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Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM EXECUTIVE COMMITTEE

March 8, 2012

Executive Conference Room

ACTION RECOMMENDED

- A. ROLL CALL
- B. APPROVAL OF MINUTES - February 9, 2012 Approve
- C. COMMITTEE DISCUSSION ITEMS
 - 1. Trolley Rehabilitation Project Update (Wayne Terry and John Haggerty of SANDAG) Receive
 Action would receive a report for information and provide comments.
 - 2. Report on System Ridership and Revenue (Mark Thomsen and Sharon Cooney) Receive
 Action would receive a report for information and provide comments.
 - 3. CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION Possible
CHIEF EXECUTIVE OFFICER Pursuant to California Government Code Section 54957 Action
 (Jeff Stumbo)
- D. REVIEW OF DRAFT MARCH 15, 2012, JOINT BOARD AGENDA
- E. REVIEW OF SANDAG TRANSPORTATION COMMITTEE AGENDA Possible
 Review of SANDAG Transportation Committee Agenda and discussion regarding any items Action
 pertaining to MTS, San Diego Transit Corporation, or San Diego Trolley, Inc. Relevant
 excerpts will be provided during the meeting.
- F. COMMITTEE MEMBER COMMUNICATIONS AND OTHER BUSINESS
- G. PUBLIC COMMENTS
- H. NEXT MEETING DATE: April 12, 2012
- I. ADJOURNMENT

Please SILENCE electronics
 during the meeting

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego





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Agenda Item No. C1

MEETING OF THE METROPOLITAN TRANSIT SYSTEM EXECUTIVE COMMITTEE

March 8, 2012

SUBJECT:

TROLLEY REHABILITATION PROJECT UPDATE (WAYNE TERRY AND JOHN HAGGERTY OF SANDAG)

RECOMMENDATION:

That the Executive Committee receive a report for information and provide comments.

Budget Impact

None.

DISCUSSION:

Activities to rehabilitate and retrofit the trolley system for low-floor-car operations are underway. Design of the stations is progressing, and Blue Line catenary replacement work has been completed. Green Line and Orange Line Station retrofits have begun, and signal and track work is underway. New low-floor vehicles continue to arrive from the manufacturer. MTS and San Diego Association of Governments (SANDAG) staffs will provide the Executive Committee with an update on the project.



Paul G. Jablonski
Chief Executive Officer

Key Staff Contact: Wayne Terry, 619.595.4906, wayne.terry@sdmts.com

MARCH8-12.C1.TROLLEY REHAB.TERRY.doc





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Agenda Item No. C2

MEETING OF THE METROPOLITAN TRANSIT SYSTEM EXECUTIVE COMMITTEE

March 8, 2012

SUBJECT:

REPORT ON SYSTEM RIDERSHIP AND REVENUE (MARK THOMSEN AND SHARON COONEY)

RECOMMENDATION:

That the Executive Committee receive a report for information and provide comments.

Budget Impact

None.

DISCUSSION:

Fare-revenue generation is an important component in the MTS strategy for creating a sustainable transit operation. Mid-year budget projections for Fiscal Year 2012 anticipate \$89.7 million in fare revenue generated by nearly 89 million fixed-route passengers, and fixed-route fare revenue is 41.8 percent of the agency's operating budget. Understanding MTS passengers and the various fare products that they use to access the MTS system assists the agency in a number of ways, including budgeting, targeting demand, and setting fare policy. Staff will provide a report on passenger demographics, fare-product usage, and fare-revenue generation.

A handwritten signature in black ink, appearing to read "Paul C. Jablonski", is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Sharon Cooney, 619.557.4513, sharon.cooney@sdmts.com

MARCH8-12.C2.RIDERSHIP&REVENUE.THOMSEN

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DRAFT Agenda

MEETING OF THE METROPOLITAN TRANSIT SYSTEM

****BOARD OF DIRECTORS MEETING & FINANCE WORKSHOP****

March 15, 2012

▶▶ 9:00 a.m. ◀◀

James R. Mills Building
Board Meeting Room, 10th Floor
1255 Imperial Avenue, San Diego

This information will be made available in alternative formats upon request. To request an agenda in an alternative format, please call the Clerk of the Board at least five working days prior to the meeting to ensure availability. Assistive Listening Devices (ALDs) are available from the Clerk of the Board/Assistant Clerk of the Board prior to the meeting and are to be returned at the end of the meeting.

FINANCE WORKSHOP - 9:00 a.m.

