PERFORMANCE AUDIT
OF THE

BUREAU OF URBAN AND PUBLIC TRANSPORTATION

MICHIGAN DEPARTMENT OF TRANSPORTATION

November 1998

59-180-97

EXECUTIVE DIGEST

BUREAU OF URBAN AND PUBLIC TRANSPORTATION

INTRODUCTION

This report, issued in November 1998, contains the results of our performance audit* of the Bureau of Urban and Public Transportation (UPTRAN), Michigan Department of Transportation.

AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness* and efficiency*.

BACKGROUND

UPTRAN was organized in March 1973 pursuant to Act 327, P.A. 1972, as amended (Sections 247.660b - 247.660m of the *Michigan Compiled Laws*). UPTRAN's operations are accounted for principally in the Comprehensive Transportation Fund (CTF).

The mission* of UPTRAN is to provide a balanced Statewide network of the public transportation services essential to the social and economic well being of the State. UPTRAN provides financial operating assistance and capital financing for various public transportation programs. These programs consist of local and intercity bus services, rail freight and passenger services, rail

* *See glossary on page 23 for definition.*

safety, and marine passenger services. UPTRAN also provides management guidance and technical assistance to transit agencies to build team effort towards results oriented transit management.

Funding is provided from vehicle gas and weight taxes plus sales taxes on vehicles, parts, and accessories. Funding is distributed to transportation programs in accordance with Section 247.660 of the *Michigan Compiled Laws*. Funding is also provided by the U.S. Department of Transportation from federal fuel and excise taxes on certain commodities.

UPTRAN had 103 employees as of September 30, 1997. UPTRAN was appropriated $232 million for fiscal year 1996-97.

AUDIT OBJECTIVES AND CONCLUSIONS

Audit Objective: To evaluate the effectiveness and efficiency of UPTRAN's technical assistance provided to urban and nonurban transit agencies.

Conclusion: UPTRAN was generally effective in administering the distribution of program funding but could improve the technical assistance provided to transit agencies for more efficient transit services. We noted reportable conditions* regarding UPTRAN's continuous quality improvement process, project manager responsibilities, the regional transportation program, and loaner vehicle fleet (Findings 1 through 4).

Audit Objective: To assess the effectiveness and efficiency of UPTRAN's grant management process.

* *See glossary on page 23 for definition.*

Conclusion: UPTRAN was generally effective and efficient in managing its grants. There were no reportable conditions for this audit objective.

Audit Objective: To evaluate the effectiveness of UPTRAN's spending plan in order to reasonably ensure that CTF money is being used consistent with Act 51, P.A. 1951, as amended.

Conclusion: UPTRAN generally spent CTF money consistent with Act 51, P.A. 1951, as amended. However, we noted reportable conditions regarding CTF's fund balance, CTF program progress reporting, and the use of State-owned vehicles (Findings 5 through 7).

Audit Objective: To assess the effectiveness and efficiency of UPTRAN's oversight of railways in the State.

Conclusion: UPTRAN was generally effective and efficient in administering rail programs of CTF. However, we noted a reportable condition related to railroad grade crossing safety improvement orders (Finding 8).

AUDIT SCOPE AND METHODOLOGY

Our audit scope was to examine the program and other records of the Bureau of Urban and Public Transportation. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Our audit procedures were conducted during the months of July through December 1997 and included examination of UPTRAN's program activities covering the period February 1, 1990 through September 30, 1997.

Our audit methodology included a review of tasks and duties performed by UPTRAN staff. We reviewed UPTRAN's development of budget requests, made inquiries and discussed with staff the functions of UPTRAN, made comparisons of performance by transit agencies, sampled grants, reviewed project manager files of transit agency visits and bus purchases, reviewed project files, and surveyed 11 transit agencies. We reviewed the allocation and use of CTF funds. We reviewed management practices for issuing railroad safety corrective orders and for follow-up of compliance with the orders.

