)	\$ (70,124,420)
Total Net Position – Beginning	\$ 529,612,030	\$ 594,008,968	\$ 664,133,388
Total Net Position – Ending	\$ 487,116,058	\$ 529,612,030	\$ 594,008,968

Source: Compiled by the Department of the Auditor General staff from the Port Authority of Allegheny County, Single Audits, June 30, 2015, 2016, and 2017, Statement of Revenues, Expenses, and Changes in Net Position.

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Appendix C

Port Authority of Allegheny County Service Guidelines

The following table outlines the Port Authority’s established service guidelines for the three metrics discussed in Finding 2.

Metric	Mode	Route Type	Service Day	Service Guidelines 2015	Service Guidelines 2016	Service Guidelines 2017
Passengers Per Revenue Hour	Bus	Rapid	Weekday	40	40	50
	Bus	Rapid	Saturday	40	40	40
	Bus	Rapid	Sunday	30	30	30
	Bus	Express	Weekday	30	30	25
	Bus	Express	Saturday	20	20	N/A
	Bus	Express	Sunday	20	20	N/A
	Bus	Key Corridor	Weekday	30	30	30
	Bus	Key Corridor	Saturday	20	20	20
	Bus	Key Corridor	Sunday	20	20	20
	Bus	Local	Weekday	18	18	20
	Bus	Local	Saturday	15	15	15
	Bus	Local	Sunday	15	15	15
	Rail	Rapid	Weekday	80	80	80
	Rail	Rapid	Saturday	50	50	50
	Rail	Rapid	Sunday	45	45	45
Percentage of Time in Service	Bus	Rapid	All Days	85%	85%	75%
	Bus	Express	All Days	50%	50%	50%
	Bus	Key Corridor	All Days	75%	75%	75%
	Bus	Local	All Days	70%	70%	70%
	Rail	Rapid	All Days	80%	80%	75%
On-Time Performance	Bus	Rapid	All Days	70%	73%	85%
	Bus	Express	All Days	70%	73%	73%
	Bus	Key Corridor	All Days	70%	73%	75%
	Bus	Local	All Days	70%	73%	75%
	Rail	Rapid	All Days	80%	80%	90%

There were no express service routes on Saturday and Sunday during calendar year 2017. Source: Created by the Department of the Auditor General staff from the Port Authority of Allegheny County’s 2015, 2016, and 2017 Annual Service Reports and the 2015 and 2017 Transit Service Guidelines.

A Performance Audit

Port Authority of Allegheny County

Appendix D

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