**ACTION
RECOMMENDED**

1. Roll Call

2. a. Fiscal Year 2013 Capital Improvement Program (CIP)

Approve

Action would: (1) approve the fiscal year 2013 Capital Improvement Program (CIP) with the estimated federal and nonfederal funding levels. As the federal appropriation figures are finalized and/or other project funding sources become available, allow the Chief Executive Officer (CEO) to identify and adjust projects for the adjusted funding levels; (2) recommend that the San Diego Association of Governments (SANDAG) Board of Directors approve the submittal of Federal Sections 5307 and 5309 applications for the MTS fiscal year 2013 CIP; (3) approve the transfer of \$4,923,930 from previous CIP projects to the fiscal year 2013 CIP; and (4) recommend that the SANDAG Board of Directors approve the amendment of the Regional Transportation Improvement Program (RTIP) in accordance with the fiscal year 2013 CIP recommendations.

Please SILENCE electronics
during the meeting



FINANCE WORKSHOP - Continued

- b. Fiscal Year 2012 Midyear Adjustment and Fiscal Year 2013 Preliminary Projects Approve
Action would: (1) forward a recommendation to the MTS Board of Directors to approve the combined MTS FY 2012 Midyear Budget Adjustment, including using excess revenues over expenses as an additional payment toward the Dexia Variable Debt (projected to be a payment \$5.3M, an interest savings of \$240K over next two years); and (2) receive a report regarding the preliminary projection for FY 2013 and provide guidance on budgetary closure.
3. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please give your copies to the Clerk of the Board.
4. Adjournment

BOARD MEETING - Meeting will begin when the Finance Workshop ends.

5. a. Roll Call
- b. Approval of Minutes - February 16, 2012 Approve
- c. Public Comments - Limited to five speakers with three minutes per speaker. Others will be heard after Board Discussion items. If you have a report to present, please furnish a copy to the Clerk of the Board.

CONSENT ITEMS

6. SDTI System Safety and Security - Audit Report Receive
Action would receive an internal audit report on San Diego Trolley, Inc.'s (SDTI's) system safety and security.
7. HSQ iLON System Upgrade and Recertification - Sole Source Approve
Action would authorize the CEO to execute MTS Doc. No. L1069.0-12 with HSQ Technology for a system upgrade and recertification of the HSQ iLON fire-safety system.
8. San Diego Transit Corporation (SDTC) Passenger Services - Audit Report Receive
Action would receive internal audit reports on SDTC passenger services.
9. HMS Construction - Job Order Contract Approve
Action would authorize the CEO to execute a Job Order Contract (JOC) with HMS Construction Corporation using MTS Doc. No. PWL136.0-12 for as-needed railroad signal, overhead catenary, and track-work construction services.
10. The ARC of San Diego Interior Bus-Cleaning Services - Exercise Contract Option Years One and Two Approve
Action would authorize the CEO to execute MTS Doc. No. B0517.1-09 with The ARC of San Diego to exercise option years one and two for interior bus-cleaning services.

CONSENT ITEMS - Continued

11. FY 2012 Caltrans Transportation Planning Grant Programs Approve
Action would approve Resolution No. 12-5 authorizing the CEO to submit applications and enter into a contract (if awarded) with the California Department of Transportation (Caltrans) for FY 2012 Transportation Planning Grant Programs.

CLOSED SESSION

24. a. CLOSED SESSION - PUBLIC EMPLOYEE PERFORMANCE EVALUATION CHIEF EXECUTIVE OFFICER Pursuant to California Government Code Section 54957 (Jeff Stumbo) Possible Action
- b. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code section 54957.6 Agency-Designated Representative - Jeff Stumbo Employee Organization - Transit Enforcement Officers Association Possible Action
- c. CLOSED SESSION - CONFERENCE WITH LABOR NEGOTIATORS Pursuant to California Government Code section 54957.6 Agency-Designated Representative - Jeff Stumbo Employee Organization - International Brotherhood of Electrical Workers, Local 465 Possible Action
- d. CLOSED SESSION - CONFERENCE WITH REAL PROPERTY NEGOTIATORS Pursuant to California Government Code Section 54956.8 Property: 1313 National Avenue, San Diego, CA 92101; Negotiators: Karen Landers, MTS General Counsel; Staff Person; Negotiating Parties: Greyhound Under Negotiation: Price and Terms of Payment Possible Action