AGENCY RESPONSES AND PRIOR AUDIT FOLLOW-UP

Our report includes 8 findings and 8 corresponding recommendations. The Department agreed with all 8 of the findings and informed us that it has implemented or will implement all 8 of the recommendations.

The Department complied with 13 of the 16 prior audit recommendations included within the scope of our current audit. One prior audit recommendation is repeated in this audit report, and 2 were rewritten for this report.

Mr. Barton W. LaBelle, Chairman
State Transportation Commission
and
Mr. James DeSana, Director
Michigan Department of Transportation
Transportation Building
Lansing, Michigan

Dear Mr. LaBelle and Mr. DeSana:

This is our report on the performance audit of the Bureau of Urban and Public Transportation, Michigan Department of Transportation.

This report contains our executive digest; description of agency; audit objectives, scope, and methodology and agency responses and prior audit follow-up; comments, findings, recommendations, and agency preliminary responses; and a glossary of acronyms and terms.

Our comments, findings, and recommendations are organized by audit objective. The agency preliminary responses were taken from the agency's responses subsequent to our audit fieldwork. The *Michigan Compiled Laws* and administrative procedures require that the audited agency develop a formal response within 60 days after release of the audit report.

We appreciate the courtesy and cooperation extended to us during this audit.

Sincerely,

Thomas H. McTavish, C.P.A.
Auditor General

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MICHIGAN DEPARTMENT OF TRANSPORTATION

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Description of Agency

The Michigan Department of Transportation was organized under Act 380, P.A. 1965 (Sections 16.450 - 16.458 of the *Michigan Compiled Laws*). The Department is governed by a commission of six members who are appointed by the Governor with the advice and consent of the Senate. The commission is responsible for establishing policies. The Department is managed by a director, appointed by the Governor, with the advice and consent of the Senate. The director is responsible for organizing and administering the Department and implementing policies established by the commission.

The Bureau of Urban and Public Transportation (UPTRAN) was organized in March 1973 pursuant to Act 327, P.A. 1972, as amended (Sections 247.660b - 247.660m of the *Michigan Compiled Laws*). UPTRAN's operations are accounted for principally in the Comprehensive Transportation Fund.

The mission of UPTRAN is to provide a balanced Statewide network of the public transportation services essential to the social and economic well being of the State. UPTRAN provides financial operating assistance and capital financing for various public transportation programs. These programs consist of local and intercity bus services, rail freight and passenger services, rail safety, and marine passenger services. UPTRAN also provides management guidance and technical assistance to transit agencies to build team effort towards results oriented transit management.

Funding is provided from vehicle gas and weight taxes plus sales taxes on vehicles, parts, and accessories. Funding is distributed to transportation programs in accordance with Section 247.660 of the *Michigan Compiled Laws*. Funding is also provided by the U.S. Department of Transportation from federal fuel and excise taxes on certain commodities.

UPTRAN had 103 employees as of September 30, 1997. UPTRAN was appropriated $232 million for fiscal year 1996-97.

Audit Objectives, Scope, and Methodology and Agency Responses and Prior Audit Follow-Up

Audit Objectives

Our performance audit of the Bureau of Urban and Public Transportation (UPTRAN), Michigan Department of Transportation, had the following objectives:

1. To evaluate the effectiveness and efficiency of UPTRAN's technical assistance provided to urban and nonurban transit agencies.

2. To assess the effectiveness and efficiency of UPTRAN's grant management process.

3. To evaluate the effectiveness of UPTRAN's spending plan in order to reasonably ensure that Comprehensive Transportation Fund (CTF) money is being used consistent with Act 51, P.A. 1951, as amended.

4. To assess the effectiveness and efficiency of UPTRAN's oversight of railways in the State.

Audit Scope

Our audit scope was to examine the program and other records of the Bureau of Urban and Public Transportation. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

Audit Methodology

Our audit procedures were conducted during the months of July through December 1997 and included examination of UPTRAN's program activities covering the period February 1, 1990 through September 30, 1997.

