

**Nassau County**  
**Office of the Comptroller**



**Audit of Transdev's (Formerly Veolia)**  
**Management of the NICE Bus System**

**GEORGE MARAGOS**

*Comptroller*

**April 21, 2015**

**NASSAU COUNTY**  
**OFFICE OF THE COMPTROLLER**

**George Maragos**  
*Comptroller*

Raymond J. Aversa, Esq.  
*Deputy Comptroller*

Michael Olney  
*Counsel to the Comptroller*

Jostyn Hernandez  
*Director of Communications*

Sergio Blanco  
*Counsel to the Comptroller*

Review Staff

JoAnn Greene  
*Director of Field Audit*

Aurora Scifo  
*Assistant Director of Field Audit*

Bebe Belkin  
*Field Audit Supervisor*

Blaine Griffin  
*Field Auditor*

## Executive Summary

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### **Introduction:**

Beginning January 1, 2012, Nassau County entered into a five year agreement with Veolia Transportation Services, Inc. to operate the Long Island Bus System (“LI Bus”) previously operated by the MTA. This system is now known as Nassau Inter-County Express (“NICE”). Effective August 2014, Veolia Transportation Services, Inc. changed its name to Transdev for its North American business unit of Transdev International.

### **Purpose:**

The purpose of this review is summarize operations and to determine contract compliance of the five year term contract with Veolia.

### **Key Findings:**

- Transdev did not maintain On-Time Performance of Fixed Route buses. Fixed Route buses were not equipped with vehicle location devices which Transdev’s Communication Center could utilize to oversee real-time vehicle locations. Without On-Time Performance measurement, it is difficult for Transdev management, the County Bus Transit Committee or the public to assess bus timeliness.
- There was a 40 percent increase in Fixed Route Pass-Ups<sup>1</sup> from 2012 to 2013, on a year-to-year comparative basis. The Pass-Up figure is generated by reports from operators and customer complaints.
- The Fixed Route overall customer satisfaction scores steeply declined by as much as 50 percent from Q1 2012 to Q4 2013.
- Able-Ride (Paratransit) Key Performance Indicators generally improved on a year-to-year comparative basis.
- Fixed Route yearly bus ridership declined by about five percent from 2010 to 2014 while Able-Ride ridership experienced small fluctuations during the same time period.
- New York State Department of Transportation vehicle inspection failures have decreased under Transdev’s management. However, vehicle breakdown rates fluctuated throughout 2012 and 2013.
- Transdev did not have written corrective action plans to address declining rider survey response.
- The County did not perform Metropolitan Transportation Authority (“MTA”) comparative performance analysis required by contract.

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<sup>1</sup> Pass-up refers to when a bus has reached capacity and has to bypass a scheduled bus stop.

## Executive Summary

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- Discrepancies and errors were found in Transdev’s performance scorecard data sent to the Bus Transit Committee (“BTC”).
- Department of Public Works is not adequately reviewing Revenues and Variable Fees after 2012.
- The Federal Transit Administration (“FTA”) review determined that Transdev’s System Safety Program Plan was in compliance with FTA requirements.
- The County and Transdev have properly addressed all Federal and State audit deficiencies.
- Transdev properly accounted for Fixed and Variable Fee billings of \$260.4 million in the first two fiscal years.
- Farebox Revenues totaling \$99 million were properly accounted for by Transdev.
- Transdev properly accounted for Advertising/Miscellaneous revenues totaling \$1.3 million.

### **Key Recommendations:**

- Transdev should take immediate action to implement a system for the analysis and monitoring of fleet wide Fixed Route On-Time Performance.
- Transdev should take immediate action to improve all Fixed Route performance metrics, especially Pass-Ups.
- Transdev should take immediate action to improve all Fixed Route Customer Satisfaction scores.
- Transdev should continue to monitor and improve all Able-Ride performance metrics, especially Customer Satisfaction.
- The County Transportation Planners, the Bus Transit Committee and Transdev should continue to monitor ridership levels and explore campaigns to increase ridership for both Fixed Route and Able-Ride services.
- We recommend continued monitoring of:
  - a. bus inspections by the County Transportation Planners;
  - b. bus mechanical breakdowns that disrupt service through the quarterly scorecards of performance indicators by the Bus Transit Committee; and
  - c. how mechanical breakdowns are affecting Fixed Route service and ridership perceptions.

## Executive Summary

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- Transdev should develop formal corrective action plans to validate and follow-up on customer survey results.
- Transdev should immediately start providing comparable performance metrics, as required by its contract with the County; possibly with other well run transit systems.
- Transdev should explicitly present any differences in comparable data, and the reason for these differences, on the performance scorecards, and submit amended performance scorecards to the BTC if errors have been noted after presentation of the data to the BTC.
- The Department of Public Works (“DPW”) should:
  - a. resume the level of review of Fixed Route platform hours that DPW had done prior to 2013; and
  - b. fully document and retain a complete record of these reviews performed, including the discrepancies noted and how they were resolved.
- The County Transportation Planners should continue to monitor County compliance with Federal and State Requirements.
- Transdev should report the Abe-Ride (Paratransit) coin revenues separately from the Fixed Coin revenue on the reports that accompany the monthly bills submitted to the County.
- We commend Transdev on the accuracy in the accounting for their Fixed and Variable fees, and Advertising and Miscellaneous revenues.

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The matters covered in this report have been discussed with the officials of Transdev. On March 31, 2015 we submitted a draft report to Transdev for their review. They provided their response on April 14, 2015 which is included as Appendix B to this report.

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## Introduction

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### **Background**

In December 2011, the Nassau County (“County”) Legislature approved a five year "public-private operating partnership" agreement<sup>2</sup> with Veolia Transportation<sup>3</sup> to operate the Long Island Bus System (“LI Bus”). LI Bus was previously operated by the New York Metropolitan Transportation Authority (“MTA”) from 1973 until 2011. The new agreement was formed in response to the MTA’s announcement that, without an additional \$26 million of County contributions, reduced service levels and increased fares would occur. Effective January 1, 2012, Veolia began operations of the bus system under a new name, Nassau Inter-County Express (“NICE”). This partnership arrangement enabled the County to maintain policy control over all areas, as well as continued ownership of all assets, vehicles and facilities. Effective August 2014, Veolia Transportation Services, Inc. changed its name to Transdev for its North American business unit of Transdev International.

NICE serves over 100,000 riders daily and operates 52 routes and more than 5,000 bus stops with a fleet of 308 forty-foot Compressed Natural Gas (“CNG”) buses and 111 Paratransit (“Able-Ride”) vehicles. There are three County-owned operating depots located in Mitchel Field, Rockville Centre and Stewart Avenue; one passenger facility in Hempstead; and one intermodal facility in Mineola.

The NICE operating budget is primarily funded through State Aid and farebox collections. The remainder of the funding comes from Federal grants, Nassau County and advertising revenues. As shown in Exhibit I, Nassau County’s share accounted for only 3.3% and 2.2% of the total funding for Fiscal Years 1 and 2, respectively.

The County’s contract with NICE requires that the County remit the funding (provided from all the sources) to Veolia for transit system costs through the two types of fees, Fixed and Variable, offset by operating and advertising revenues derived from the operation of the Transit System as well as a credit for interrupted service.

### ***Fixed Fees***

The Fixed Fee is determined annually, through approval of the NICE Annual Plan and Budget by the County Bus Transit Committee (“BTC”), and paid in equal monthly installments. The Monthly Fixed Fee for the first year of service was \$2,319,664. The agreed upon Monthly Fixed Fee as noted in the 2013 Annual Plan remained the same as 2012.

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<sup>2</sup> Fixed Route Bus and Paratransit Operation, Management and License Agreement By and Between the County of Nassau and Veolia Transportation Services, Inc.

<sup>3</sup> Veolia Transportation is the North American business unit of Veolia Transdev-one of four subsidiaries of Paris-based Veolia Environment. The Veolia Transit Division operates bus networks in the U.S. and Canada, including Las Vegas, Phoenix, Denver, San Diego, Baltimore, and suburbs of Washington, DC and Toronto.

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## Introduction

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### *Variable Fees*

Gross Variable Fees are billed on a monthly basis and determined by set Platform Hour Rates, for both Fixed Route<sup>4</sup> and Paratransit<sup>5</sup> services, which are charged for the number of Platform Hours<sup>6</sup> operated each month per service. Fixed Route monthly Platform Hours Rates were \$87.12 per hour in Fiscal Year 2012 and decreased to \$85.25 per hour in Fiscal Year 2013. Paratransit Platform Hour Rates remained constant throughout both fiscal years at \$55.81 per hour. Gross variable fees are reduced by allowable credits (revenues collected by Veolia and an amount for interrupted service) and the net amount is paid to Veolia monthly.

### *Revenues*

Revenues derived from the operation of the Transit System, whether from fareboxes or from other sources, are collected by Veolia and credited monthly against the gross variable billing to arrive at the amounts due from the County. Monthly revenue collections consist of farebox, MetroCard, Student Pass, Able-Ride, Uniticket, and advertisement and other miscellaneous revenues collected by Veolia. Beginning the second budget year, the County established stipulations to account for any surplus or shortfall of farebox revenues as compared to the annual projected revenue. The stipulations are as follows:

- If farebox revenue falls short of the annual projected revenue or exceeds the annual projected revenue: Veolia will be responsible for or receive the surplus or shortfall up to 5% of the Annual Projected Farebox Revenue.
- If the surplus or shortfall is greater than 5% of the projected revenue: the amount in excess of the 5% will be shared or made up equally by Veolia and the County.
- If the shortfall is greater than 10% of the projected revenue for two Quarters: Veolia can renegotiate the financial terms or terminate the agreement.
- If the revenue surplus is greater than 10%: the surplus will be deposited and maintained in a Reserve account established by Veolia, for use by both parties as established in the Annual Plan and Budget.

The NICE operating budget for calendar year 2012 was \$113.7 million. However, in order for the County to align the calendar year budget to the Fiscal Year 2012 (“Fiscal Year 1”) budget, the Fiscal Year 1 budget included 15 months (January 1, 2012 through March 31, 2013) and totaled \$141.9 million. The Fiscal Year 2013 (“Fiscal Year 2”) budget was for 12 months (April 1, 2013 through March 31, 2014) and totaled \$117.7 million. In Fiscal Year 1 and Fiscal Year 2 the County’s contribution totaled \$4.7 million and \$2.5 million respectively. Beginning with

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<sup>4</sup> Fixed Route service consists of buses traveling on a predetermined route following a fixed schedule.

<sup>5</sup> Paratransit (“Able-Ride”) services are “shared ride, curb-to-curb (or Origin to Destination service when requested) Paratransit bus service for people with disabilities. Able-Ride provides transportation for people who are unable to use Fixed Route bus service for some or all of their trips.”

<sup>6</sup> Platform Hours are “measured from the time a Revenue Vehicle departs the operating Facility to the time the Vehicle returns to the operating Facility.”

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## Introduction

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Fiscal Year 3<sup>7</sup>, Veolia realigned its budget year to coincide with the calendar year to better match the County budget and financing. As a result, the Fiscal Year 3 budget will include only nine months, from April 1, 2014 through December 31, 2014. Exhibit I below shows Veolia's Operating Budget, including County Contributions, for Fiscal Years 2012 and 2013.

### Exhibit I

#### Veolia Operating Budget Fiscal Years 2012 and 2013

<u>Description</u>	<u>In Thousands (000's)</u>		
	<u>2012</u>		<u>2013</u>
	<u>Actual *</u>		<u>Budget</u>
	<u>1/1/12-12/31/12</u>	<u>1/1/12-3/31/13</u>	<u>4/1/13-3/31/14</u>
	<u>Calendar Year</u>	<u>Fiscal Year **</u>	<u>Fiscal Year</u>
State Operating Assistance	\$ 56,431	\$ 71,831	\$ 61,602
Farebox Collections	43,049	53,355	45,967
FTA Preventative Maintenance Grant <sup>1</sup>	6,000	7,500	6,000
County Contribution	3,943	4,734	2,540
ADA Service <sup>2</sup>	2,382	2,382	-
FTA Administrative Grant	1,320	1,410	1,000
Advertising/Miscellaneous Rev	552	718	600
	<u>\$ 113,677</u>	<u>\$ 141,930</u>	<u>\$ 117,709</u>

\* 2012 was the first year under this contract. There was no budget.

\*\* The 2012 Fiscal Year included 15 months (January 1, 2012 through March 31, 2013). The calendar year is shown for comparative purposes with the 2013 fiscal year.

<sup>1</sup> Federal Transit Administration

<sup>2</sup> Americans with Disabilities Act

### **Audit Scope, Objectives, and Methodology**

Our review focused on the internal controls over operations, farebox collections and advertising and miscellaneous revenues for the period January 1, 2012 through March 31, 2014.

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<sup>7</sup> The third operating year timeframe has been adjusted as per the 5/14/2014 BTC Meeting and reflects a 9 month operating period from April 1, 2014 to December 2014. All subsequent years of operation will function on a calendar year basis.

## Introduction

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The specific objectives were to:

- review farebox and advertisement revenue to ensure amounts are reported accurately to the County on a monthly basis as required;
- review County payments to Veolia for compliance with the contract terms;
- review the Federal audit on Veolia (capital equipment funding);
- review the New York State audit done on Veolia (operating fund requirements);
- review the latest available rider surveys performed by the third party vendor and the resulting action plan(s);
- review and verify vehicle hours billed to the County and determine how vehicle hours are tracked and reported and how Veolia adjusts for vehicles out-of-service (breakdowns during route);
- review the vehicle maintenance record; and
- review the safety record.

We reviewed written policies and procedures and interviewed employees to determine their responsibilities, duties and work procedures since Veolia manages all services and provides daily on-site supervision, such as, the monitoring of schedule adherence, on-street operation, on-route compliance, etc. We reviewed internal controls and performed testing of the records for revenue collection, the tracking and reporting of vehicle hours and compliance with the terms of the five year contract. We also reviewed Veolia's response to audits performed by New York State and the Federal government, as well as rider surveys.

We believe our review provides a reasonable basis for the findings and recommendations contained herein.

## Findings and Recommendations

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### **Audit Finding:**

#### **(1) On-Time Performance Was Not Maintained for Fixed Route Service; Pass-Ups Increased by Nearly 40 Percent and Overall Customer Satisfaction Declined by 50 Percent**

##### *On-Time Performance*

During our review we noted that the On-Time Performance of Fixed Route buses, a critical performance measure, was not monitored by Veolia and subsequently not presented to the Bus Transit Committee for their review. Fixed Route buses were not equipped with vehicle location devices, such as a GPS system, which Veolia dispatch could utilize to oversee real-time vehicle locations. In an effort to monitor On-Time Performance, Veolia contracted with Mjach Designs, Inc. to perform independent Monthly Mystery Rider surveys. However, these services were performed on a sample basis and do not cover actual on-time data for all Fixed Route service. Without On-Time Performance measurement, it is difficult for Veolia management, the BTC or the public to assess bus timeliness.

##### *Pass-Ups*

We also noted a near 40 percent increase in Fixed Route Pass-Ups<sup>8</sup>. Veolia initiated oversight of the Pass-Ups metric in the second quarter of 2012. From 2012 to 2013, on a year-to-year comparative basis, the number of pass-ups increased by 597 (or 39.5%)<sup>9</sup>. This metric is generated by reports from operators and customer complaints. We believe that the 40 percent increase in Pass-Ups may be a major contributor to the 50 percent decline<sup>10</sup> in Overall Customer Satisfaction Scores.