Oral Report of Final Actions Taken in Closed Session

NOTICED PUBLIC HEARINGS

25. None.

DISCUSSION ITEMS

30. None.

REPORT ITEMS

45. Annual Security Report (Bill Burke) Receive
Action would receive a report for information.

- | | | |
|-----|---|-------------|
| 60. | <u>Chairman's Report</u> | Information |
| 61. | <u>Audit Oversight Committee Chairman's Report</u> | Information |
| 62. | <u>Chief Executive Officer's Report</u> | Information |
| 63. | <u>Board Member Communications</u> | |
| 64. | <u>Additional Public Comments Not on the Agenda</u>
If the limit of 5 speakers is exceeded under No. 3 (Public Comments) on this agenda, additional speakers will be taken at this time. If you have a report to present, please furnish a copy to the Clerk of the Board. Subjects of previous hearings or agenda items may not again be addressed under Public Comments. | |
| 65. | <u>Next Meeting Date:</u> April 19, 2012 | |
| 66. | <u>Adjournment</u> | |



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Agenda Item No. 6

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

SDTI SYSTEM SAFETY AND SECURITY – AUDIT REPORT

RECOMMENDATION:

That the Board of Directors receive an internal audit report on San Diego Trolley, Inc.'s (SDTI's) system safety and security.

Budget Impact

None.

DISCUSSION:

During November 2011, the MTS Internal Auditor performed an assurance review of SDTI system safety and security. As a result of this review, four findings and recommendations were made for Management's consideration. Management has reviewed the recommendations and is taking action to address the issues identified.

A handwritten signature in black ink, appearing to read "Paul C. Jablonski", is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Daniel Madzellan, 619.595.4920, Daniel.Madzellan@sdmts.com

MAR15-12.6.SDTI SAFETY & SECURITY.DMADZELAN.doc

Attachment: A. SDTI System Safety and Security – Audit Report





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Att. A, AI 6, 3/15/12

Memorandum

DATE: 12/8/2011
TO: Nancy Dock
Stephanie Murphy
FROM: Daniel Madzellan
SUBJECT: Audit Report – SDTI Safety and Security Programs

EXECUTIVE SUMMARY:

Background:

Federal Transit Administration (FTA) Rule 49 *CFR Part 659: Rail Fixed Guideway Systems; State Safety Oversight* documents safety and security program requirements for Rail Transit Agencies (RTAs). Under the Rule, each RTA must have a separate System Safety Program Plan (SSPP) and a Security Emergency Preparedness Program (SEPP). At a minimum, the SSPP must address twenty-one (21) safety elements; similarly, at a minimum, the SEPP must address five (5) security elements. The Rule also requires the RTA to review all twenty-one safety elements and the five security elements during a three year cycle.

The Public Utilities Commission of the State of California (CPUC) serves as the oversight agency to ensure RTAs current programs meet the requirements, as well as identify areas that require revision. To fulfill their oversight obligations, the CPUC issued General Order 164-D, last amended on May 3, 2007.

Audit Objectives and Scope:

The audit was designed to provide reasonable assurance that current operating procedures ensure continued compliance with CPUC General Order 164-D. The audit specifically reviewed three sections of General Order 164-D:

- Section 3: Requirements for System Safety Program Plans (SSPP).
- Section 4: Requirements for System Security Plans (SEPP).
- Section 5: Requirements for Internal Safety and Security Audits.

The last CPUC triennial reviews of Safety and Security operations occurred in 2009. The audit reviewed operating activities of both Safety and Security occurring in 2009, 2010 and 2011.

Audit Results:

Based on Audit's understanding of General Order 164-D, discussions with SDTI Safety Manager, MTS Security Management, CPUC representatives, and reviews of supporting documentation both the current SSPP and SEPP specifically address the required elements documented in FTA Rule 49 *CFR Part 659*.



The audit did identify opportunities for strengthening internal controls, specifically controls regarding information and communication, with respect to Section 5 of General Order 164-D. Audit findings are as follows:

NOTE: As documented in SDTI's System Safety Master Review Schedule, there are six (6) elements scheduled for review by the Safety Manager and a CPUC representative in December 2011. Actual submission of the 2011 internal audit report to the CPUC is scheduled to take place by February 15, 2012 in accordance with General Order 164-D. Thus, those reviews and related checklists were not subject to detailed Internal Audit fieldwork procedures. However, the Internal Auditor will attempt to attend and observe those reviews.

High Priority Findings:

- No findings considered high priority.