Our audit methodology included a review of tasks and duties performed by UPTRAN staff. We reviewed UPTRAN's development of budget requests, made inquiries and discussed with staff the functions of UPTRAN, made comparisons of performance by

transit agencies, reviewed project manager files on transit agency visits and bus purchases, reviewed project files, and surveyed 11 transit agencies.

We selected a sample of 6 grant contracts and evaluated UPTRAN's process for applications, contract developments, and payment of funds. We reviewed a sample of 12 contracts to ensure the inclusion of key pertinent clauses and conditions to protect the interest of the State. We reviewed a sample of 17 contracts for timeliness of contract processing. We reviewed the allocation and use of CTF funds receipts for compliance with statutes.

We reviewed management practices for issuing railroad safety corrective orders and for follow-up of compliance with the orders.

Agency Responses and Prior Audit Follow-Up

Our report includes 8 findings and 8 corresponding recommendations. The Department agreed with all 8 of the findings and informed us that it has implemented or will implement all 8 of the recommendations.

The agency preliminary response which follows each recommendation in our report was taken from the agency's written comments and oral discussion subsequent to our audit fieldwork. Section 18.1462 of the *Michigan Compiled Laws* and Department of Management and Budget Administrative Guide procedure 1280.02 require the Michigan Department of Transportation to develop a formal response to our findings and recommendations within 60 days after release of the audit report.

The Department complied with 13 of the 16 prior audit recommendations included within the scope of our current audit. One prior audit recommendation is repeated in this audit report, and 2 were rewritten for this report.

COMMENTS, FINDINGS, RECOMMENDATIONS, AND AGENCY PRELIMINARY RESPONSES

BUS TRANSPORTATION SERVICES

COMMENT

Background: The Bureau of Urban and Public Transportation (UPTRAN) is responsible for developing and administering financial and technical assistance programs and projects directly or with transportation agencies, authorities, carriers, and other providers for the purpose of providing coordinated passenger transportation services and facilities Statewide. To fulfill this responsibility, the Passenger Transportation Division administers various programs affecting bus transportation and provides technical assistance. Technical assistance involves accumulation of data for use in evaluating ridership, routes, operating costs, fare rates, and development of annual applications for assistance.

Audit Objective: To evaluate the effectiveness and efficiency of UPTRAN's technical assistance provided to urban and nonurban transit agencies.

Conclusion: UPTRAN was generally effective in administering the distribution of program funding but could improve the technical assistance provided to transit agencies for more efficient transit services. We noted reportable conditions regarding UPTRAN's continuous quality improvement (CQI) process, project manager responsibilities, the regional transportation program, and loaner vehicle fleet.

FINDING

1. CQI Process

UPTRAN did not effectively use its continuous quality improvement process to evaluate and improve the effectiveness and efficiency of transit programs.

Program effectiveness and efficiency can best be measured by establishing a CQI process. Such a process should include: performance indicators* for measuring

* *See glossary on page 23 for definition.*

outputs* and outcomes*; performance standards* or goals* that describe the desired level of outcomes; a management information system to gather accurate performance data; a comparison of performance data to desired outcomes; reporting of the comparison results to management; and proposing program changes to improve effectiveness.

The Michigan Transportation Policy Plan, approved by the State Transportation Commission on July 22, 1992, recommended the establishment of goals, objectives, and performance measures. In addition, the Michigan Department of Transportation Strategic Planning for Transit in Michigan for 1995-2015, developed in conjunction with the local transit agencies, contained an objective for UPTRAN and the transit systems to develop systems of measurement for evaluating and reporting the quality, efficiency, and effectiveness of products and services delivered.

UPTRAN has established some components of a CQI process. UPTRAN requires transit agencies to report nonfinancial data, such as miles traveled and passengers carried. Also, during our audit, UPTRAN was developing a standard database of this nonfinancial data. However, UPTRAN and the transit agencies had not established standard performance indicators, performance standards or goals, methods to ensure accurate reporting of measured results, or a process to propose program changes to improve the effectiveness and efficiency of transit programs.