According to Veolia, pass-ups are a useful measurement for service planning, in terms of evaluating constraints in the system. They also stated that since they are not able to expand the current level of service, they cannot fully address the constraint, other than to ensure the available service is allocated correctly.

As noted in Exhibit II below, the Fixed Route Quarterly Pass-Ups increased by nearly 40 percent from Q2 2012 to Q4 2013. They had spiked up over 100% during the winter of Q1 in 2013 from the low point in Q3 2012.

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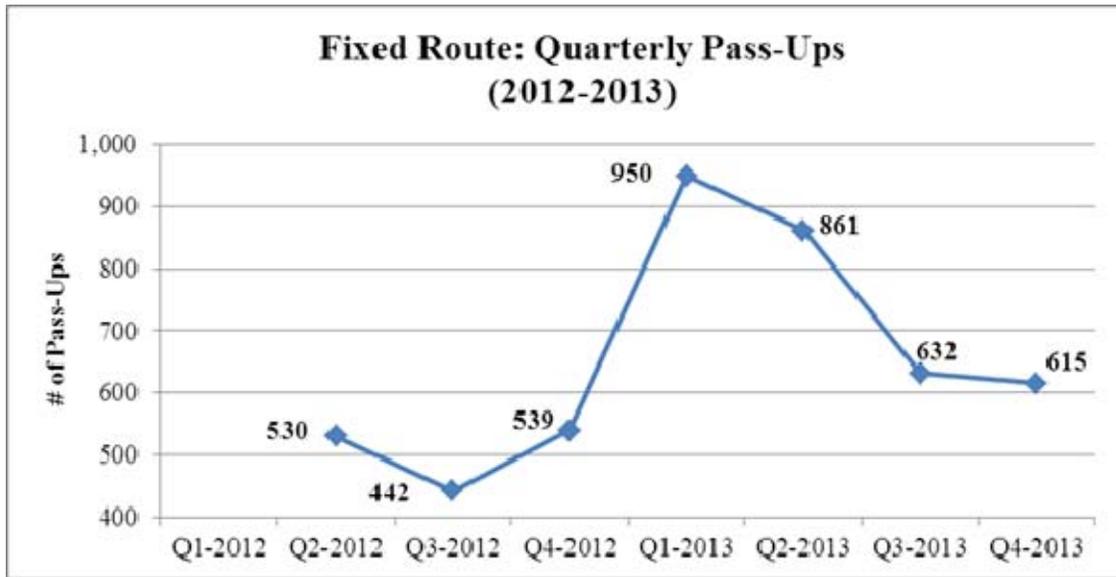
<sup>8</sup> Pass-up refer to when a bus has reached capacity and has to bypass a scheduled bus stop.

<sup>9</sup> YTD Pass-Ups for 2012 (Q2-Q4) = 1,511 and YTD Pass-Ups for 2013 (Q2-Q4) = 2,108 (39.5% increase)

<sup>10</sup> Customer Satisfaction scores for Q4 2012 was 63%, Customer Satisfaction Scores for Q4 2013 was 31%.

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Exhibit II

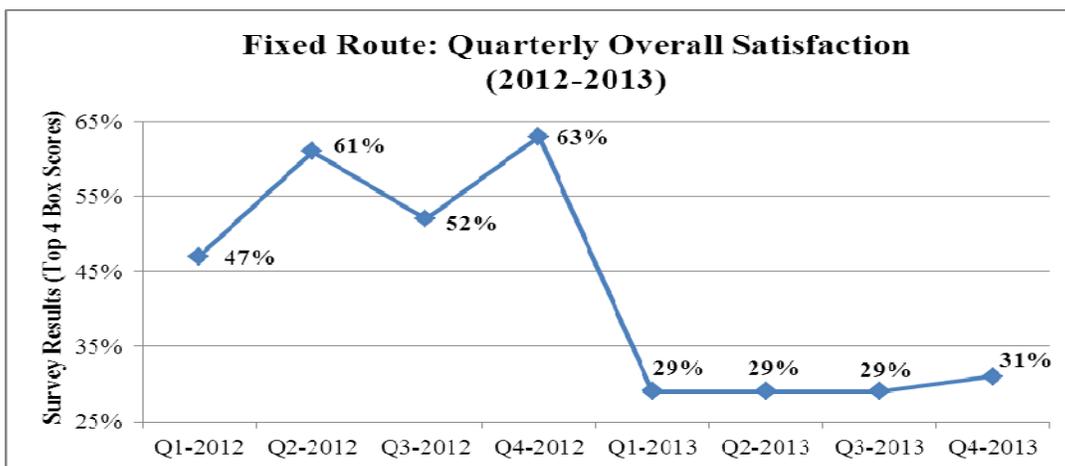


*Overall Customer Satisfaction Scores*

During our review, we noted that the Overall Satisfaction of Fixed Route service had decreased significantly on a year-to-year comparative basis. Overall Customer Satisfaction Scores were higher every quarter in 2012 as compared to the scores collected from the fourth quarter of 2011, which had an Overall Satisfaction Score of 33%. However, in all four quarters of 2013, the Fixed Route Overall Satisfaction Scores were considerably less when compared to the 2012 scores, remaining close to 30% for the entire year.

As noted in Exhibit III below, the Fixed Route Overall Customer Satisfaction scores steeply declined by as much as 50 percent from Q1 2012 to Q4 2013.

Exhibit III



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## Findings and Recommendations

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### *Veolia's Internal Fixed Route Performance Measures*

Veolia maintains statistical data to measure the performance of their Fixed Route service for a number of areas. Some of these figures, such as Veolia's Calls Answered Ratio, Pass-Ups, On-Time Performance, Missed Trips, Mechanical Breakdowns, Accidents per 100,000 Miles and Operating Days are maintained internally by Veolia personnel.

In addition to their own performance measurements, Veolia solicits two external vendors to perform independent Customer Satisfaction analysis, consisting of such categories as Overall Satisfaction, Bus Cleanliness, Stop Cleanliness and On-Time Perception, which are reported to Veolia management.

A summary of all performance measures are presented on a quarterly basis to the Bus Transit Committee in the form of a Key Performance Indicator ("KPI") Performance Scorecard for both the Fixed Route and Able-Ride services. We have compiled the results of these quarterly KPI performance scorecards into a comprehensive biannual scorecard, which covers the period of our audit for both Fixed Route and Able-Ride services, in the Appendix to this report.

We noted other Fixed Route performance measures which Veolia internally maintains, with the exception of Missed Trips, tended to stay about the same with minor variations on a year-to-year comparative basis.

The following are brief excerpts from Veolia's internally maintained performance measures followed by a summary of the outside vendor's customer satisfaction score results. More detailed support pertaining to all of these performance measures can be found in the Appendix.

- Calls Answered Ratio: All quarters remained above the 80% mark. The annual average number of calls answered to calls presented ratio in Veolia's Fixed Route call center increased from 87% in 2012 to 89% in 2013.
- Missed Trips:<sup>11</sup> The annual total decreased from 180 missed trips in 2012 to 0 missed trips in 2013.
- Mechanical Breakdowns:<sup>12</sup> The annual average number of mechanical failures per day decreased from 5.31 in 2012 to 4.89 in 2013. This topic is further discussed in Finding 4.
- Accidents per 100,000 Service Miles: The annual average number of preventable accidents<sup>13</sup> per 100,000 service miles traveled increased from 1.59 in 2012 to 1.64 in 2013.

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<sup>11</sup> A Missed Trip is defined as a trip which was not dispatched within 10 minutes of its scheduled time.

<sup>12</sup> A Mechanical Breakdown is defined as a breakdown which disrupts service for more than 5 minutes.

<sup>13</sup> A preventable accident is defined as an accident which could have been avoided or prevented from occurring. A non-preventable accident occurs when there is nothing an operator can do to prevent an accident. For example, a non-preventable accident could be a bus that was stopped at a traffic light and the car behind came up and hit the bus.

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## Findings and Recommendations

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### *Outside Vendor's Fixed Route Customer Satisfaction Scores*

Veolia utilizes the services of two outside agencies to perform independent rider surveys for customer satisfaction purposes on a periodic basis of both the Fixed Route and Able-Ride systems. The Customer Satisfaction Scores are based on surveys, via physical hand-out on Fixed Route Buses or telephone interviews for Able-Ride, which rate numerous performance categories including Overall Satisfaction, Bus Cleanliness, Stop Cleanliness and On-Time Perception. The surveys used a 10 point scale ranging from 10 to 1, very satisfied to very dissatisfied and are opinion based. Percentages recorded on the performance scorecard signify "top 4" box scores (the sum of respondents who rate items 7, 8, 9, and 10, expressed as a percent).

IPSOS, a global market research firm, performs quarterly independent customer satisfaction surveys using a scientific sampling method, whereby they interview customers based on the distribution of customers across the system. The results of IPSOS' surveys compile the quarterly Fixed Route customer satisfaction survey scores which are present on the Quarterly Performance Scorecards.

The other vendor, Mjach Designs, Inc., a marketing, communications and graphic design firm, performs surveys using Monthly Mystery callers (both Fixed Route and Able-Ride services) and Mystery riders (only Fixed Route service) for quality measurement. They rate Veolia on punctuality, passenger information, cleanliness of the vehicle and a number of other standard factors. Mjach Designs, Inc. provides Veolia with reports noting areas for improvement and areas of satisfaction, based on prior period evaluation. In addition, Mjach produces the quarterly Able-Ride customer satisfaction survey scores which are present on the Quarterly Performance Scorecards.

We noted other Fixed Route Customer Satisfaction Scores collected by the outside vendors also decreased in 2013 on a year-to-year comparative basis. Below is a brief recap of some of the other Customer Satisfaction Scores for the time period of our audit, 2012 to 2013. Again, a more detailed analysis can be viewed in the Appendix to this report.

- Bus Cleanliness: Ranges of Bus Cleanliness scores decreased from 34% - 55% in 2012 to 18% - 31% in 2013.
- Stop Cleanliness: Ranges of Stop Cleanliness scores decreased from 39% - 61% in 2012 to 23% - 30% in 2013.
- On-Time Perception: Ranges of On-Time Perception scores decreased from 35% - 55% in 2012 to 24% - 31% in 2013.

Apart from the two vendors mentioned above, Veolia has also contracted with another outside vendor to perform a survey specific to Fixed Route service to remain within federal requirements. Moore and Associates, Inc., a public transportation consulting company, performed an onboard survey<sup>14</sup> of NICE Fixed Route bus service in October 2013, in order to

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<sup>14</sup> The complete results of the survey can be found on the NICE website: <http://www.nicebus.com/About-NICE/Compliance.aspx>.

## **Findings and Recommendations**

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ensure compliance with Federal Title VI reporting requirements<sup>15</sup>. The purpose of the survey, required to be performed every five years, was to develop a profile of travel and demographic characteristics of NICE Fixed Route customers and determine if there were any gaps in coverage. The survey determined that minority ethnicities, low-income populations, senior and youth populations, and transportation-disadvantaged populations (defined as households lacking access to a personal vehicle) were being adequately served.

### **Audit Recommendation(s):**

Veolia should take immediate action to implement a system for the analysis and monitoring of fleet wide Fixed Route On-Time Performance as well as improve all Fixed Route performance metrics, especially Pass-Ups and Customer Satisfaction scores.

### **Audit Finding:**

#### **(2) Able-Ride Key Performance Indicators Generally Improved**

As mentioned in Finding 1, Veolia maintains statistical data and uses customer surveys to measure their service for a number of performance areas. We noted that Able-Ride service generally improved over the course of our audit period in significant performance areas.

Below is a brief recap of some of the Able-Ride results for the performance areas retained and analyzed by Veolia followed by a summary of the outside vendor's customer satisfaction scores. For further information, see the Appendix to this report.

#### ***Veolia's Internal Able-Ride (Paratransit) Performance Measures***

Unlike Fixed Route buses, Able-Ride vehicles were equipped with vehicle location technology to track and evaluate on-time performance. During our audit, we noted Veolia's Able-Ride On-Time Percentage improved on an annual average basis by approximately eight percent from 2012 to 2013. On-Time Percentage is defined as the number of pick-ups<sup>16</sup> which occurred on time divided by the total number of stops to pick up passengers, expressed as a percentage.

Overall, Veolia has managed to improve their Able-Ride On-Time Percentage since their inception of the paratransit system. With exception to the fourth quarter of 2012 which includes the time period of and immediately following Super Storm Sandy, Veolia has maintained a quarterly Able-Ride On-Time Percentage above 80%. Please note the data in this exhibit represent adjusted 2012 figures (See Finding 7 for information regarding data adjustments and discrepancies).

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<sup>15</sup> The survey instrument was designed to capture the following information: 1) Travel patterns and behavior, including where people are traveling to, when they tend to travel, where they come from, how they access transit services, how they travel to their final destination, how frequently they use transit services, trip purpose, trip length, and other travel modes they use. 2) Rider demographics, including race, gender, ethnicity, English proficiency, income, vehicle availability, and other information, which will provide Veolia with a clear picture of who is using transit services.

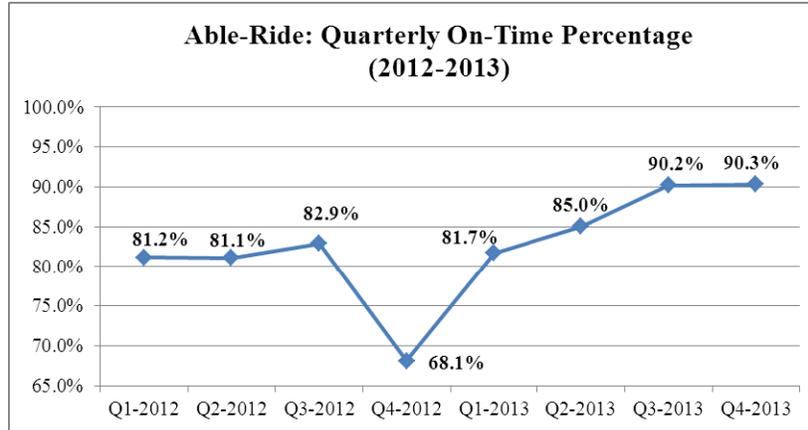
<sup>16</sup> Pick-Ups are defined as a stop made to pick up a passenger.

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## Findings and Recommendations

Exhibit IV below illustrates Veolia's Able-Ride On-Time Percentage over the course of 2012 through 2013.

### Exhibit IV



Also, unlike Fixed Route service, Able-Ride service does not, by definition and execution, include pass-ups. All scheduled Able-Ride trips are required to be fulfilled by federal regulation.

We noted other Able-Ride performance measures which Veolia internally maintains, with the exception of Accidents per 100,000 Service Miles, tended to stay about the same with minor variations on a year-to-year comparative basis. Below is a brief recap of some of the other performance measures for the time period of our audit, 2012 to 2013, which were internally retained by Veolia. Again, a more detailed analysis can be viewed in the Appendix to this report.