Medium Priority Findings:

- Security Operations – Communication of Activities to the CPUC: Section 5.5 of General Order 164-D states that prior to the 15th of February the RTA shall submit a report for the internal audits performed during the preceding year. Based on evidence reviewed, submissions of the security audit reports did not always occur, or did not occur in accordance with specified time parameters. Additionally, there was a misunderstanding regarding a Resolution issued by the CPUC addressing the 2009 triennial review where an additional response to CPUC should have occurred, but had not as of the date of this report.

Low Priority Findings:

- Internal Security Audits – Master Security Audit Review Schedule and Performance: The 2009 triennial review recommended SDTI develop an internal security audit schedule that details the annual audits to be performed for the three year cycle. There is discussion within the current SEPP regarding overall internal audit procedures. However, the audit activities do not specifically reflect a schedule of audits for the five elements over a three year cycle. Audit did observe the Safety Manager, along with CPUC representatives performing reviews of these five areas in late October 2011; however these reviews were not reflected on SDTI Safety's Master Audit Schedule.
- Internal Safety Audits – Safety Review Checklists: Audit checklists used by the Safety Manager clearly document the sections of SSPP under review, as well as SDTI standard operating procedures for various operational activities. However, there is not a clear linkage between the audit checklists and the specific elements outlined in FTA Rule 49 *CFR Part 659*. Thus, there could be inquiries raised as to whether all elements were adequately reviewed in the three year period.
- Internal Safety Audits – Tracking and Remediation Report: The Safety Manager utilizes a spreadsheet to document and track the status of safety audit findings. Audit observed the Completion Date column of the report was not being populated when a finding was changed from open to closed. This was inconsistent with Audit's expectations given the column's inclusion on the tracking spreadsheet. Audit did observe that all status changes of findings from open to closed were justified based on supporting documentation.

Subsequent pages of this report contain details regarding audit findings documented above, as well as definitions of Audit Priority Findings.

AUDIT FINDINGS AND MANAGEMENT ACTION PLANS:

Finding/Observation:

Security Operations – Communication of Activities to the CPUC:

Section 5.5 of General Order 164-D states that prior to the 15th of February the RTA shall submit a report for the internal audits performed during the preceding year. Based on evidence reviewed, a security internal audit report was not submitted to the CPUC for calendar year 2009.

In 2010, as recommended in the 2009 triennial report, Security submitted their revised SEPP to the CPUC for review and acceptance. The CPUC reviewed and accepted the SEPP as evidenced by a letter from the CPUC dated September 8, 2010. An internal security audit report should have been submitted to the CPUC by February 15, 2011 stating there were no program changes since the SEPP was accepted. The actual letter was not submitted until November 10, 2011.

Finally, although the security triennial review took place in 2009, a formal resolution finalizing the report was not issued until May 26, 2011. The Resolution stated MTS was to provide a status update on the findings/recommendations in the report, as well as monthly status updates until the findings were closed. MTS provided a response consistent with the requirements stated in the Resolution to the CPUC on March 4, 2011. In speaking with a CPUC representative, MTS should have responded again, subsequent to the date of the Resolution. Such a response had not taken place as of the date of this report.

Finding Priority Rating:

Medium Priority Finding

Audit Recommendation:

There are no specific recommendations regarding this finding. Based on discussions with Security Management and reviews of the SEPP, Security Management is aware of the annual internal audit report requirement. Going forward, Security Management needs to ensure these reports are timely submitted to the CPUC.

Security Management is currently working on revising their SEPP. When the revised document is submitted to the CPUC, Security Management should include a response to the Resolution, re-iterating or updating the points made in the March 4, 2011 letter to the CPUC.

Management Response/Action Plan:

This finding manifested due to miscommunication between CPUC and MTS and furthered by the elimination of the Assistant Director position. As of December 19, 2011, we believe we are now in compliance with the internal audit requirements. An outside consultant was hired to develop CPUC audit compliance checklists retroactively for 2009, 2010 and 2011 and then review MTS documentation to ensure audit requirements had been met. The checklists and the consultant's letter, noting comments but no findings, have been provided to Internal Audit.

Management Estimated Action Plan Completion Date:

February 15, 2012. The ERP (Emergency Response Plan), SSP (System Security Plan) and TVA (Threat and Vulnerability Assessment) are currently being updated and the SSP will be submitted to CPUC before February 15, 2012 as required. The October SSP update was not accepted by CPUC, due to its proximity to the next anticipated update. Additionally, the 2012 Triennial CPUC Audit is scheduled for March 5, 2012. Lastly, once a Deputy Director is on board, annual internal audits will take place each year using the checklists prepared by the consultant.