UPTRAN's ability to improve the effectiveness of local transit operations is limited because the operating assistance provided to the local transit agencies is based on cost and not on effectiveness or efficiency factors. However, the measurement of program effectiveness or efficiency against generally accepted standards would provide UPTRAN and the local transit agencies a means to both identify areas needing improvement and the methods to improve the effectiveness and efficiency of transit programs.

RECOMMENDATION

We recommend that UPTRAN continue to develop and use its CQI process to evaluate and improve the effectiveness and efficiency of transit programs.

* *See glossary on page 23 for definition.*

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation. UPTRAN's Public Transportation Management System will be operational in all transit systems by December 31, 1998. The System includes performance measures relating to fleet utilization, service operations, and financial operations. Upgrades to the System are being completed to ensure that the Department and the transit agencies will be able to access the 10-year databases to carry out peer group comparisons and trend analysis.

The Department also informed us that UPTRAN has a project underway with Wayne State University to develop a performance measurement assessment procedure, which will include the development of statistically valid "threshold values and/or ranges." The Department expects the project and updating of the Public Transportation Management System to be completed by October 1999. UPTRAN has stated that it cannot implement mandatory performance measures without legislative action.

FINDING

2. Project Manager Responsibilities

UPTRAN project managers did not document their site visits or provide performance related assistance to transit agencies.

An UPTRAN strategic goal is to have agency teamwork and partnership with transit agencies for results oriented transit management. The project manager job description requires the project manager to provide direct, on-site technical assistance to ensure effective and efficient operations in grant administration, program planning, service delivery, contract administration, and operational and administrative oversight of capital and operating contracts.

UPTRAN employs 10 project managers who serve as liaisons between UPTRAN and 122 local public transit agencies. In our discussions with project managers and our review of project files for 3 project managers, we noted:

a. The project managers did not document their regular site visits. UPTRAN has established an informal goal of visiting the transit agencies at least once per

quarter. However, UPTRAN project managers informed us that they visit agencies primarily upon transit agency request. We also noted little documentation of the purpose of site visits, the type of assistance provided, the type of review performed, who was contacted, and the outcome of the visit.

b. The primary functions performed by the project managers have been providing contract administration and operational and administrative oversight of capital and operating contracts. Project managers did not use the nonfinancial information obtained to provide assistance to the transit agencies in identifying areas to improve the efficiency and effectiveness of the transit agencies' operations.

RECOMMENDATION

We recommend that the project managers document their site visits and provide performance related assistance to local transit agencies.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation. The Passenger Transportation Division management team will review the current trip reporting process to ensure that assistance provided and the outcome of each visit is documented. The review of the trip reporting requirements and necessary changes will be completed by December 1998. The Department also believes that the upgrades to the Public Transportation Management System, discussed in Finding 1, will provide the project managers with the tools to identify areas for improvement. Performance assessment tools should be available by October 1999.

FINDING

3. Regional Transportation Program

UPTRAN did not help ensure the coordination of intercity and charter bus service providers before approving and funding regional transportation projects.

The regional transportation program was designed to facilitate transit agencies in providing multi-county services in areas outside of the transit agencies' current

service areas. The program is not intended to expand new services within a county or to encroach on existing intercity and charter bus services. Distribution of funds is determined through an annual application process. Eligible recipients of the funds include: transit agencies, governmental agencies, private and public nonprofit bus service providers, and intercity and charter bus service providers. UPTRAN began distributing regional transportation funds in fiscal year 1996-97.

The program application requires that projects that affect existing public transportation agencies and/or other transportation bus service providers must contain endorsements from the agencies affected that the regional service will not encroach on existing bus services. In our review of eight projects that received funding for fiscal year 1996-97, we noted that none of them included the required endorsements from intercity and charter bus service providers.

UPTRAN staff informed us that they only intended for applicants to informally notify the intercity and charter bus service providers and not get specific endorsements. They stated that the applications were available to all agencies interested in funding and that intercity and charter bus service providers had the same opportunity as others to apply. However, without the endorsements, the potential exists for the encroachment on existing intercity and charter bus service providers.