- Calls Answered Ratio: All quarters remained at or above the 75% mark. The annual average number of calls answered to calls presented ratio in Veolia's Able-Ride call center increased from 83% in 2012 to 87% in 2013.
- No-Shows:<sup>17</sup> The annual average of No-Shows as a percentage of Total Trips has increased by 0.9% from 2.8 % in 2012 to 3.7% in 2013. However, it is important to note this metric is outside of Veolia's control and solely dependent on the responsibility of paratransit customers.
- Cancellations: The annual average Number of Cancellations as a percentage of Total Trips has decreased by 1.4% from 4.8% in 2012 to 3.4% in 2013. Conversely, it is important to note this metric is also outside of Veolia's direct control.
- Mechanical Breakdowns: The annual average number of mechanical failures per day increased from 0.44 in 2012 to 0.58 in 2013. This topic is further discussed in Finding 4.
- Accidents per 100,000 Service Miles: The annual average number of preventable accidents per 100,000 service miles traveled decreased by 0.92 from 1.49 in 2012 to 0.57 in 2013.

<sup>17</sup> A No-Show is defined as customer who fails to cancel ahead of time and does not show up for an appointment.

## Findings and Recommendations

### *Outside Vendor's Able-Ride (Paratransit) Customer Satisfaction Scores*

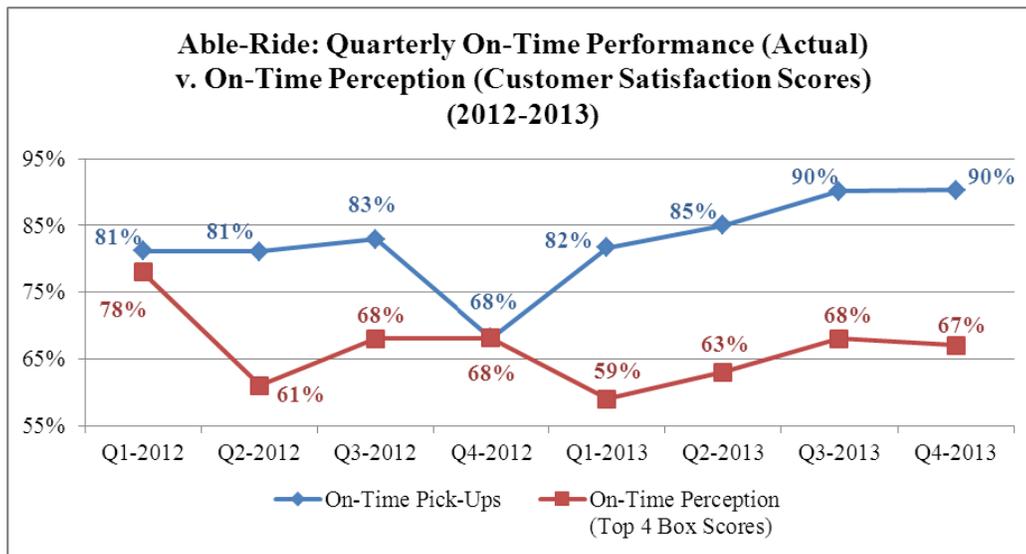
Customer Satisfaction Score categories included in the quarterly KPI Performance Scorecards for Able-Ride during 2012 and 2013 included the following: Bus Cleanliness, Driver Courtesy and On-Time Perception. Unlike Fixed Route, Overall Satisfaction was not reported. Below is a brief recap of customer satisfaction scores. Once again, a more detailed analysis of these metrics can be viewed in the Appendix to this report.

- Bus Cleanliness: Ranges of Bus Cleanliness scores remained relatively the same from 79% - 92% in 2012 to 76% - 94% in 2013.
- Driver Courtesy: Ranges of Driver Courtesy scores slightly decreased from 88% - 94% in 2012 to 76% - 93% in 2013.
- On-Time Perception: Ranges of On-Time Perception scores slightly decreased from 61% - 78% in 2012 to 59% - 68% in 2013.

We noted that even though the actual On-Time Performance (On-Time Pick-Ups) was increasing, the Customer Satisfaction survey scores were less in 2013 as compared to the prior year. As noted in the graph below, it is important to note actual performance data does not always align with customer perception.

Exhibit V below shows a comparison of Able-Ride Quarterly On-Time Performance (Actual Pick-Ups) and the On-Time Perception (based on survey scores) for 2012 and 2013.

#### Exhibit V



Veolia and the County could not identify a direct cause for the decrease in satisfaction scores and Veolia officials believed that a potential fare increase could have prompted customers to negatively rate the system. Subsequently, the cash fare was increased by \$0.25 in September 2014.

## Findings and Recommendations

### **Audit Recommendation(s):**

Veolia should continue to monitor and improve all Able-Ride performance metrics, especially Customer Satisfaction.

### **Audit Finding:**

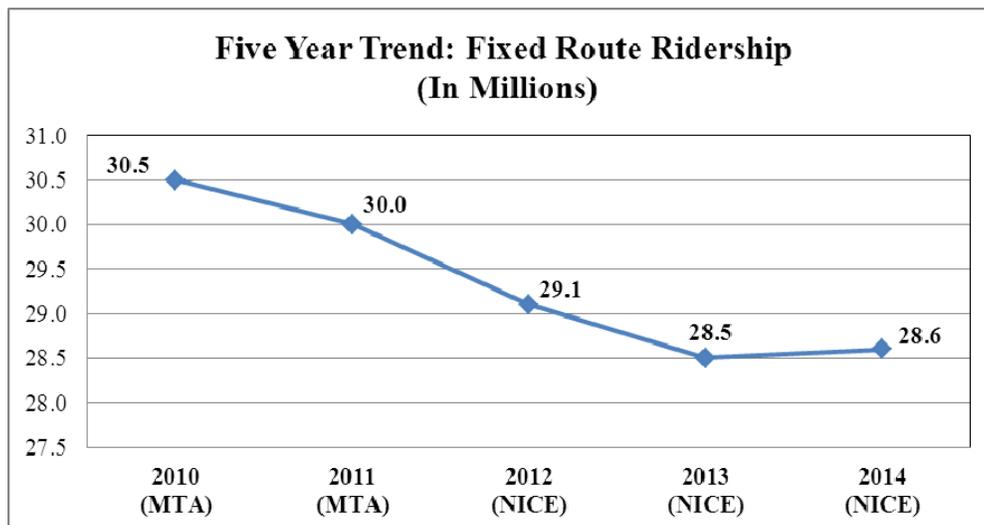
### **(3) Fixed Route Yearly Bus Ridership Declined by About Five Percent Over the Last Four Years; Able-Ride Experienced Small Fluctuations**

#### *Fixed Route*

Over the last four years, there has been a decline in Fixed Route bus ridership. Although farebox revenues have increased while under Veolia's management, Fixed Route ridership experienced a 1.4 million (4.7%) rider decline when comparing ridership figures for the MTA's last year of operation in 2011 to Veolia's 2014 ridership figures. Veolia officials stated that the decrease in ridership was primarily due to service adjustments instituted in April 2012, the March 2013 Metro Card fare increase, and Super Storm Sandy (October 2012). The MTA increased the Metro Card base fare, effective March 3, 2013, from \$2.25 to \$2.50.

Exhibit VI below illustrates the yearly number of Fixed Route bus riders for years 2010 through 2014.

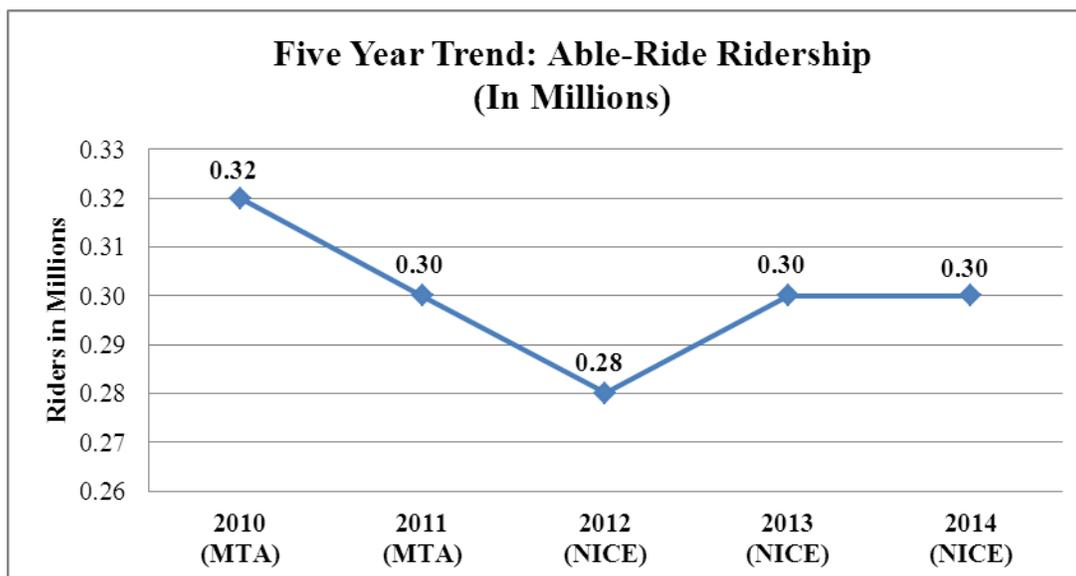
#### **Exhibit VI**



#### *Able-Ride*

Under Veolia, with the exception of 2012 where there was a 20,000 decline in riders, Veolia has maintained a steady ridership for Able-Ride. Exhibit VII below illustrates the yearly number of Able-Ride riders for years 2010 through 2014.

Exhibit VII



**Audit Recommendation(s):**

We recommend that the County Transportation Planners, the Bus Transit Committee and Veolia continue to monitor ridership levels and explore campaigns to increase ridership for both Fixed Route and Able-Ride services.

**Audit Finding:**

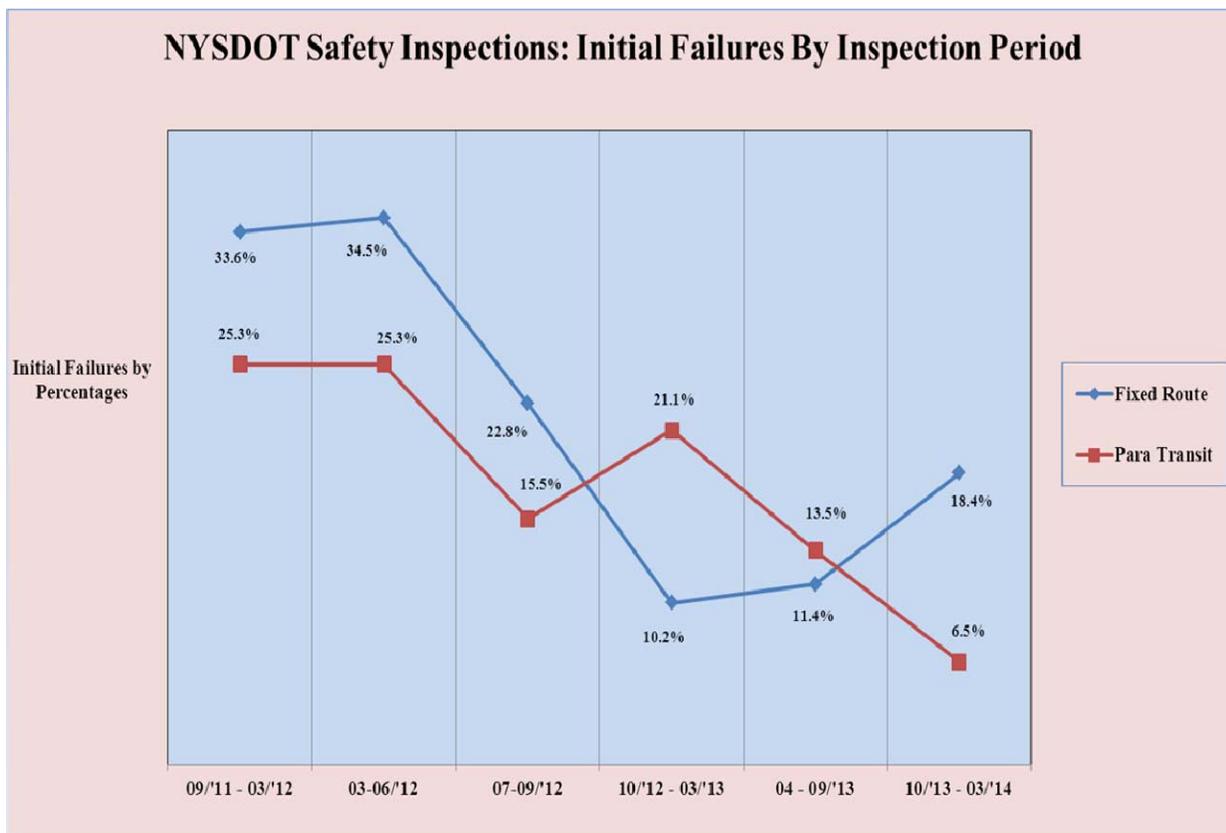
**(4) NYSDOT Inspection Failures have Decreased Under Veolia Management but Vehicle Breakdown Rates Fluctuated Throughout 2012 and 2013**

Exhibit VIII below shows the inspection failure rates<sup>18</sup> identified by the NYS DOT inspections from September 2011 through March 2014. We do not have previous comparable data from the MTA prior to September 2011. Based on the County review of the failure rates, it appears that Veolia has made significant headway in reducing the percentage of inspection failures for both Fixed Route and Paratransit vehicles.

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<sup>18</sup> The County measures all inspection failures in the failure rate even if the failure was corrected in the same day.

Exhibit VIII



Equipment Inspections and Bus Breakdowns

Preventative Maintenance and equipment inspections are overseen by a County Transportation Planner and County Transportation Supervisor (who now fall under the Department of Public Works)<sup>19</sup>. They monitor to ensure Veolia performs the inspections required by the FTA<sup>20</sup>, the NYS DOT<sup>21</sup>, Federal Motor Carrier Safety Regulations<sup>22</sup> (“FMCSR”) and the contract<sup>23</sup>.

Although Veolia’s management has been able to decrease vehicle inspection failures through its proactive preventative maintenance program, mechanical breakdown rates still remain uneven.

<sup>19</sup> These employees responsible for overseeing the County’s bus fleet were part of Nassau County’s Planning Department, then moved under the Department of Real Estate and now are part of DPW.

<sup>20</sup> Veolia’s Vehicle Maintenance Plan was reviewed by the FTA during its 2013 Triennial Review and found to be in compliance with FTA requirements. For example, the Fixed Route vehicles must undergo preventative maintenance inspections every 6,000 miles with specific milestone inspections performed every 6,000 miles, 12,000 miles, and 72,000 miles.

<sup>21</sup> NYS DOT Inspections are required every six months and are performed by NYS DOT inspectors twice weekly.

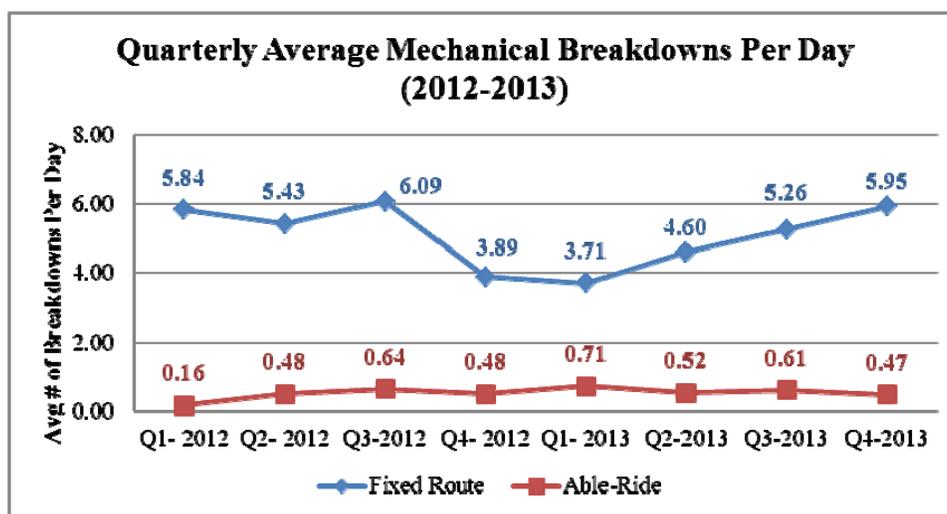
<sup>22</sup> FMCSR require Paratransit vehicles be inspected annually.