Finding/Observation:

Internal Security Audits – Master Security Audit Review Schedule and Performance:

Section 5.2 of CPUC General Order 164-D requires performance of internal safety and security audits such that all required safety and security plan elements be audited within a three period.

The 2009 triennial review recommended SDTI develop an internal security audit schedule that details the annual audits to be performed for the three year cycle (review of the five elements). There is discussion within the current SEPP regarding internal audit procedures. However, the audit activities do not specifically reflect a schedule of audits for the five elements over a three year cycle.

The SDTI Safety Manager, along with CPUC representatives, performed reviews of these five areas in late October 2011, documenting the results on checklists similar in format to those used for internal safety reviews. These reviews were not reflected on SDTI Safety's Master Audit Schedule. In previous years, these reviews were reflected on the Safety Manager's Master Audit Schedule. However, when General Order 164-D was amended in 2007 requiring two separate Program Plan documents for safety and security, these reviews were no longer considered to be part of their responsibility. Accordingly, the elements were removed from the schedule.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Audit would recommend that the Safety Manager re-incorporate security element reviews into their Master Audit Schedule and perform these reviews every three years. This would facilitate an independent review of security operations, as well as streamline operations with CPUC representatives who must be present during these reviews.

Security Management would still be responsible for performing annual internal audits as outlined in their SEPP, as well as submitting the annual report regarding audit activities.

Management Response/Action Plan:

Security Mgmt. Response: Management now possesses checklists which will be rotated throughout the three year cycle. The schedule will be established once a Deputy Director is on board. It is anticipated that these audits shall take place in the fall of each year to coincide with annual updates of the SSP so that any deficiencies found in the audit can be addressed/updated in the SSP. Management agrees with the recommendation of the Safety Manager reincorporating the triennial audit in order to meet the independent audit requirement.

Safety Mgmt. Response: The Master Schedule for SDTI Internal Safety Audit (ISA) 2007 – Present, has been modified to include five (5) elements for review, regarding Security Department responsibilities. The Safety Department performed a review of the elements on October 27, 2011. Per FTA Oversight Rule 49 CFR 659, Joey Bigornia, CPUC Designated Representative was present as a witness. A 3-Year schedule that identifies the elements to be performed was submitted to Internal Audit as part of the reporting process.

Management Estimated Action Plan Completion Date:

Closed for this Audit Report.

Going forward, tentatively November 1, 2012. As the retro-active audits have just taken place for 2009, 2010 and 2011, annual audits will be entered into the SSP as schedule in October of each year.

Finding/Observation:

Internal Safety Audits – Safety Review Checklists:

Section 5.4 of General Order 164-D requires performance of internal safety and security audits utilizing written checklists and that each RTA shall provide the audit checklists to CPUC staff prior to the audit.

Based on reviews of the 2009 and 2010 Internal Safety Audit (ISA) Reports, there were audit checklists developed and provided to the CPUC prior to the audit. The checklists clearly document the sections of SSPP under review, as well as SDTI's standard operating procedures for various operational activities. However, there is not a clear linkage between the audit checklists and the specific elements as outlined in FTA Rule 49 *CFR Part 659*. Thus, there could be inquiries raised as to whether all elements were adequately reviewed given the elements are not clearly referenced within the checklists.

Based on discussion with the Safety Manager and analysis of the individual checklists, Audit concluded the elements subject to testing in 2009 and 2010 as stated on the Safety's Internal Audit Master Schedule were adequately addressed.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Audit recommends the Safety Manager clearly document within the audit checklists the safety element the checklist is addressing. This would help ensure that all elements are reviewed in accordance with Rule 49 *CFR Part 659*.

Management Response/Action Plan:

Internal Safety Audits – Safety Review Checklists:

The element title and number will be included in the Reference Criteria Section of each Internal Review document, to ensure audit checklists and the specific elements outlined in FTA Rule 49 *CFR Part 659* are being adequately reviewed. Examples were submitted to Internal Audit as part of the reporting process.

Management Estimated Action Plan Completion Date:

Complete as of report issuance date.

Finding/Observation:

Internal Safety Audits – Tracking and Remediation Report:

In accordance with General Order 164-D, the Safety Manager has submitted Internal Safety Audit (ISA) Reports for fiscal years 2009 and 2010. Included in the report is a tracking spreadsheet listing all findings as a result of the internal audits, as well as the current status of the findings (open or closed). The Safety Manager submits a bi-monthly report to the CPUC updating the status of audit findings.