RECOMMENDATION

We recommend that UPTRAN help ensure coordination with intercity and charter bus service providers before approving and funding regional transportation projects.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it complied with the recommendation. The regional program application guidelines for fiscal year 1998-99 require the involvement of any local intercity carriers in the application development process. Also, meetings were held in Lansing to resolve any differences among concerned parties for the fiscal year 1997-98 program. Passenger Transportation Division staff will ensure that meaningful coordination has taken place before recommending approval of any new regional projects.

FINDING

4. Loaner Vehicle Fleet

UPTRAN did not obtain loan agreements, enforce lease terms, or obtain proof of insurance certificates for all buses loaned to transit agencies. UPTRAN does not receive a rental amount for the loan of a bus. However, the loan agreements contain the requirements for the use and care of each bus.

As of November 30, 1997, UPTRAN had 30 buses to loan to local transit agencies for temporary purposes. UPTRAN's Operating Procedure OI. 6100.09 requires that, before a bus is loaned to a transit agency, UPTRAN must obtain a loan agreement that specifies the terms of the loan and transit agency's insurance requirements.

We reviewed the records for 10 of the 30 buses that UPTRAN had in its fleet and noted:

a. UPTRAN did not acquire loan agreements for 3 of the buses.

b. UPTRAN allowed lessees to continue to use UPTRAN's vehicles even though the leases had expired for 5 of the buses.

c. UPTRAN did not have proof of insurance on file for 8 buses.

UPTRAN informed us that it was unable to keep up-to-date on loaner vehicle records because transit agencies fail to keep UPTRAN informed of changes. However, the status of any vehicles on loan to the transit agencies could be verified when the project managers conduct their field visits (Finding 2).

RECOMMENDATION

We recommend that UPTRAN obtain loan agreements, enforce lease terms, and obtain proof of insurance certificates for all buses loaned to transit agencies.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation by December 1, 1998.

GRANT MANAGEMENT

COMMENT

Background: UPTRAN issues grants for financial and technical assistance programs and projects. These grants provide operating assistance, bus purchases, facility improvements, and transit development. The grant process involves application, review, approval, monitoring, completion, and final review.

Audit Objective: To assess the effectiveness and efficiency of UPTRAN's grant management process.

Conclusion: UPTRAN was generally effective and efficient in managing its grants. There were no reportable conditions for this audit objective.

USE OF COMPREHENSIVE TRANSPORTATION FUND

COMMENT

Background: UPTRAN is responsible for administering the Comprehensive Transportation Fund (CTF) and receives funding from Section 247.660e of the *Michigan Compiled Laws* for such administration. As part of UPTRAN's administrative duties, it monitors financial activity within CTF, develops budgets and spending plans, and makes requests to the Legislature for appropriations to spend CTF funds. UPTRAN, as the administrator of CTF, is principally responsible for managing the spending of CTF funds to ensure compliance with numerous laws and regulations pertaining to delivery of program services. UPTRAN has established internal control systems encompassing compliance requirements for capital and operating assistance.

Audit Objective: To evaluate the effectiveness of UPTRAN's spending plan in order to reasonably ensure that CTF money is being used consistent with Act 51, P.A. 1951, as amended.

Conclusion: UPTRAN generally spent CTF money consistent with Act 51, P.A. 1951, as amended. However, we noted reportable conditions regarding CTF's fund balance, CTF program progress reporting, and the use of State-owned vehicles.

FINDING

5. CTF's Fund Balance

UPTRAN did not ensure that funds deposited in CTF were utilized in a timely manner for comprehensive transportation purposes. The unencumbered fund balance of CTF has increased from a balance of $8 million at the end of fiscal year 1991-92 to a balance of $68 million at the end of fiscal year 1995-96.