<sup>23</sup> The contract requires that Veolia comply with all federal, state and local laws and rules with respect to the use, maintenance and operation of County assets and adhere to a written maintenance plan for federally funded assets valued over \$5,000.

## Findings and Recommendations

Despite annual average breakdowns having decreased in Year 2013 compared to Year 2012<sup>24</sup>, a review of the breakdown rates for Years 2012 through 2013 showed significant fluctuations on a quarter by quarter basis. We could not analyze how breakdowns are directly impacting Fixed Route on-time performance due to the lack of on-time performance data for Fixed Route buses. Exhibit IX below illustrates the average number of mechanical breakdowns (failures) per day<sup>25</sup> on a quarterly basis for years 2012 through 2013.

### Exhibit IX



Veolia management advised us that daily maintenance inspections were also being performed in an effort to decrease potential breakdowns and protect passengers. The Transportation Planner oversight consisted of quarterly audits which sampled approximately 10% of the fleet mandated preventative maintenance inspections. The Transportation Planner also performed biannual inspections of the facilities and equipment. Any noted discrepancies (such as late inspections and poor facility conditions) were followed up with Veolia's maintenance department for corrective action or explanation. We reviewed the working papers of the audits performed by the Transportation Planner and determined that the discrepancies were explained and addressed and concluded that the Transportation Planner provided adequate oversight over preventative maintenance inspections and facilities and equipment inspections.

According to Veolia officials, the age of the Fixed Route Buses contributes to the number of mechanical problems. The auditors were informed the County procurement process is already underway to acquire new buses through federal funding. In 2012, Veolia purchased 45 replacement Fixed Route buses. The Capital Five Year Plan shows several more bus purchases in the pipeline.

<sup>24</sup> The Annual average number of Fixed Route Mechanical Breakdowns per day declined from 5.31 in 2012 to 4.89 in 2013. See Appendix for more details.

<sup>25</sup> Breakdowns disrupting service more than five minutes per day divided by the number of revenue service days.

## Findings and Recommendations

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### **Audit Recommendation(s):**

We recommend continued monitoring of:

- a) bus inspections by the County Transportation Planners;
- b) bus mechanical breakdowns that disrupt service through the quarterly scorecards of performance indicators by the Bus Transit Committee; and
- c) how mechanical breakdowns are affecting Fixed Route service and ridership perceptions.

### **Audit Finding:**

#### **(5) Veolia Did Not Have Written Corrective Action Plans to Address Declining Rider Survey Response**

Our review of Veolia's independent rider surveys displayed an overall decrease in rider satisfaction with respect to Fixed Route service. We noted formal corrective action plans to address these decreases were not created and analyzed by Veolia to support their strategies for improvement.

Neither Veolia nor the County could identify a cause for the decrease in satisfaction scores and Veolia officials believed that a potential fare increase could have prompted customers to negatively rate the system.

According to Veolia officials, all customer complaints were identified and reviewed by routes and by time of day, seriousness of the issues, and if issues could be rectified. Conversations with management revealed that Veolia considers the results of the surveys and customer complaints and takes corrective actions to rectify the areas that were designated as needing improvement. However, we noted that there were no written corrective action plans to support the strategies taken for the betterment of service.

### **Audit Recommendation(s):**

We recommend that Veolia develop formal corrective action plans to validate and follow-up on customer survey results.

### **Audit Finding:**

#### **(6) MTA Comparative Analysis Required by Contract Was Not Performed**

We noted that Veolia's performance was not being evaluated against MTA benchmarks as required by the contract which states the goal is to improve performance relative to the MTA, which will be monitored by the Transit Committee. The contract<sup>26</sup> states:

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<sup>26</sup> Original contract, Schedule 1.

## Findings and Recommendations

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*“It is the goal of this contract to improve the performance of the system relative to current performance by MTA. Current MTA performance will be benchmarked by the County and Veolia performance will be evaluated relative to this benchmark. Performance falling within the range of acceptable performance will neither be paid incentives or assessed liquidated damages. Benchmarks based on MTA performance shall be reviewed by the Transit Committee.”*

Exhibit X below, which is an excerpt from the contract, lists the performance criteria to be evaluated against MTA benchmarks along with the corresponding ranges which would trigger the assessment of liquidated damages or the payment of an incentive. This contract required evaluation metrics that were never implemented and consistent MTA data was not available as a benchmark for comparison to Veolia.

### Exhibit X

#### Key Quarterly Performance Indicators for Fixed Route and Able-Ride and the Related Liquidated Damages and Incentives

<b>Fixed Route</b>				
<b>Standard</b>	<b>Below Benchmark</b>	<b>Liquidated Damage</b>	<b>Above Benchmark</b>	<b>Incentive</b>
On Time Performance	5 % points worse	\$5,000	3 % points better	\$5,000
% Missed Pullouts	5 % points worse	\$2,000	5 % points better	\$2,000
Accidents/100,000 Miles	10 % worse	\$5,000	10 % better	\$5,000

<b>Paratransit (Able-Ride)</b>				
<b>Standard</b>	<b>Below Benchmark</b>	<b>Liquidated Damage</b>	<b>Above Benchmark</b>	<b>Incentive</b>
Calls Answered Ratio	10 % points worse	\$5,000	15 % better	\$5,000
On Time Performance	5 % points worse	\$5,000	3 % points better	\$5,000
% Missed Pullouts	5 % points worse	\$2,000	5 % points better	\$2,000
Accidents/100,000 Miles	10 % worse	\$5,000	10 % better	\$5,000
Productivity	10 % worse	\$5,000	10 % better	\$5,000

## Findings and Recommendations

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### **Audit Recommendation(s):**

We recommend that Veolia immediately start providing comparable performance metrics, as required by its contract, possibly with other well run transit systems.

### **Audit Finding:**

#### **(7) Discrepancies and Errors Were Found in Veolia's Performance Scorecard Data**

During our review, auditors found discrepancies in Veolia's performance scorecard data furnished to the BTC. Figures from 2012 presented on the annualized 2012 performance scorecard did not always agree to 2012 figures presented on the quarterly 2013 performance scorecards<sup>27</sup>. We noted 22 instances (16 with Able-Ride and 6 with Fixed Route,) where the presentation of 2012 data between the two sources was different as well as one error which followed through for both years. Auditors contacted Veolia management for explanations of these apparent differences which are summarized below and also noted in the Appendix.

#### **Able-Ride Differences:**

- Veolia's method of analyzing On-Time Performance for Able-Ride vehicles "...was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups."

This revised reporting method resulted in figures for Pick-Ups on Time and Total Pick-Ups to be decreased across all four quarters; thus increasing, in three of the four quarters, the On-Time Performance for Able-Ride. This metric change accounted for eight of the 16 noted differences in the performance scorecard data.

- The other eight noted differences were related to 2012 Able-Ride Customer Satisfaction Scores reported correctly on the 2012 annual performance scorecard report but reported in "error" on the 2013 quarterly performance scorecards. These "errors" affected the Customer Satisfaction categories of Bus Cleanliness, Driver Courtesy and On-Time Perception. Seven of the eight differences resulted in Veolia's scores being presented higher than they actually were, in the Bus Cleanliness category as high as a 17% increase.

Exhibit XI below illustrates the original Able-Ride Bus Cleanliness percentages reported on the annualized 2012 performance scorecard as compared to figures reported on the 2013 quarterly performance scorecards.

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<sup>27</sup> 2012 quarterly data was presented on the 2013 quarterly performance scorecards for comparative purposes.

Exhibit XI

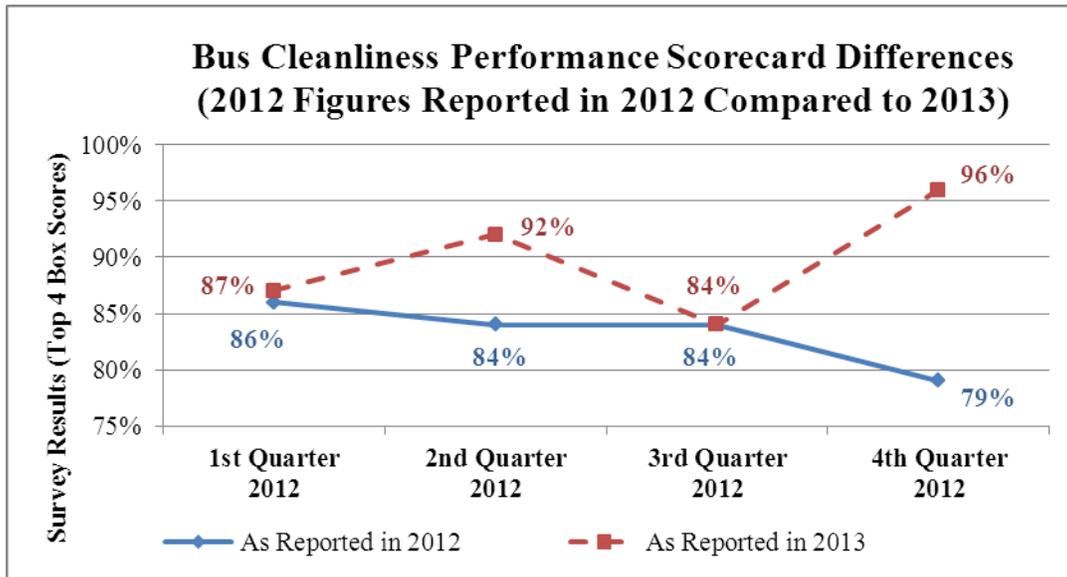


Exhibit XII below illustrates the original Able-Ride Driver Courtesy percentage as compared to figures reported on the 2013 quarterly performance scorecards with adjusted scores reflecting increases up to six percent.

Exhibit XII

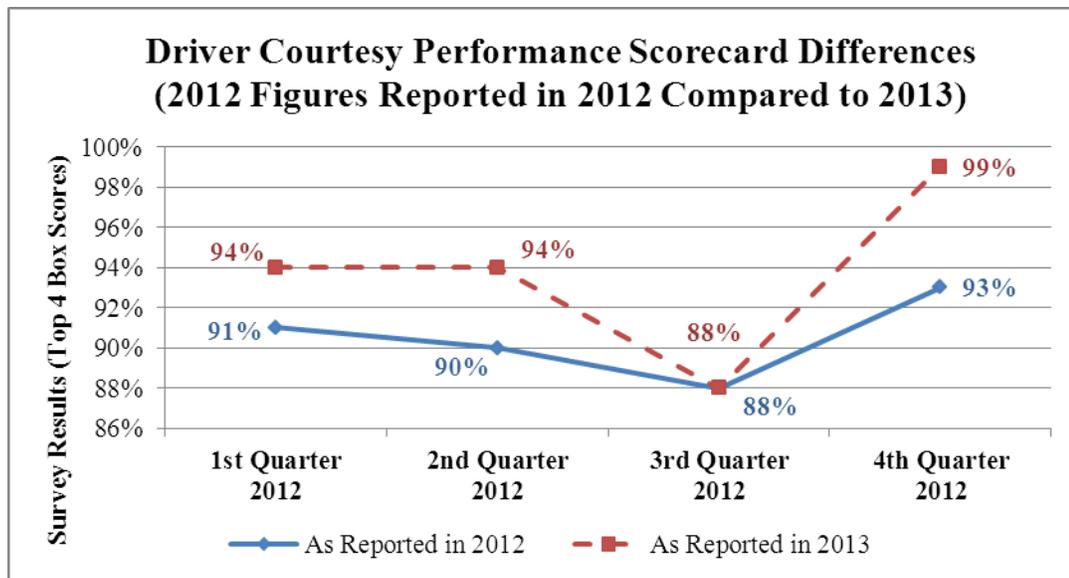
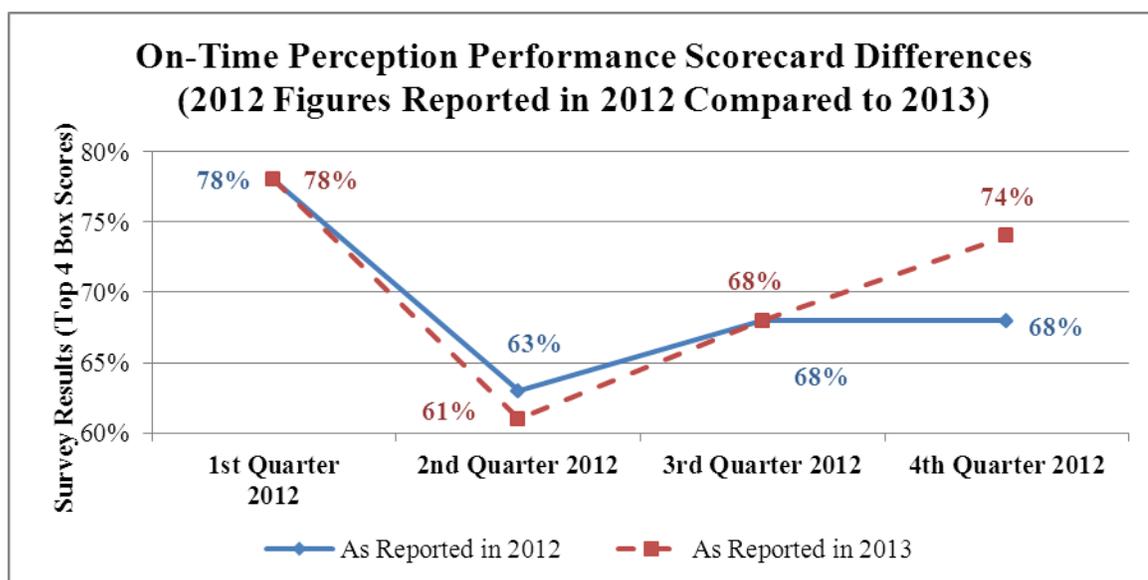


Exhibit XIII below illustrates the original Able-Ride On-Time Perception percentages as compared to figures reported on the 2013 quarterly performance scorecards with adjusted scores reflecting increases up to six percent.

Exhibit XIII



There was also one instance of error for Able-Ride statistics which was present on the performance scorecards of both years. Total Trips recorded on the scorecards for Cancellations was recorded as 72,642 instead of 72,639. Although this error is minute, all information presented on the Performance Scorecard should be accurate, especially when the same statistic is listed in other metrics on the performance scorecard.

Fixed Route Differences:

The Fixed Route differences noted did not reflect any significant change in reporting.