Audit observed the tracking spreadsheet includes a column for documenting the Completion Date; however this column of the report was not utilized. Given this column is included on the tracking spreadsheet, omitting this information for each finding is inconsistent with Audit expectations.

Audit independently validated, through examination of supporting documentation, that all status changes of findings from open to closed were justified.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Audit would recommend Safety Manager either 1) utilize the Completion Date field of the report as it was intended, or 2) removing the column from the tracking report, so as not to give the appearance this is required information. Audit considers removing the field from the tracking spreadsheet reasonable given documenting such information is not a requirement for CPUC reporting purposes.

Management Response/Action Plan:

Internal Safety Audits – Tracking and Remediation Report:

Tracking Spreadsheets will be modified to exclude the completion dates on items which are closed. A department within one reporting period may present numerous support documents with various completion dates. The Completion Date column will be eliminated. Support documentation will serve as justification for items having a closed status. Example of new tracking spreadsheet was submitted to Internal Audit as part of the reporting process.

Management Estimated Action Plan Completion Date:

Complete as of report issuance date.

AUDIT FINDINGS RATINGS DEFINITIONS:

High Priority Finding	Immediate management attention is required. This is a serious internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines).
Medium Priority Finding	Timely management attention is required. This is an internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact.
Low Priority Finding	Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.



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Agenda Item No. 7

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

HSQ iLON SYSTEM UPGRADE AND RECERTIFICATION – SOLE SOURCE

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. L1069.0-12 (in substantially the same format as Attachment A) with HSQ Technology for a system upgrade and recertification of the HSQ iLON fire-safety system.

Budget Impact

The total for completion of the upgrade and recertification of the iLON fire-safety system would not exceed \$157,197 and would be funded by MTS Capital Improvement Project (CIP) 11325 (iLON Replacement).

DISCUSSION:

MTS is currently using the iLON system to control the San Diego State University tunnel fire safety system. HSQ Technology developed and installed the iLON system under a competitive award in 2003 through the San Diego Association of Governments (SANDAG) under LRT 10426 Mission Valley East – Green Line Trolley Project.

HSQ Technology is the sole provider of technical services and ongoing support for the iLON system. For this project, HSQ Technology will upgrade the aging system components and configure remote management and monitoring capability for system maintenance. HSQ will also prepare a Test Document for approval by the Fire Marshal's office for the upgraded system.



This system is a required critical-safety component of the San Diego State University tunnel. It must be updated in order to be compliant with the requirements for continued operation of service at that location. Staff has determined that labor hour and equipment pricing for the iLON upgrade and recertification project is fair and reasonable and, therefore, staff recommends Board approval of MTS Doc. No. L1069.0-12 with HSQ Technology for these services.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Stevan White, 619.238.0100 Ext. 6412, Stevan.white@sdmts.com

MARCH15-7.12.HSQ iLON SYSTEM UPGRADE RECERT.MLAWRENCE

Attachment: A. Draft MTS Doc. No. L1069.0-12

DRAFT

Att. A, AI 7, 3/15/12

STANDARD SERVICES AGREEMENT

L1069.0-12
CONTRACT NUMBER
CIP 11325
FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the State of California by and between San Diego Metropolitan Transit System ("MTS"), a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: HSQ Technology Address: 26227 Research Road

Form of Business: Corporation Hayward, CA 94545
(Corporation, partnership, sole proprietor, etc.)

Telephone: 510-259-3705

Authorized person to sign contracts: Harold Spence President
Name Title

The attached Standard Conditions are part of this Agreement. The Contractor agrees to furnish to MTS services and materials, as follows:

Provide upgrade and recertification services for the iLON fire-safety system as set forth in the Scope of Work, HSQ Technology's proposal dated January 18, 2012, in accordance with the Standard Services Agreement, including the Standard Conditions Services, Federal Requirements, and MTS Travel Expense Policy No. 44.

The contract shall be effective from April 1, 2012, through September 30, 2012.

The total cost of this contract shall not exceed \$157,197, without the express written consent of MTS.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$157,197	CIP 11325	12/13

By: _____ Date
Chief Financial Officer

(___ total pages, each bearing contract number)



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Agenda Item No. 8

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

SAN DIEGO TRANSIT CORPORATION (SDTC) PASSENGER SERVICES – AUDIT REPORT

RECOMMENDATION:

That the Board of Directors receive internal audit reports on SDTC passenger services.