Section 247.660e of the *Michigan Compiled Laws* requires the unencumbered fund balance of CTF to be used for appropriations in the following fiscal year. However, UPTRAN did not include the unencumbered CTF fund balance in its appropriation requests to the Office of the Budget, Department of Management and Budget (DMB), for use in the legislative appropriation process in fiscal year 1993-94, 1994-95, or 1995-96. As a result, the Legislature was not informed of all resources available for comprehensive transportation programs. UPTRAN informed us that it did not include the unencumbered CTF fund balance in its appropriation request to build and maintain working capital for cash flow purposes.

CTF, because of the timing of grant payments and tax collections, may require some level of working capital to maintain a positive cash position; however, there is no provision in Act 51 P.A. 1951, as amended, for a working capital reserve. In addition, CTF may continue to spend as a member of the State common cash pool regardless of its cash balances as long as CTF has an available appropriation balance.

In fiscal year 1997-98, the Legislature transferred $25 million of the unencumbered fund balance to the State Trunkline Fund for road related projects.

RECOMMENDATION

We recommend that UPTRAN ensure that the funds deposited in CTF are utilized in a timely manner for comprehensive transportation purposes.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation within the information available. UPTRAN will ensure that funds deposited in CTF are utilized in a timely manner for comprehensive transportation purposes. We were also informed that UPTRAN has included an estimate of the projected

unencumbered CTF fund balance in its fiscal year 2000 appropriation request to DMB. Actual unencumbered balances are not known until after the start of the fiscal year and will be adjusted in future requests.

FINDING

6. CTF Program Progress Reporting

The Department did not document and report progress made in CTF programs.

Section 247.660h(1)(b) of Act 51, P.A. 1951, as amended, requires the Department to annually report to the Legislature, the Governor, and the Office of the Auditor General the progress made by the State transportation department and its eligible authorities in carrying out approved transportation programs in the preceding fiscal year, including comprehensive transportation programs. The Department informed us that the report was last prepared in fiscal year 1989-90 and covered all the Department's operations.

Preparation and release of the report on the progress made would be another element of UPTRAN's CQI process.

RECOMMENDATION

We recommend that the Department document and report progress made in CTF programs.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it would comply with the recommendation. The report in question is the Michigan Department of Transportation Multi-Model Report, last produced in fiscal year 1990-91. At that time, the Department replaced the report with the State Transportation Improvement Plan. The Department informed us that the Legislature has never raised the issue that the State Transportation Improvement Plan did not meet its needs. The Department also informed us that it will propose new legislation to amend Act 51, as appropriate, to clarify these discrepancies in the new legislative session.

FINDING

7. Use of State-Owned Vehicles

The Department was not following DMB Administrative Guide procedures 0410.01 through 0410.04 in administering the use of State-owned vehicles.

Prior to October 1, 1996, the Department maintained its own vehicle fleet and followed the Department's internal procedures in administering the use of State-owned vehicles. Effective October 1, 1996, the Department's vehicle fleet was turned over to DMB and the Department was required to follow DMB procedures.

In our review of UPTRAN's use of State-owned vehicles, we noted:

a. Thirteen UPTRAN employees were allowed to use State-owned vehicles for home-to-office use, despite not meeting the DMB requirements. The home-to-office use ranged from 4 miles to 120 miles per day.

b. UPTRAN did not require its employees to record the first 30 miles per day of their home-to-office use of State-owned vehicles. DMB regulations require employees to report to the Department all mileage from home-to-office use of State-owned vehicles for tax reporting purposes.

c. UPTRAN employees did not maintain vehicle logs.

d. UPTRAN employees did not record the vehicle odometer mileage on State credit card vehicle purchases. DMB uses the recorded mileage to generate a billing to the Department for vehicle usage.

UPTRAN informed us that it was not aware of the change to DMB procedures.

RECOMMENDATION

We recommend that the Department comply with DMB Administrative Guide procedures 0410.01 through 0410.04 in administering the use of State-owned vehicles.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation. In the past, UPTRAN has complied with Department procedures, which are different from DMB procedures. The Department is working on revised procedures with DMB. UPTRAN will comply with all changes made to the Department's policy.