- There were three instances where certain Fixed Route Customer Satisfaction Score data for Q3 2012 were “mistakenly swapped” with other Customer Satisfaction Score data on the 2013 quarterly performance scorecard. As a result, Bus Cleanliness scores, originally 34%, was presented as 39% (a 5% increase), Stop Cleanliness, originally 39%, was presented as 43% (a 4% increase), and On-Time Perception, originally 43%, was presented as 34% (a 9% decrease).
- Two differences dealt with Q1 2012 Service Miles, which in turn affected the number of chargeable/preventable accidents per 100,000 miles traveled by a Fixed Route bus. Q1 2012 contained 63 weekdays while Q1 2013 contained 62 weekdays. For comparative purposes, on the Q1 2013 performance scorecard, the 2012 data was recalculated to 62 weekdays resulting in a decrease of 33,090 service miles and an increase of 0.02 (1.23 to 1.25) in preventable accidents/100K miles.
- The remaining discrepancy dealt with Q2 2012 Service Miles. Q2 2012 Service Miles received a revision to include an additional 2,975 miles traveled for Jones Beach Service when presented on the Q2 2013 performance scorecard. This change had insignificant effects on the number of preventable accidents/100K miles.

## **Findings and Recommendations**

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### **Audit Recommendation(s):**

We recommend Veolia explicitly present any differences in comparable data, and the reason for these differences, on the performance scorecards. We also recommend Veolia submit amended performance scorecards to the BTC if errors have been noted after presentation of the data to the BTC.

### **Audit Finding:**

#### **(8) DPW is Not Adequately Reviewing Revenues and Variable Fees After 2012**

We determined that the monthly review process of Farebox Revenues and Variable Fees was not adequately performed and documented by DPW staff. Prior to 2013, the review included testing of the accuracy of Fixed Route platform hours and documentation evidencing the work done. We determined that this review process was reassigned to a different DPW staff in 2013.

We tested a sample of the monthly reviews done prior to 2013 and noted that no major discrepancies were found. However, the lack of proper review documentation from 2013 onward (such as review checklists, work papers, finding summaries, reports etc.) rendered auditors unable to test the work performed by a DPW Accounting Assistant II during this period. According to our review of the monthly work done prior to 2013 and interviews with DPW staff and Veolia personnel, the monthly review process performed by DPW includes the following:

- **Mathematical Recalculation of Invoice:** The Variable Fee Invoice is refooted to verify mathematical accuracy.
- **Review of Fixed Route Platform Hours:** Fixed Route platform hours on the Variable Fee Invoice are matched to the summary of hours. A random sample of routes is tested for accuracy to verify the number of days of service. (Note: this step was not performed subsequent to DPW staff reassignments in 2013.)
- **Review of Paratransit Platform Hours:** The complete Route Productivity Report was obtained from Veolia's Director of Finance and specific dates were selected for testing. The manifest hours were compared to the hours billed to ensure that only the hours of service were billed.
- **Review of Lost Trips (hours of Service Interruption):** The Summary of Lost Trips report was obtained from Veolia's Supervisor of Operations and a sample was selected for review. The full trips where service was interrupted were compared to the paddles (NICE Scheduler) to ensure that the accurate number of service interruption credits was received by the County.
- **Mathematical Recalculation for Credit Report:** Credits listed on the Monthly Fare Collections report were reviewed against the Variable Fee Invoice for accuracy.
- **Review of Farebox Revenues:** Veolia's bank statements were reviewed to ensure that all farebox deposits were credited to the County on the monthly claim.

## **Findings and Recommendations**

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- We were informed that any discrepancies noted would be discussed with the Project Manager and Veolia's Director of Finance. In the event an error occurred, the sample size was expanded to increase the documents reviewed. DPW stated all discrepancies were solved and no errors in billing hours have resulted in any changes to the monthly claim amount.

### **Audit Recommendation(s):**

We recommend that DPW:

- a) resume the level of review of Fixed Route platform hours that DPW had done prior to 2013; and
- b) fully document and retain a complete record of these reviews performed, including the discrepancies noted and how they were resolved.

### **Audit Finding:**

#### **(9) FTA's Review Determined that Veolia's System Safety Program Plan was in Compliance with FTA Requirements**

Our review of Veolia's System Safety Program Plan ("SSPP") noted that the SSPP was approved by the Commissioner of the NYS DOT, in consultation with the Public Transportation Safety Board. Additionally, the FTA, in their Triennial Audit Review of Nassau County, reviewed the SSPP and other safety and security training materials, minutes of the safety committee, the risk assessment and mitigation procedures, drills and other safety and security measurements and found them to be compliant with the FTA requirements for Safety and Security.

With respect to vehicle accidents, the SSPP requires the filing of an accident or incident report within 24 hours which is then used to enter the pertinent information into Veolia's database, Web-Risk. This database information, along with Smart Drive<sup>28</sup> video clips, is used to train and educate drivers at bi-monthly Safety Rallies. The Web-Risk Accident reports are also filed with the County quarterly on a cumulative basis.

### **Audit Commendation:**

We recommend Veolia continue accident prevention training in an effort to maintain low accident levels.

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<sup>28</sup> Buses are equipped with Smart Drive Cameras which will preserve the videos before and after an accident. The cameras are in the front and the sides of the bus. The operators can also manually activate the cameras.

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## **Findings and Recommendations**

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### **Audit Finding:**

#### **(10) Nassau County's Oversight Plan Was Compliant With The Federal Transit Administration Section 5307 Program Management Plan**

Nassau County, as Designated Recipient of Section 5307 Urbanized Area Formula funding program, is required to have a Program Management Plan ("PMP") that the County will adhere to in compliance with the FTA requirements<sup>29</sup>. This PMP describes the policies and procedures that have been put in place to ensure FTA compliance in the 23 Triennial Review<sup>30</sup> areas. Some of the areas of oversight are:

- Financial capacity to match grant funds;
- Safety and Security;
- Vehicle and Facility Maintenance and Inspections;
- Half fare and ADA compliance; and
- Disadvantaged Business Enterprise compliance.

The County's transit program oversight is composed of staff from the: Department of Public Works ("DPW"), County Attorney, Office of Minority Affairs, Human Resources, Office of Emergency Management, and the Office of Management and Budget. We interviewed the DPW staff members and reviewed the work papers pertaining to grant management and vehicle and facility maintenance and inspections. We determined that the PMP, as prescribed by the FTA, provides adequate oversight over the Bus Transit System. The results of all reviews, including Quarterly Performance Scorecards, are forwarded to the legal counsel to the BTC, the BTC, the Departments responsible for oversight, and the County Executive.

### **Audit Recommendation(s):**

We recommend that DPW continues this level of oversight.

### **Audit Finding (11):**

#### **(11) The County and Veolia Have Properly Addressed All Federal and State Audit Deficiencies**

The U.S. Department of Transportation's Federal Transit Administration ("FTA")<sup>31</sup> performed a Triennial Review of the County in 2013. In addition, the FTA performed a Procurement System

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<sup>29</sup> The PMP has been developed to address the requirements of the FTA Master Agreement, FTA Certifications and Assurances, 49 U.S.C. 5307 and all applicable FTA Circulars (including but not limited to: Urbanized Area Formula Program C 9030.1D, Capital Investment Program Guidance C 9300.1B, and Grant Management Requirements C 5010.1D).

<sup>30</sup> Triennial Review is a comprehensive assessment conducted every three years of Section 5307 Designated Recipients' performance and compliance with FTA requirements and policies.

<sup>31</sup> The FTA established an oversight framework that is comprised of recipient self-certifications, annual single audit in accordance with OMB Circular A-133, and FTA oversight reviews, including a Procurement System Review ("PSR").

## Findings and Recommendations

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Review (“PSR”) in 2012. As described in more detail below, the County has since corrected all deficiencies noted in both of these reviews.

### FTA 2013 Triennial Review

In 2013, the FTA performed its Triennial Review of the County (grantee). The FTA reviewed and evaluated the performance of the grantee in carrying out its program, specifically referring to compliance with statutory and administrative requirements. The review concentrated on procedures and practices to assess the policies in place and the management of grants. Additionally, the review looked forward at planned upcoming federally funded projects<sup>32</sup> to ensure the projects would be implemented in compliance with Federal requirements.

The FTA found that the County had not complied with the FTA requirements for Disadvantaged Business Enterprise (“DBE”). The Nassau County Office of Minority Affairs set all DBE goals by each individual project. This compliance requirement ensures nondiscrimination in the award and administration of DOT-assisted contracts and creates a level playing field on which DBEs can compete fairly for DOT-assisted contracts. The County did not achieve its DBE Goal for FY2012 and failed to conduct the Shortfall Analysis, as required<sup>33</sup>. The County corrected this deficiency by submitting to the FTA Regional Civil Rights Officer (“RCRO”) the required analysis and the process for completing and submitting it annually, as applicable.

### FTA 2012 Procurement System Review

In 2012, the FTA performed a Procurement System Review (“PSR”), including a risk assessment and a contract review phase. The objectives of the PSR were threefold:

- to encourage and facilitate improved procurement operations by the County;
- to foster use of the industry’s best practices; and
- to assess compliance with Federal procurement requirements<sup>34</sup>, as well as other applicable statutory and administrative requirements.

Of the 56 elements reviewed, the County/NICE was found deficient in 10 elements, and four elements were found to be not applicable. The deficient elements noted were for the absence of written procedures; for example, procedures for bid protests, prequalification system, procurement policies and procedures and price quotations on small purchases were not in writing. After the onsite review, the County corrected all deficiencies noted in the preliminary findings, and submitted such written procedures to the FTA. On August 8, 2012, the FTA issued its Final Report to the County Executive which cites the County as not being deficient in all applicable elements.

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<sup>32</sup> Veolia has active capital projects totaling \$54.7 million with projected target close dates between Years 2015 and 2017. Some of the larger projects include the purchase of Compressed Natural Gas (“CNG”) buses and Paratransit vehicles, a Vehicle Location and Monitoring System and CNG Facility Upgrade. The majority of the funding is provided by the FTA.

<sup>33</sup> Shortfall analysis is required in FTA regulations 49CFR26.47

<sup>34</sup> Specifically with regard to FTA Circular 4220.1 F.

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## **Findings and Recommendations**

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### County Reporting Requirements

On an annual basis, the County submits its Certifications and Assurances, online via Team-Web, as part of its application for Federal assistance. Veolia certifies to the County that, in the assistance it provides to the County in the preparation, administration and implementation of applications for federal grants, and in the conduct of any federal grant assisted preventative maintenance, it agrees to comply with applicable regulations.

On a quarterly basis, the County provides the FTA a cumulative grant status update. We noted that the reports were filed online by a County representative responsible for Veolia/NICE oversight on a timely basis.

### NYS DMV Compliance Audit

The New York State Vehicle and Traffic Law created Article 19-A (“19-A”), which stipulates Special Requirements for Bus Drivers<sup>35</sup>. The 19-A independent audit of bus driver files performed in March 2014, found that Veolia was in compliance with Article 19-A requirements.

### **Audit Recommendation(s):**

We recommend the County Transportation Planners continue to monitor County compliance with Federal and State Requirements.

### **Audit Finding:**

#### **(12) Fixed and Variable Fee Billings of \$260.4 Million in the First Two Fiscal Years Were Properly Accounted For By Veolia**

Our review determined that the Fixed and Gross Variable fees billed to the County were calculated in compliance with the contract terms using actual platform hours and established rates.

For Fiscal Years 1 and 2 combined, Veolia billed the County for Fixed Fees totaling \$62.6 million and Gross Variable Fees totaling \$197.8 million. The Gross Variable Fees were offset by variable credits totaling \$101.4 million, in arriving at Net Variable Fees of \$96.4 million. Exhibit XIV below shows all fees paid to Veolia for Fiscal Years 2012 and 2013.

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<sup>35</sup> <http://dmv.ny.gov/motor-carriers/information-and-forms-article-19>; biennial written and road tests, medical examinations, license abstracts, etc.

## Findings and Recommendations

### Exhibit XIV

#### Total Fixed & Variable Fees Paid to Veolia Fiscal Years 2012 and 2013

In Thousands (000's)

<b>Description</b>	<b>2012</b>		<b>2013</b>	<b>Combined</b>
	<b>1/1/12-12/31/12</b>	<b>1/1/12-3/31/13</b>	<b>4/1/13-3/31/14</b>	<b>1/1/12-3/31/14</b>
	<b>Calendar Year</b>	<b>Fiscal Year *</b>	<b>Fiscal Year</b>	<b>Fiscal Years 1 &amp; 2</b>
Fixed Fee	\$ 27,836	\$ 34,795	\$ 27,836	\$ 62,631
Total Fixed Fees	27,836	34,795	27,836	62,631
Gross Variable Fee	86,499	107,800	89,957	197,757
Variable Fee Credits **	(44,259)	(54,738)	(46,657)	(101,395)
Net Variable Fees	42,240	53,062	43,300	96,362
Total Fees Paid ***	<b>\$ 70,076</b>	<b>\$ 87,857</b>	<b>\$ 71,136</b>	<b>\$ 158,993</b>

\* The 2012 Fiscal Year included 15 months (January 1, 2012 through March 31, 2013). The calendar year is shown for comparative purposes with the 2013 fiscal year.

\*\* Farebox Revenues + Advertising & Miscellaneous Revenues + Service Interruptions  
(as seen in Exhibit XV)

\*\*\* The source of funds for the fees paid to Veolia come from New York State, the Federal government and Nassau County. See Exhibit I.

### Fixed Fees

The contract requires that the County pay Veolia one-twelfth of the annual Fixed Fee (monthly cost), as set forth in the Annual Plan and Budget approved by the County, by the first day of each month. The Monthly Fixed Fee for the first year of service, Fiscal Year 1, was \$2,319,664. The agreed upon Monthly Fixed Fee as noted in the 2013 Annual Plan remained the same for Fiscal Year 2.

We verified that all Fixed Fee payments to Veolia in Fiscal Years 1 and 2, which totaled \$34.8 million and \$27.8 million respectively, were calculated in accordance with the contract terms and recorded properly in the County's Accounting system, NIFS<sup>36</sup>. We noted no exceptions in the amounts paid, but did note that the County was late in making payments. This was primarily due to the confusion created when comparing billed amounts to the budget when the fiscal year was different than the calendar budget year. Beginning in 2015, this will no longer be an issue since the fiscal year will coincide with the budget year.

<sup>36</sup> Nassau Integrated Financial System.

## Findings and Recommendations

### Variable Fees

The Gross Variable Fee totaled \$107.8 million and \$90.0 million in Fiscal Years 1 and 2, respectively. The Gross Variable Fee was offset by allowable credits such as farebox revenue collections, advertising and miscellaneous revenue and service interruption credits. We focused our review on the tracking and reporting of platform hours shown on the monthly bills submitted to the County, including hours of interrupted services. Exhibit XV below shows credits received by the County.

### Exhibit XV

#### Credits Received by Nassau County from Veolia on Monthly Variable Invoices Fiscal Years 2012 and 2013

<u>Description</u>	<u>In Thousands (000's)</u>		
	<u>2012</u>		<u>2013</u>
	<u>1/1/12-12/31/12</u>	<u>1/1/12-3/31/13</u>	<u>4/1/13-3/31/14</u>
	<b>Calendar Year</b>	<b>Fiscal Year 1 (Note 1)</b>	<b>Fiscal Year 2</b>
Farebox Revenue (Notes 2,3)	\$ 43,049	\$ 53,355	\$ 45,972
Advertising & Misc. Revenue	552	718	600
Service Interruptions (Note 4)	658	665	85
<b>Total</b>	<b>\$ 44,259</b>	<b>\$ 54,738</b>	<b>\$ 46,657</b>

(1) Fiscal Year 1 included 15 months (1/1/12 - 3/31/13). The calendar year data is shown for comparative purposes with the Fiscal Year 2.