Budget Impact

None.

DISCUSSION:

During December 2011, the MTS Internal Auditor performed a review of SDTC passenger service operations. Based on the nature of the operations, the Internal Auditor elected to issue two separate reports—one report addressing customer service operations and the other report addressing the Classroom Day Trip Program. With respect to customer service operations, there were three findings and recommendations for Management's consideration. Likewise, there were three key findings and recommendations for Management's consideration regarding the Classroom Day Trip Program. Management has reviewed the recommendations and is taking action to address the issues identified.

A handwritten signature in black ink, appearing to read "Paul C. Jablonski", is written over a horizontal line.

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Daniel Madzellan; 619.595.4920; daniel.madzellan@sdmts.com

MARCH15-12.8.SDTC PASSENGER SVCS AUDIT.DMADZELAN

- Attachments: A. Report on Customer Service
B. Report on Classroom Day Tripper Program





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Att. A, AI 8, 3/15/12

Memorandum

DATE: 12/28/2011
TO: John Davenport, Belinda Fragger, and Christy Gonzalez
FROM: Daniel Madzellan
SUBJECT: Audit Report – Customer Service Operations

EXECUTIVE SUMMARY:

Audit Objectives and Scope:

The purpose of the audit was to assess the goals and objectives of customer service operations, evaluate the controls designed to achieve the goals and objectives, and determine if opportunities for strengthening internal controls existed.

Based on Audit's understanding of operations, assessed risks, and consultation with Passenger Services Management, the audit focused on four areas: 1) overall system for tracking customer reported cases, 2) timeliness of responses to reported cases, 3) resolutions of reported cases, and 4) management reporting.

Detail testing and analysis concentrated on bus operations, both MTS and Contracted Services, occurring in September, October, and November of 2011. Audit also performed high level analytical reviews on other MTS departments who receive customer cases through the Customer Response Center (CRC), the web based application utilized to record and investigate customer comments.

Audit Results:

Passenger Service Management has developed an extremely dynamic system for tracking and responding to customer comments. Audit testing revealed the system was working as designed and overall was effective in achieving the goals and objectives of customer services operations. Audit did identify some opportunities for strengthening the current system. Findings are as follows:

High Priority Findings:

- No findings considered high priority.

Medium Priority Findings:

- No findings considered medium priority.



Low Priority Findings:

- Timeliness of Responses to Reported Cases – Additional Management Reporting: Audit randomly selected fifty (50) cases in the CRC system, twenty-five (25) assigned to MTS bus operations and 25 assigned various Contracted Service bus operations. Audit evaluated each case to determine if; 1) the case was assigned to bus operations within 2 business days of receipt by customer service, and 2) if the case was resolved by bus operations within 15 days, the department goals and objectives.

Customer Service was 100% compliant in assigning cases to bus operations with 2 business days. The overall compliance rate for MTS bus operations closing cases within 15 days was 64% (16/25); average days to close a case - 13 days; longest duration - 39 days. For Contracted Services, the overall compliance rate was 68% (17/25); average days to close a case - 12 days; longest duration - 42 days. NOTE: South Central operations had a compliance rate of 90% (9/10) and First Transit Mini-Bus was 100% compliant (5/5).

- Resolution of Reported Cases – Cases Lacking Documentation Audit Considered Necessary to Formally Close a Case: Based on selected cases identified above, there were seven cases, all submitted via the internet, where the customer requested to be contacted. Evidence of follow up customer contact was not documented in the case itself. There were also two cases classified as closed, however, there was no documentation provided by a department supervisor documenting the action taken.
- Resolution of Reported Cases – Final Classification of Reported Cases Inconsistent with Audit's Expectations: There were seven cases, four from MTS Bus Operations and three from Contracted Services, where Audit's assessment of final complaint code assigned to the case was inconsistent with the actions taken as documented by the Supervisor. The majority of these expectation differences involved final case status as BD – Benefit of the Doubt or NV – No Validity.

Subsequent pages of this report contain details regarding audit findings documented above, additional audit observations, as well as definitions of Audit Priority Findings.

Background:

The customer service operation is a function of the Passenger Services Department, which operates within SDTC. Customer Services handles customer comments for all MTS bus operations, including Contracted Services and Para Transit. Customer Service also handles customer comments concerning other MTS departments unrelated to bus operations, such as Trolley and Security. Customer Service is open weekdays 8:30am – 5:00pm with a voice mail messaging system for afterhours calls. The majority of customer comments are by phone; however complaints are also received in person, by letter, or via the web. Customer Service handles roughly 500-700 passenger contacts a month.