RAILWAYS

COMMENT

Background: During fiscal year 1996-97, the Department moved the responsibility for railroad grade crossing safety to UPTRAN. UPTRAN's Freight Services and Safety Division assumed the responsibilities for formal railroad grade crossing inspections, on-site reviews, issuance of railroad grade crossing improvement orders, and maintenance of the railroad grade crossing data system. The Division has taken a more active role to ensure railroad company compliance with railroad grade crossing improvement orders, has implemented time limits for compliance when issuing railroad grade crossing improvement orders, and has improved the railroad grade crossing data system.

Audit Objective: To assess the effectiveness and efficiency of UPTRAN's oversight of railways in the State.

Conclusion: UPTRAN was generally effective and efficient in administering rail programs of CTF. However, we noted a reportable condition related to railroad grade crossing safety improvement orders.

FINDING

8. Railroad Grade Crossing Safety Improvement Orders

The Freight Services and Safety Division did not ensure that railroad companies and local road authorities complied with the railroad grade crossing safety improvement orders on a timely basis.

The Division inspects railroad crossings to identify variances from safety requirements to ensure that the crossings are safely maintained. As a result of these inspections, UPTRAN may issue safety improvement orders specifying

certain work to be performed by railroads or other parties in compliance with law and specified time periods.

Our review disclosed that, as of December 8, 1997, corrective action for 62 of 1,151 safety improvement orders were past due. Due dates for corrective action ranged from December 22, 1994 to December 8, 1997.

This same condition existed in our prior audit. The Department concurred with the audit finding; however, it was awaiting the completion of a departmental reorganization before taking action to comply with the audit recommendation. The reorganization was completed in fiscal year 1992-93.

RECOMMENDATION

WE AGAIN RECOMMEND THAT THE DEPARTMENT TAKE ACTION TO ENSURE THAT RAILROAD COMPANIES AND LOCAL ROAD AUTHORITIES COMPLY WITH RAILROAD GRADE CROSSING SAFETY IMPROVEMENT ORDERS ON A TIMELY BASIS.

AGENCY PRELIMINARY RESPONSE

The Department informed us that it will comply with the recommendation. The Department has taken steps to achieve timely compliance with Departmental orders. UPTRAN has established a manual system to track compliance orders and has initiated efforts to develop an enforcement system. The Department has also started development of a computerized compliance tracking system. It expects the computerized system to be on-line in September 1999.

Glossary of Acronyms and Terms

CQI	continuous quality improvement.
CTF	Comprehensive Transportation Fund.
DMB	Department of Management and Budget.
effectiveness	Program success in achieving mission and goals.
efficiency	Achieving the most outputs and outcomes practical for the amount of resources applied or minimizing the amount of resources required to attain a certain level of outputs or outcomes.
goals	The agency's intended outcomes or impacts for a program to accomplish its mission.
mission	The agency's main purpose or the reason the agency was established.
outcomes	The actual impacts of the program. Outcomes should positively impact the purpose for which the program was established.
outputs	The products or services produced by the program. The program assumes that producing its outputs will result in favorable program outcomes.
performance audit	An economy and efficiency audit or a program audit is designed to provide an independent assessment of the performance of a governmental entity, program, activity, or function to improve public accountability and to facilitate decision making by parties responsible for overseeing or initiating corrective action.

performance indicators	Information of a quantitative or qualitative nature indicating program outcomes, outputs, or inputs. Performance indicators are typically used to assess achievement of goals and/or objectives.
performance standards	A desired level of output or outcome as identified in statutes, regulations, contracts, management goals, industry practices, peer groups, or historical performance.
reportable condition	A matter coming to the auditor's attention that, in his/her judgment, should be communicated because it represents either an opportunity for improvement or a significant deficiency in management's ability to operate a program in an effective and efficient manner.
UPTRAN	Bureau of Urban and Public Transportation.