(2) In Fiscal Year 2, the County was credited for budgeted farebox collections of \$45.9 million, which was \$223,000 more than the actual Farebox collections of \$ 45.7 million. As per the contract, Veolia is responsible for paying the Farebox Revenues shortfall.

(3) Fiscal Year 2 includes an additional \$4,586 of Super Shuttle credits from the prior fiscal year that were credited in May 2013 and not included in the Fiscal Year 2 budget.

(4) Service Interruptions in Fiscal Year 1 were significantly higher due to service alterations during Superstorm Sandy.

The Gross Variable Fee is determined by multiplying the monthly Platform Hours by the applicable rate for each service type (Fixed Route or Paratransit). A Platform Hour is the combination of revenue time<sup>37</sup>, non-revenue time<sup>38</sup> and recovery time<sup>39</sup>. The contract requires Veolia to submit a written invoice of actual Platform Hours operated in the previous month to the

<sup>37</sup> Time spent picking up passengers.

<sup>38</sup> Time from depot to first stop (deadhead).

<sup>39</sup> Wait time between trips.

## Findings and Recommendations

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County, by the 15<sup>th</sup> of each month. The County is required to remit payment to Veolia within 30 days of receipt of Veolia's invoice.

As described in more detail below, we reviewed and tested various Veolia documents supporting the platform hours used in the computation of the Gross Variable Fees billed to the County (NICE Scheduler–Driver Paddles<sup>40</sup>, Paratransit manifests<sup>41</sup>, Trapeze Route Productivity Reports<sup>42</sup>, Service Interruption reports<sup>43</sup> and other supporting documents) and noted only minor exceptions that had no financial impact on the fees billed to the County.

- Platform Hourly Rates

Fixed Route monthly Platform Hour rates were \$87.12 per hour in Fiscal Year 1 and decreased to \$85.25 per hour in Fiscal Year 2. Paratransit Platform Hour rates remained constant throughout both fiscal years at \$55.81 per hour.

- Fixed Route Platform Hours

During our Fiscal Year 1 review, we traced and agreed the Fixed Route Platform Hours claimed by Veolia, for 2 of 43 Fixed Route Lines (the N27 and N54/N55) on the October 2012 Variable Fee invoice, to the appropriate Fixed Route NICE Schedulers noting the accuracy of the Fixed Route Platform Hours billed to the County. Our sample for Fiscal Year 1 encompassed 4.35% (or 2,966.95 Fixed Route Platform Hours) of total October 2012 Platform Hours. We noted no exceptions in our review.

During our Fiscal Year 2 review we traced and agreed the Fixed Route Platform Hours claimed by Veolia, for 2 of 38 Fixed Route Lines (the N23 and N35) on the April 2013 Variable Fee invoice, to the appropriate NICE Scheduler–Driver Paddles noting the accuracy of the Fixed Route Platform Hours billed to the County. Our sample for Fiscal Year 2 encompassed 6.54% (or 4,675.57 Fixed Route Platform Hours) of total April 2013 Platform Hours. We noted no exceptions in our review.

- Paratransit Platform Hours

We traced and agreed the Paratransit Platform Hours claimed by Veolia on the invoices submitted to the County to the driver's manifest for 100 randomly selected daily Paratransit routes. The 100 routes, 50 routes per fiscal year, were chosen from eight quarters over the two fiscal year periods.

In Fiscal Year 1, our sample consisted of 470.51 Paratransit Platform Hours of the total Paratransit Platform Hours billed by Veolia that fiscal year. Our Fiscal Year 2 sample contained 426.32 Paratransit Platform Hours of the total Paratransit Platform Hours billed by Veolia that fiscal year. As discussed below, we noted only minor exceptions that did not impact the amounts billed to the County.

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<sup>40</sup> Fixed Route bus schedules referred to as "driver paddles".

<sup>41</sup> Able-Ride manual time sheets for vehicle operators.

<sup>42</sup> A report prepared by Trapeze, Veolia's scheduling software, denoting Able-Ride trips.

<sup>43</sup> The County receives a credit on the monthly invoice for all complete revenue generating trips missed during scheduled daily routes. Trips may be lost due to bus breakdowns, accidents, weather conditions etc.

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## Findings and Recommendations

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### Minor Exceptions with Veolia's Internal Controls over Paratransit Platform Hours

As detailed below, we found that the driver manifests were not always signed by the Paratransit Coordinator and some manifests could not be located. As a result, we performed an additional step to verify the accuracy of the paratransit hours for the daily routes selected for testing. We traced the Paratransit Hours to Veolia's Trapeze scheduling software, which is generated by the vehicles' GPS technology and noted no exceptions. We concluded that these weaknesses had no financial impact on the County.

In Fiscal Year 1: Four of the 50 manifests tested did not have proper authorization from the Paratransit Coordinator on the Paratransit manifests, one did not have a driver's signature and eight could not be located. We also found that Quarter 1 2012 manifests did not have signature lines for the Coordinator's approval to be noted on the manifest (Veolia added this internal control after March 2012).

In Fiscal Year 2: Three of 50 manifests tested did not have proper authorization from the Paratransit Coordinator and one could not be located.

### Super Shuttle Invoices

In Fiscal Year 2, Veolia experienced an increase in the demand for Paratransit services. In order to remain in compliance with Federal Transit Administration ("FTA") regulations<sup>44</sup> Veolia contracted with Super Shuttle, a shared-ride ground transportation company. The invoice from Super Shuttle includes the number of commuters picked up, the number of tickets retrieved, the cash fares collected and the amount due to Super Shuttle for performing these services. Veolia verifies the number of total passengers picked up by tracing to Trapeze, recounting the tickets collected by Super Shuttle and forwarded to Veolia, and subtracting the tickets from the overall passengers. The remaining number will be the cash fares collected, which are credited to the County as part of the Paratransit services.

We traced and agreed, for one month of every quarter in Fiscal Year 2, the Super Shuttle invoices to the Ticket Reconciliation sheet<sup>45</sup> and Trapeze Route Productivity Report, performed a physical recount of Able-Ride tickets and mathematically recalculated the credit amount due to the County and determined that the fares for Super Shuttle cash passengers were properly credited to Nassau County.

Our sample comprised of 17% (or \$18,817.50) of total Super Shuttle cash credits received by the County in Fiscal Year 2. We noted no exceptions in our sample.

*The following are Lost Trip and Service Interruption credit components related to the Variable Fee section of the contract.*

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<sup>44</sup> As required by the Code of Federal Regulations (49 C.F.R. § 37.131), all ADA Paratransit eligible individuals who schedule Paratransit trips must have those travel arrangements fulfilled.

<sup>45</sup> A reconciliation prepared by Veolia verifying the number of cash passengers on Super Shuttle invoices

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## Findings and Recommendations

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### Lost Trips and Service Interruptions

It should be noted that service interruptions in hours were less than 1.0% of all scheduled service hours per month (except for October 2012; as a result of Superstorm Sandy, service was disrupted slightly above 9% of October's scheduled monthly service).

Nassau County receives a credit on the monthly Variable Fee invoice for all revenue generating trips that are completely missed during their scheduled daily routes. Partially interrupted trips are not credited to the County. Service interruptions occur as a result of various circumstances including, but not limited to, vehicle malfunctions and weather conditions. If a service interruption occurs, it is tracked and recorded in Veolia's Command Center on a Service Interruption Report. This report is included in the monthly Variable Fee invoice support. The service interruptions for completely missed revenue trips are credited on the monthly Variable Fee invoice by multiplying the number of service interruption hours by the Fixed Route Platform Hour rate.

Our review included several analyses of the above Service Interruption data shown below:

### Analysis of Total Service Interruptions

As shown in Exhibit XV above, Service Interruption credits for completely missed revenue generating trips in Fiscal Years 1 and 2 totaled \$665,000 and \$85,000 respectively. We traced and agreed the monthly total of Service Interruption hours on the monthly Variable Bill Invoices to the corresponding monthly total on the applicable report (Summary of Lost Trips reports, Inclement Weather reports and Missed Hours Due to Late Pull-Out reports) and recalculated total hours and credit amounts on every monthly Variable Fee invoice over the span of both Fiscal Years. We noted no exceptions in our review.

### Detailed Analysis of Lost Trips

We prepared a detailed analysis of all Lost Trips for one month of the fiscal year for both Fiscal Year 1 and 2. The analysis involved tracing and agreeing the Service Interruption Credits from the monthly Variable Fee invoice to the Summary of Lost Trips report, Inclement Weather report, Missed Hours Due to Late Pull-Out report, Service Interruption Reports and NICE Scheduler-Driver Paddles. We also verified the mathematical accuracy of the credits the County received for service interruption hours.

Our Fiscal Year 1 review focused on October 2012, which included a separate analysis of Super Storm Sandy Service Interruptions. Our Fiscal Year 1 detailed analysis of Lost Trips for October 2012 covered 6,937.29 credited Service Interruption hours (6,921.31 hours solely related to Super Storm Sandy), equating to \$604,377 of Service Interruption credit, which covered 91% of the total Service Interruptions credited in Fiscal Year 1. Our Fiscal Year 2 detailed analysis of Lost Trips for April 2013 covered 13.22 credited Service Interruption hours, the equivalent of \$1,127, which covered 1% of total Fiscal Year 2 Service Interruption credits. We noted no exceptions in our samples.

## **Findings and Recommendations**

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### General Analysis of Lost Trips

We performed a general analysis of Lost Trips, for three months of the fiscal year for both Fiscal Year 1 and 2. The general analysis involved tracing and agreeing the Service Interruption credits on the monthly Variable Fee invoice to the Summary of Lost Trips report, the Inclement Weather report and Missed Hours Due to Late Pull-Out report. We also recalculated the revenue time lost in minutes/hours and credits received to verify that the County was credited the proper amount for service interruption hours.

Our general analysis of Lost Trips for Fiscal Year 1 review included 73.99 Service Interruption hours, equating to \$6,446, which covered 1% of the total Service Interruptions credited in Fiscal Year 1. Our Fiscal Year 2 general analysis of Lost Trips covered 278.04 credited Service Interruption hours. The equivalent of \$23,703, which covered 28% of total Fiscal Year 2 Service Interruption credits. We noted no exceptions in our samples.

### Analysis of Partial Lost Trips

Unlike completely missed trips, partially interrupted revenue generating trips are not required to be credited to the County on the monthly Variable Fee invoice. As a result of this aspect, we tested a sample of what were deemed to be partially lost trips to ensure that they were not full trips. We traced and agreed daily Service Interruption Reports to NICE Schedule-Driver Paddles noting that the data supported that they were partial trips and did not exclude any full trips lost.

In Fiscal Year 1, we sampled 5 of 159 (or 3%) partial service interruptions noted in October 2012. In Fiscal Year 2, we sampled 5 of 170 (or 3%) partial service interruptions noted in April 2013. We noted no exceptions in our samples.

### **Audit Recommendation(s):**

We commend Veolia on the accuracy in the Accounting for their Fixed and Variable fees; however, we did note one minor issue over Paratransit route manifests. We recommend that Veolia improve its internal controls to ensure that the daily Paratransit route manifests are signed by the Paratransit Coordinator and properly filed and locatable upon request.

### **Audit Finding:**

#### **(13) Farebox Revenues Totaling \$99 Million Were Properly Accounted For By Veolia**

Our review of Veolia's controls and recordkeeping over farebox collections for Fiscal Years 1 and 2 found that the proper credits for these collections were reflected on the monthly Variable Fee invoices.

Farebox collections consist of revenues from MetroCards, Fixed Route bus coins, Paratransit ("Able-Ride") cash fares and prepaid tickets, Unitickets, and Student MetroCard Passes. The

## Findings and Recommendations

farebox collections for Fiscal Year 1 (15 month period) and Fiscal Year 2 (12 month period) were as follows:

### Exhibit XVI

#### Actual Veolia Farebox Collections Fiscal Years 2012 and 2013

Description	In Thousands (000's)		
	2012		2013
	1/1/12-12/31/12	1/1/12-3/31/13	4/1/13-3/31/14
	Calendar Year	Fiscal Year *	Fiscal Year
MetroCard	\$ 28,453	\$ 35,254	\$ 27,137
Fixed Route Bus-Coins	13,313	16,535	17,342
Able-Ride (Paratransit)	1,156	1,414	1,111
Uniticket (LIRR/Bus Pass Combination)	111	131	118
Student MetroCard Passes	16	21	36
<b>Total Farebox Collections</b>	<b>\$ 43,049</b>	<b>\$ 53,355</b>	<b>\$ 45,744</b>

\* The 2012 Fiscal Year included 15 months (January 1, 2012 through March 31, 2013). The calendar year is shown for comparative purposes with the 2013 fiscal year.

On a comparative twelve month basis, as seen in Exhibit XVI above, Veolia has increased their farebox revenue collections from their first year of operations to their second by \$2.7 million

As described in more detail below, we verified the accuracy of farebox collections shown on the monthly invoices on a test basis by reviewing the supporting documentation, including bank statements.

#### MetroCard

The MTA provides Veolia with a weekly summary report of all MetroCard<sup>46</sup> transactions which includes the transaction amount, usage amount, bonus discount transaction fee and settlement amount of all MetroCards for that specific week. Veolia reconciles this report to the bank deposits shown in the bank statement. The MTA also forwards this report to the County Comptroller's Office for independent review.

<sup>46</sup> The MTA sends monthly reports of all MetroCard transactions including Uniticket. The MetroCard regular single ride fare is \$2.75 and the MetroCard multiple ride is \$2.50; half fare program rates for senior age 65 and older, disabled fare, Medicare card holder fare are \$1.25, and student pass fare is \$4.00 per day.

## **Findings and Recommendations**

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We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, the monthly MetroCard revenues reported to the County on the monthly Variable Fee invoice to their supporting documents (New York City Transit Authority (“NYCTA”) Veolia Transportation Service Summary Reports, NYCTA Single Ride Reports, Quarterly Adjustments from NYCTA<sup>47</sup> and Nassau County Department of Social Services Purchase Orders<sup>48</sup>) and to Veolia’s monthly bank statements and determined that Veolia's monthly MetroCard revenues were properly and accurately reflected on the invoices submitted to the County.

In Fiscal Year 1 our sample encompassed \$10,622,484 (or 30%) of total actual MetroCard revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$9,137,972 (or 34%) of total actual MetroCard revenues collected by Veolia that fiscal year. We noted no exceptions in our sample.

### Fixed Route Coins

For Fixed Route buses, coins are deposited into the farebox located at the front of each bus. Veolia employees remove the sealed cash box from the bus farebox and place these cash boxes in a secured container for pick up by Brinks<sup>49</sup>. Brinks armored trucks pick up all farebox coins and the company deposits the coins directly into Veolia’s designated bank account. Brinks sends daily summary reports to Veolia which are reconciled to the bank statement verifying that the proper amount has been deposited. In addition, Brinks sends these summary reports to the County Comptroller’s Office to facilitate independent verification of revenues.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, the monthly Fixed Route coin revenues reported to the County on the monthly Variable Fee invoice to their supporting documentation (Brinks NY Coin Reports, bank deposit correction/adjustment notifications, and Oyster Bay Coin Galleries sales receipts<sup>50</sup>) and to Veolia’s monthly bank statements and determined that the County received the proper credit for Veolia's Fixed Route coin revenues on the invoices submitted to the County.

In Fiscal Year 1 our sample encompassed \$4,602,822 (or 28%) of total actual Fixed Route coin revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$5,618,406 (or 32%) of total actual Fixed Route coin revenue collected by Veolia that fiscal year.

We noted one minor reporting exception in the presentation of the amounts shown for Fixed Route Coin revenues on the reports provided to the County. We noted that the Fixed Coin revenues were grouped in with the Paratransit Coin revenues resulting in the overstatement of

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<sup>47</sup> Since MetroCards are sold on a time basis (daily, week, monthly, single ride passes) the values given per card are originally an estimate when computed on the weekly summary reports. On a quarterly basis this estimate is compared to the actual value of the cards and the bonus. The difference between the estimated value and actual value is either received/disbursed from/to the NYCTA.

<sup>48</sup> The Nassau County Department of Social Services purchases Single Ride MetroCards for handicapped individuals at the disability rate of \$1.10 per ride.

<sup>49</sup> Brinks is the name of the company that provides armored car transportation and money processing.

<sup>50</sup> Veolia sells foreign and miscellaneous coins which were deposited into the farebox to Oyster Bay Coin Galleries. These sales revenues are included with the Fixed Route coin revenues credited to the County on the monthly Variable Fee invoices

## Findings and Recommendations

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Fixed Route coin revenues and understatement of Paratransit (“Able-Ride”) revenues of \$89,903 and \$71,018 in Fiscal Years 1 and 2, respectively. This reporting of the coin revenues had no financial impact on the monthly claims and the overall revenues credited to the County.

Auditors brought this matter to Veolia’s Director of Finance who stated the data was presented in this fashion since the total dollar amount can be readily traced to the Brinks independent report supplied to the Comptroller's Claims Office and to the total Coin deposit as shown in the bank statement.

### Paratransit (“Able-Ride”)

Paratransit (“Able-Ride”) patrons can pay for services in a variety of ways. Able-Ride operators either collect a ticket from a prepaid Able-Ride Ticket Book or cash<sup>51</sup> (unlike Fixed Route transactions, both paper currency and coinage are acceptable forms of payment). Ticket books are recognized as revenue at the original time of purchase, not on an individual trip basis. A Pre-Paid Able-Ride Ticket Book consists of 20 tickets and cost \$75. Cash collected is double counted by Veolia personnel and reconciled to the scheduled trips for the day. It is then placed under locked storage for Brinks employees to pick up and deposit. Able-Ride coins are deposited along with the farebox coins, while paper bills are deposited separately. Able-Ride fare deposits are then reconciled to the bank statement verifying the proper amount has been deposited.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, monthly Able-Ride revenues reported to the County on the monthly Variable Fee invoice to the supporting Able-Ride revenues deposited by Brinks per various reports (the Brinks NY Coin Reports, currency deposits collected by Able-Ride vehicle operators, currency deposits collected by Super Shuttle<sup>52</sup> vehicle operators, prepaid ticket deposits, deposit correction notices, refund checks<sup>53</sup> and returned/bounced checks) and to Veolia’s monthly bank statements and determined that the County received the proper credit for Veolia's Able-Ride revenues on the invoices submitted to the County.

In Fiscal Year 1, our sample encompassed \$426,998 (or 30%) of total actual Able-Ride revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$343,866 (or 31%) of total Able-Ride revenues collected by Veolia that fiscal year. As stated in the Fixed Route coins section above, auditors noted that Paratransit Coin revenues were grouped in with the Fixed Coin revenues; however, it did not have any negative financial impact on the County.

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<sup>51</sup> At the time of our audit, single ride cash fare for Nice bus was \$2.25, Able-Ride was \$3.75 (cash or ticket), and half fare program rates for senior age 65 and older, disabled fare, Medicare card holder fare were \$1.10.

<sup>52</sup> Beginning in Fiscal Year 2, Veolia started subcontracting paratransit routes to Super Shuttle, a shared-ride ground transportation company, to fulfill the ever increasing demand for paratransit services and remain in FTA compliance.

<sup>53</sup> Able-Ride ticket holders may submit a reimbursement for unused tickets if the passenger has passed away, moved locations, etc. A written letter explaining the situation and requesting a refund must be submitted to Veolia. A representative from Veolia will process the request and issue a refund if deemed appropriate.

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## **Findings and Recommendations**

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### Uniticket

The Long Island Rail Road (“LIRR”) sends Veolia and the County Comptroller’s Office monthly Uniticket<sup>54</sup> sales reports of the Unitickets sold and Veolia’s share of the revenues. Veolia reconciles these monthly Uniticket sales reports to their bank statements to verify that the proper amount was deposited.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, the monthly Uniticket revenues reported to the County on the monthly Variable Fee invoice to the supporting monthly LIRR NICE reports (Bus Uniticket Sales reports, LIRR NICE Bus: Jones Beach O/W (One Way) Ticket Sales reports and LIRR NICE Bus: Roosevelt Field Mall O/W Uniticket Sales reports) and Veolia’s bank statements and determined that Veolia's Uniticket revenues were properly and accurately recorded on the invoices submitted to the County.

In Fiscal Year 1, our sample encompassed \$50,382 (or 44%) of total actual Uniticket revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$34,373 (or 29%) of total actual Uniticket revenues collected by Veolia that fiscal year. We noted no exceptions in our sample.

### Student MetroCard Passes

School Districts purchase Student MetroCard passes at a rate of \$4.00 per day for students needing transportation that cannot be supplied by the school itself. Veolia sends these districts monthly invoices for the MetroCard purchases. All invoices and payments are reconciled to the bank statements.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, the monthly Student MetroCard Pass revenues reported to the County on the monthly Variable Fee invoice to their supporting monthly Student MetroCard Pass Billing invoices and Veolia’s monthly bank statements and determined that Veolia's Student MetroCard Pass revenues were properly and accurately reflected on the invoices submitted to the County.

In Fiscal Year 1, our sample encompassed \$7,242 (or 35%) of total actual Student MetroCard Pass revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$22,154 (or 61%) of total actual Student MetroCard Pass revenues collected by Veolia that fiscal year. We noted no exceptions in our sample.

### **Audit Recommendation(s):**

We recommend that Veolia report the Paratransit coin revenues separately from the Fixed Coin revenue on the reports that accompany the monthly bills submitted to the County.

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<sup>54</sup> A Uniticket is the combination of a LIRR ticket and MetroCard.

## Findings and Recommendations

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### **Audit Finding:**

#### **(14) Advertising/Miscellaneous Revenues Totaling \$1.3 Million Were Properly Accounted For By Veolia**

Our review of Veolia's controls and recordkeeping over Advertising and Miscellaneous revenue collections for Fiscal Years 1 and 2 found that the revenues were properly recorded in Veolia's records and the County received proper credit for these revenues on the monthly Variable Fee invoices.

As per the contract terms, Veolia remits Advertisement and other Miscellaneous revenues to the County on a monthly basis in the form of a credit against the monthly Variable fee. Actual revenues collected were credited to the County in Fiscal Year 1. Fiscal Year 2 established a budgetary maximum of the County receiving \$600,000 in Advertising and Miscellaneous revenues with the excess, if applicable, being subject to contract stipulations for any surplus or shortfall of farebox revenues as compared to the annual projected revenue. Depending on the circumstances, Veolia may be allowed to retain the excess.

Advertising and Miscellaneous revenues credited to the County for Fiscal Year 1 and Fiscal Year 2 were \$718,000 and \$600,000 respectively. Actual Advertising and Miscellaneous revenues totaled \$644,000 for Fiscal Year 2. However, due to the agreed upon contract terms, the County received credit for \$600,000 in combined Advertising and Miscellaneous revenue credits. The excess \$44,097 of actual revenue was retained by Veolia since the annual projected revenue was greater than budgeted and under the 5% surplus threshold in Fiscal Year 2. Exhibit XVII shows all Advertising and Miscellaneous revenues credited to the County for Fiscal Years 2012 and 2013.

## Findings and Recommendations

### Exhibit XVII

#### Actual Advertising and Miscellaneous Revenues Fiscal Years 2012 and 2013

Description	In Thousands (000's)			
	2012		2013	
	1/1/12-12/31/12	1/1/12-3/31/13	4/1/13-3/31/14	
	Actual Calendar Year	Actual Fiscal Year *	Actual Fiscal Year **	Credited Fiscal Year **
Advertising	\$ 496	\$ 616	\$ 520	**
Miscellaneous	56	102	124	**
<b>Total</b>	<b>\$ 552</b>	<b>\$ 718</b>	<b>\$ 644</b>	<b>\$ 600</b>

\* The 2012 Fiscal Year included 15 months (January 1, 2012 through March 31, 2013). The calendar year is shown for comparative purposes with the 2013 fiscal year.

\*\* Nassau County received the agreed upon budgetary amount of \$600,000 in credits. Actual Advertising & Miscellaneous revenues were above the guaranteed budget. Veolia retained the surplus as per contract stipulations.

As described in more detail below, we verified the accuracy of advertising and miscellaneous revenues shown on the monthly invoices on a test basis by reviewing the supporting documentation, including bank statements.

#### Advertising Revenues

Veolia contracts with CBS Outdoor Group Inc. ("CBS") to manage the sales, placement, safe removal and disposal of interior and exterior advertising on NICE buses. The contract allotted for the greater of a 60:40 split in annual gross advertising revenues between Veolia and CBS respectively or a guaranteed profit of \$300,000 annually. The County receives credit for Veolia's share on the monthly variable bills it submits to the County.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, monthly advertising revenues reported to the County on the monthly Variable Fee invoice to their supporting documents (monthly Net Billings Per Equity Accounting Sheets and Net Billings Per Transit Statements) and Veolia's monthly bank statements and determined that Veolia's advertising revenues were properly and accurately reflected on the invoices submitted to the County.

In Fiscal Year 1, our sample encompassed \$108,646 (or 18%) of total actual advertising revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$201,684 (or 39%) of total actual advertising revenues collected by Veolia that fiscal year. We noted no exceptions in our sample.

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## Findings and Recommendations

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### Miscellaneous Revenues

There are three main types of miscellaneous revenues collected by Veolia which consist of the following: Cross Island News, Inc., a newspaper stand that pays rent for displaying and selling newspapers at the Rosa Parks Hempstead Transit Center; Planet Earth Recycling and Recovery, an organization which collects and pays an agreed upon fee for used motor oil from Veolia; and Dover Gourmet Corp., a food corporation which pays vending machine fees.

We traced and agreed, for one month of every quarter for both Fiscal Year 1 and Fiscal Year 2, the monthly miscellaneous revenues reported to the County on the monthly Variable Fee invoice to their supporting documents (copies of invoices and checks from Cross Island News Inc., Planet Earth Recycling and Recovery and Dover Gourmet Corp.) and to Veolia's monthly bank statements and determined that Veolia's Miscellaneous revenues were properly and accurately reflected on the invoices submitted to the County.

In Fiscal Year 1 our sample encompassed \$26,510 (or 26%) of total actual miscellaneous revenues collected that fiscal year by Veolia. Our Fiscal Year 2 sample constituted \$36,255 (or 29%) of total actual miscellaneous revenues collected by Veolia. that fiscal year. We noted no exceptions in our sample.

### **Audit Commendation:**

We commend Veolia on the accuracy in accounting and reporting of advertising and miscellaneous revenues.

## Appendix A

### Key Performance Indicators Fixed Route Services Calendar Years 2012 and 2013

NICE Bus Fixed Route Services	Year 2012					Year 2013				
	1st Quarter 2012	2nd Quarter 2012	3rd Quarter 2012	4th Quarter 2012	YTD 2012 ****	1st Quarter 2013	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	YTD 2013
<b>Customer</b>										
<b>Customer</b>										
<b>Calls Answered Ratio</b>										
Calls Answered	22,062	26,789	26,348	27,373	102,572	21,060	20,932	21,690	19,258	82,940
Calls Presented	23,845	31,115	29,485	33,052	117,497	24,069	24,487	24,424	20,627	93,607
<b>Calls Answered/Calls Presented</b>	<b>93%</b>	<b>86%</b>	<b>89%</b>	<b>83%</b>	<b>87%</b>	<b>87%</b>	<b>85%</b>	<b>89%</b>	<b>93%</b>	<b>89%</b>
<b>Pass-Ups</b>	<b>N/A</b>	<b>530</b>	<b>442</b>	<b>539</b>	<b>1,511</b>	<b>950</b>	<b>861</b>	<b>632</b>	<b>615</b>	<b>3,058</b>
<b>On-Time % *</b>	-	-	-	-	-	-	-	-	-	-
<b>Customer Satisfaction Score** - Q4 2011</b>										
<b>Net Promoter Score ***</b>	N/A	-27%	-32%	-44%	-22%	N/A	N/A	N/A	N/A	
<b>Overall Satisfaction</b>	33%	47%	61%	52%	63%	29%	29%	29%	31%	
<b>Bus Cleanliness</b>	35%	48%	55%	34% (1)	49%	18%	26%	31%	26%	
<b>Stop Cleanliness</b>	37%	49%	53%	39% (2)	61%	23%	24%	30%	26%	
<b>On-Time Perception</b>	26%	42%	55%	43% (3)	35%	29%	24%	31%	31%	
<b>Quality</b>										
<b>Missed Trips</b>										
Trips not Dispatched within 10 minutes of Scheduled Time	1	121	57	1	180	0	0	0	0	0
<b>Mechanical Breakdowns</b>										
Breakdowns disrupting service more than 5 minutes	531	494	560	354	1,939	334	419	484	547	1,784
Number of Days	91	91	92	91 (a)	365	90	91	92	92	365
Average Number of Mechanical Failures per day	5.84	5.43	6.09	3.89	5.31	3.71	4.60	5.26	5.95	4.89
<b>Accidents/100,000 miles</b>										
Accidents	31	30	47	44	152	42	42	41	30	155
Service Miles	2,514,444 (4)	2,388,152 (6)	2,364,623	2,283,011	9,550,230	2,253,521	2,327,286	2,439,267	2,459,993	9,480,067
# of chargeable/preventable accidents occurring every 100,000 service miles	1.23 (5)	1.26	1.99	1.93	1.59	1.86	1.80	1.68	1.22	1.64
<b>Operating Days</b>										
Weekdays	63	64	63	63 (a)	253	62	64	64	64	254
Saturdays	14	13	13	13	53	14	13	13	13	53
Sundays	14	14	16	15	59	14	14	15	15	58

\* Not Available - Automatic Vehicle Location (AVL) inoperable.

\*\* Results of respective survey questions; respondents rated answers 0-10; expressed as "top 4" box score, sum of respondents who rate item 7,8,9,10, expressed as a percent.

\*\*\* Results of Survey Question "Would you recommend this product?" Respondents rated answers 0-10; [(9s+10s)-(0s-6s)]/total respondents, expressed as a percent.

\*\*\*\* Note: Discrepancies (detailed below) have caused some totals to be different from original presentation to the BTC.

(a) Super Storm Sandy 10/28 thru 11/06 (missed 1 full day of service)

## Appendix A

### Fixed Route Noted Discrepancies Between Annual 2012 Scorecard Key Performance Indicators and Quarterly 2013 reports:

Occurance	Metric	Period	Reported in 2012	Reported in 2013 Quarterly Comparative	Explanation Provided by Veolia
(1)	Bus Cleanliness	Q3	34%	39%	34% is correct, the number was mistakenly swapped with stop cleanliness.
(2)	Stop Cleanliness	Q3	39%	43%	39% is correct, the number was mistakenly swapped with on-time perception.
(3)	On-Time Perception	Q3	43%	34%	43% is correct, the number was mistakenly swapped with bus cleanliness.
(4)	Service Miles	Q1	2,514,444	2,481,354	The miles traveled in Q1 2012 was 2,514,444 (based on 63 WDYs). Q1 2013 had 62 weekdays and in order to compare the 2 first quarters, 2012 weekdays were recalculated to 62 and footnoted.
(5)	# of Chargeable/preventable accidents	Q1	1.23	1.25	Based on the normalized miles reported for Q1 '12 in the Q3 '13 scorecard, the accidents per 100K miles increased.
(6)	Service Miles	Q2	2,385,177	2,388,152	The increase in miles was a revision to the miles traveled for Jones Beach service.

## Appendix A

### Key Performance Indicators Able-Ride Paratransit Services Calendar Years 2012 and 2013

Able-Ride Paratransit Services	Year 2012					Year 2013				
	1st Quarter 2012	2nd Quarter 2012	3rd Quarter 2012	4th Quarter 2012	YTD 2012 ****	1st Quarter 2013	2nd Quarter 2013	3rd Quarter 2013	4th Quarter 2013	YTD 2013
<b>Customer</b>										
<b>Calls Answered Ratio</b>										
Calls Answered	41,765	51,184	51,484	55,312	199,745	54,430	56,400	59,944	68,694	239,468
Calls Presented	55,856	64,987	58,200	61,689	240,732	58,364	63,727	64,915	88,838	275,844
<b>Calls Answered/Calls Presented</b>	<b>75%</b>	<b>79%</b>	<b>88%</b>	<b>90%</b>	<b>83%</b>	<b>93%</b>	<b>89%</b>	<b>92%</b>	<b>77%</b>	<b>87%</b>
<b>On-Time %</b>										
Pick-ups on time	62,756 (1)	60,873 (3)	58,888 (5)	46,318 (7)	228,835	59,980	68,067	68,516	74,000	270,563
Total Pick-ups	77,325 (2)	75,103 (4)	71,056 (6)	68,041 (8)	291,525	73,418	80,056	76,000	81,944	311,418
<b>On-Time Pick-ups/Total Pick-ups ****</b>	<b>81.16%</b>	<b>81.05%</b>	<b>82.88%</b>	<b>68.07%</b>	<b>78.50%</b>	<b>81.70%</b>	<b>85.02%</b>	<b>90.15%</b>	<b>90.31%</b>	<b>86.88%</b>
<b>Customer Satisfaction Scores</b>										
Net Promoter Score	78%	54%	55%	52%		88%	20%	N/A	N/A	
Bus Cleanliness	87% (9)	92% (11)	84%	79% (14)		94%	76%	81%	91%	
Driver Courtesy	94% (10)	94% (12)	88%	93% (15)		93%	76%	80%	91%	
On-Time Perception	78%	61% (13)	68%	68% (16)		59%	63%	68%	67%	
<b>Quality</b>										
<b>No-Shows</b>										
# no-shows	1,752	1,887	1,715	2,551	7,905	2,557	2,828	2,590	3,056	11,031
Total Trips	75,192	72,639	68,918	64,999	281,748	70,645	76,990	73,168	78,623	299,426
<b>% No-Shows</b>	<b>2.33%</b>	<b>2.60%</b>	<b>2.49%</b>	<b>3.92%</b>	<b>2.81%</b>	<b>3.62%</b>	<b>3.67%</b>	<b>3.54%</b>	<b>3.89%</b>	<b>3.68%</b>
<b>Cancellations</b>										
# Cancellations	3,582	4,124	2,836	2,877	13,419	2,348	1,977	2,459	3,264	10,048
Total Trips	75,192	72,639 (17)	68,918	64,999	281,748	70,645	76,990	73,168	78,623	299,426
<b>% Cancellations</b>	<b>4.76%</b>	<b>5.68%</b>	<b>4.12%</b>	<b>4.43%</b>	<b>4.76%</b>	<b>3.32%</b>	<b>2.57%</b>	<b>3.36%</b>	<b>4.15%</b>	<b>3.36%</b>
<b>Mechanical Breakdowns</b>										
Breakdowns disrupting service more than 5 minutes	15	44	59	44	162	64	47	56	43	210
Number of Days	91	91	92	91 (a)	365 (a)	90	91	92	92	365
<b>Mechanical Breakdowns/Day</b>	<b>0.16</b>	<b>0.48</b>	<b>0.64</b>	<b>0.48</b>	<b>0.44</b>	<b>0.71</b>	<b>0.52</b>	<b>0.61</b>	<b>0.47</b>	<b>0.58</b>
<b>Accidents/100,000 miles</b>										
Accidents	11	13	8	7	39	3	6	4	3	16
Service Miles	713,915	655,894	645,856	595,271	2,610,936	685,725	606,928	745,724	791,088	2,829,465
<b># of chargeable/preventable accidents occurring every 100,000 service miles</b>	<b>1.54</b>	<b>1.98</b>	<b>1.24</b>	<b>1.18</b>	<b>1.49</b>	<b>0.44</b>	<b>0.99</b>	<b>0.54</b>	<b>0.38</b>	<b>0.57</b>
<b>Operating Days</b>										
Weekdays	63	64	63	63 (a)	253	62	64	64	64	254
Saturdays	14	13	13	13	53	14	13	13	13	53
Sundays	14	14	16	15	59	14	14	15	15	58

\*\* Results of respective survey questions; respondents rated answers 0-10; expressed as "top 4" box score, sum of respondents who rate item 7,8,9,10, expressed as a percent.

\*\*\* Results of Survey Question "Would you recommend this product?" Respondents rated answers 0-10; [(9s+10s)-(0s-6s)]/total respondents, expressed as a percent.

\*\*\*\* Note: Discrepancies (detailed below) have caused some totals to be different from original presentation to the BTC.

(a) Super Storm Sandy 10/28 thru 11/06 (missed 1 full day of service)

## Appendix A

### Able-Ride Paratransit Noted Discrepancies Between Annual 2012 Scorecard Key Performance Indicators and Quarterly 2013 reports:

Occurance	Metric	Period	Reported in 2012	Reported in 2013 Quarterly Comparative	Explanation Provided by Veolia
(1)	Pick-ups On-time	Q1	65,133	62,756	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(2)	Total Pick-Ups	Q1	86,233	77,325	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(3)	Pick-ups On-time	Q2	70,381	60,873	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(4)	Total Pick-Ups	Q2	88,483	75,103	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(5)	Pick-ups On-time	Q3	69,426	58,888	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(6)	Total Pick-Ups	Q3	80,755	71,056	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(7)	Pick-ups On-time	Q4	47,485	46,318	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(8)	Total Pick-Ups	Q4	80,848	68,041	The metric was revised in 2013 to only include scheduled trips, less late trips. The 2012 figures included appointments and early trips. For comparison, the 2012 numbers were revised in 2013 to reflect the new definition of total pick-ups.
(9)	Bus Cleanliness	Q1	86%	87%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(10)	Driver Courtesy	Q1	91%	94%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(11)	Bus Cleanliness	Q2	84%	92%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(12)	Driver Courtesy	Q2	90%	94%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(13)	On-Time Perception	Q2	63%	61%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(14)	Bus Cleanliness	Q4	79%	96%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(15)	Driver Courtesy	Q4	93%	99%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(16)	On-Time Perception	Q4	68%	74%	The metrics in the 2013 quarterly report are an error. The correct figures were reported in 2012.
(17)	Total Trips	Q2	72,642	72,642	The figure recorded in the 2012 annual report and 2013 quarterly report is an error. The correct number is 72,639. A typo was made in 2012 which followed through into 2013.



April 14, 2015

Ms. JoAnn F. Greene, Director of Field Audit  
Office of the Comptroller  
240 Old Country Road  
Mineola, New York 11501

Re: DRAFT – Audit of Transdev’s (Formerly Veolia) Management of the NICE Bus System

Dear Ms. Greene,

Please find enclosed Transdev’s responses to the draft audit report of Transdev’s management of the NICE bus system.

It was a pleasure working with your office throughout the audit process. Thank you for the valuable insight that will help shape NICE’s operating procedures.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Setzer".

Michael Setzer  
CEO - NICE Bus

Attachment

CC: Samuel Littman, Deputy County Attorney, Nassau County  
Arnaud Gouachon, Legal Counsel, Transdev  
Sharon Persaud, Nassau County Transit Division  
Lowell Wolf, Nassau County Transit Division

700 Commercial Ave // Garden City, New York 11530 // 516-542-0010 // [www.nicebus.com](http://www.nicebus.com)

## Appendix B

Audit Finding	Recommendation	Response
1. On-time performance was not maintained for fixed route service; Pass-Ups increased by nearly 40% and overall customer satisfaction declined by 50%	Transdev should take immediate action to implement a system for the analysis and monitoring of fleet wide fixed route on-time performance as well as improve all fixed route performance metrics, especially passups and customer satisfaction scores	Beginning in late 2012, Transdev (dba NICE) began the process for a large system-wide upgrade of interactive bus technology which includes the ability to monitor on-time performance. The new system will be fully operational before the end of 2015.  Pass-ups are, in most cases, a symptom of demand exceeding capacity where an individual bus is unable to accommodate any more passengers safely. Pass-ups become an issue on the top routes where peak demand exceeds capacity. Although some customers experience pass-ups, it is worth noting that in most cases this means that they simply must wait additional time to board the next available bus. As part of the new interactive bus technology, a new Automatic Passenger system will be on every bus. This system will provide valuable data as to where we are experiencing overloads; the information will be used to mitigate some of the overload issues through day to day operational procedure changes and in future scheduling changes.
2. Able-Ride Key Performance Indicators Generally Improved	Transdev should continue to monitor and improve all Able-Ride performance metrics, especially customer satisfaction	In March 2015, the telecommunication system at the Paratransit facility was upgraded to allow customers to access their current scheduled trips and delete future trips. In addition, customers will be able to check the status of their trip which should improve the perception of on time performance.
3. Fixed Route yearly bus ridership declined by 5% over the last four years; Able-Ride experienced small fluctuations	DPW, the Bus Transit Committee and Transdev should continue to monitor ridership levels and explore campaigns to increase ridership for both fixed route and Able-Ride services	The Department of Public Works, the Bus Transit Committee, and Transdev will continue the monitoring process.  Transdev will continue to look for ways to maximize the efficiencies of the system and deploy assets where growth is possible. It is also worth noting that NICE has one of the highest farebox recoveries in the nation, which shows an efficient use of resources.  Ridership fluctuations can be tied to many difference factors including fare increases, reductions in service, difficult winters and hurricanes such as super storm Sandy (which displaced many residents for prolonged periods of time).  Additionally, current service levels (capacity) does not allow for additional ridership growth on many routes. Growth, with the current level of funding, may actually add to rider frustration by increasing pass-ups, and crowded buses on the fixed route, and buses that run behind scheduled trips on the Able-Ride service.
4. NYSDOT inspection failures have decreased under Transdev's management but vehicle breakdown rates fluctuated throughout 2012	Continue monitoring of: a) bus inspections by DPW; b) bus mechanical breakdowns that disrupt service through the quarterly scorecards of performance indicators by the BTC; and c) how mechanical breakdowns are affecting fixed route service and ridership perceptions	The Department of Public Works and the Bus Transit Committee will continue the monitoring process.  Transdev understands the need for a dependent fleet. Unfortunately, the age of the NICE buses, high ridership and tight resources creates issues that are sometimes beyond control. NICE will take delivery of 52 new buses by the end of 2015 which will greatly improve system performance. In addition, NICE has begun allocating more resources to vehicle maintenance.
5. Transdev did not have written corrective action plans to address declining rider survey response	Transdev should develop formal corrective action plans to validate and follow up on customer survey results	Although survey results are only one way that NICE evaluates performance, the management team will put plans in place to have regular meetings to review performance and align action plans with desired results in order to improve overall customer satisfaction.
6. MTA comparative analysis required by contract was not performed	Transdev should start providing comparable performance metrics, as required by its contract, possibly with other well run transit systems	In partnership with the Department of Public Works, NICE will begin the process of identifying peer groups that closely align with our service characteristics in order to measure and compare key benchmarks.
7. Discrepancies and errors were found in Transdev's performance scorecard data	Transdev should explicitly present any differences in comparable data, and the reason for these differences, on the performance scorecards. Transdev should submit amended performance scorecards to the BTC if errors have been noted after presentation of the data to the BTC	NICE will ensure that any future differences are fully explained and new, amended performance scorecards are submitted to the Bus Transit Committee with changes clearly noted.

## Appendix B

Audit Finding	Recommendation	Response
8. DPW is not adequately reviewing revenues and variable fees after 2012	DPW should resume the level of review of fixed route platform hours that was done prior to 2013; and fully document and retain a complete record of these reviews performed, including the discrepancies noted and how they were resolved	The Department of Public Works will fully document and retain a complete record of reviews performed, including discrepancies and subsequent resolution.
9. FTA Review determined that Transdev's System Safety Program Plan was in compliance with FTA requirements	Transdev should continue accident prevention training in an effort to maintain low accident levels	Transdev will continue NICE's accident prevention training.
10. Nassau County's Oversight Plan was compliant with the Federal Transit Administration Section 5307 Program Management Plan	DPW should continue this level of oversight	The Department of Public Works will continue the level of oversight.
11. The County and Transdev have properly addressed all Federal and State audit deficiencies	DPW should continue to monitor County compliance with Federal and State requirements	The Department of Public Works will continue the level of oversight.
12. Fixed and variable fee billings of \$26.4M in the first two Fiscal years were properly accounted for by Transdev	Commend Transdev on the accuracy in the Accounting of their fixed and variable fees; however, a note of one minor issue over Paratransit route manifests, Transdev should improve its internal controls to ensure that the daily Paratransit route manifests are signed by the Paratransit Coordinator and properly filed and locatable upon request	Transdev has designated a storage area at Paratransit and filed all manifests chronologically. In addition, beginning in 2014 the manifests are stamped and signed by a Coordinator to evidence review.
13. Farebox revenues totaling \$99M were properly accounted for by Transdev	Transdev should report the Paratransit coin revenues separately from the Fixed Coin revenue on the reports that accompany the monthly bills submitted to the County	Transdev adopted and implemented this practice in 2014.
14. Advertising/Miscellaneous revenues totaling \$1.3M were properly accounted for by Transdev	Commend Transdev on the accuracy in accounting and reporting of advertising and miscellaneous	N/A

**AUDITOR FOLLOW-UP TO TRANSDEV RESPONSE**

The auditors concur with Transdev's responses. Several of the areas in which we recommended action for improvement were addressed by Transdev prior to the release of our audit report.

We reiterate the importance of Transdev continuing to focus their efforts on improving customer satisfaction and on-time performance. Transdev noted that there are many significant enhancements to the bus transit system that are currently in the process of being implemented. They believe the new technology being implemented will enable them to better monitor their on-time performance which should increase customer satisfaction. However, both Transdev management and the County Bus Transit Committee need to analyze this information and implement corrective actions to improve their on-time performance, diminish pass-ups, and increase ridership.

We commend Transdev on their financial accounting of fixed and variable fees, farebox revenues, and advertising and miscellaneous revenues. We would also like to recognize Transdev's safety program and compliance with Federal and NYS requirements as reported in their respective audits. Transdev should continue to maintain these high levels of compliance as noted by these two oversight agencies.