Customer Services utilize an internally developed web based system (CRC) to record all customer contacts, assign cases to various operation's management, and monitor incidents as they move through the system. Management has also developed TOAD reporting, summarizing total cases by incident type and bus operation division on a monthly basis. Distribution of the report to department management occurs on a monthly basis.

AUDIT FINDINGS AND MANAGEMENT ACTION PLANS:

Finding/Observation:

Timeliness of Responses to Reported Incidents – Additional Management Reporting:

Audit randomly selected fifty (50) cases in the CRC system, twenty-five (25) assigned to MTS bus operations and 25 assigned to various Contracted Service bus operations. Audit evaluated each case to determine if; 1) the case was assigned to bus operations within 2 business days of receipt by customer service, and 2) if the case was resolved by bus operations within 15 days, the department goals and objectives.

Customer Service was 100% compliant in assigning cases to bus operations with 2 business days. The overall compliance rate for MTS bus operations closing cases within 15 days was 64% (16/25); average days to close a case - 13 days; longest duration - 39 days. For Contracted Services, the overall compliance rate was 68% (17/25); average days to close a case - 12 days; longest duration - 42 days. NOTE: South Central operations had a compliance rate of 90% (9/10) and First Transit Mini-Bus was 100% compliant (5/5).

Additionally, Audit performed high level analytics on other departments who received cases within the CRC, but are unrelated to bus operations. The analysis indicated other departments are utilizing the system and responding to cases assigned to them. However, the analysis also indicated a number of cases assigned to other operational departments are not always being timely addressed within the actual system.

Timeliness of case resolution is a key goal/objective of customer service operations. One viable option to improve this element would be to develop an aging report of cases in the CRC system.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Audit would recommend Passenger Service Management work with the IT Department to develop an aging report within TOAD to better track the timeliness element of case resolution. This would provide management additional information and visibility into the overall performance of operations. Audit would also recommend this aging be applicable to all departments that currently utilize the CRC system and not limited strictly to bus operations. This would help management's ability to communicate with other departments the status of cases assigned to them; thereby increasing the likelihood cases will be timely reviewed and resolved.

Passenger Service Management did provide Audit an example of the current reporting available in the CRC system to track timeliness of case resolution. Adding some informational fields to the current report could make it a viable option for tracking the timeliness element of operations.

Management Response/Action Plan:

Management will schedule a meeting with IT to discuss the creation of a customized report within the CRC that provides aging information on all passenger incidents from date of call or receipt of letter to final resolution. This will help management monitor the CRC operation performance as well as ensure all incidents are being processed and closed out in a timely manner.

Management Estimated Action Plan Completion Date:

Customer Service management will set up a meeting with IT within 30 days after audit finalization. IT will place the request for service in their operating queue for resource assignment to develop the report. Management cannot estimate a final completion date until IT provides feedback on the time needed to complete the job.

Finding/Observation:

Resolution of Reported Cases – Cases Lacking Documentation Audit Considered Necessary to Formally Close a Case:

Based on the same population of cases identified above, Audit reviewed the details of the case, observing the following:

1. There were seven cases, all submitted via the internet, where the customer requested to be contacted. Evidence of customer contact as requested was not documented in the case file itself.
2. There were two cases from the Contracted Services population, classified as closed. However, there was no documentation provided by a department supervisor describing the action taken. There was one case, also from Contracted Service population, where documented action taken was “need direction.” There was no other documentation within the case file. For these three cases Audit concluded there was insufficient information to formally close the case.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

With respect to the first finding, as part of standard operating procedures, Audit would recommend Passenger Services require documentation in Section H – Customer Contact for all cases. If the customer did not request to be contacted, Passenger Services can simply state “not applicable.” If the customer did request to be contacted, Passenger Services should complete section as currently configured within the CRC system.

With respect to the second finding, Audit would recommend Passenger Services inquire with the IT department to determine if there are controls that can be implemented requiring documentation in Section E – Supervisor Action Taken, before a case can be classified as closed. Such a control would ensure supervisors are populating this section of the case and prevent occurrences where no documentation was provided as observed.

If such an IT control cannot be implemented, Passenger Services, as part of their case closing process should verify Section E is populated with a response, thereby ensuring a review occurred before closing a case.

Management Response/Action Plan:

Response to # 1 (above)

All Email contacts are sent a standard response, see below.

Dear MTS Customer,

Thank you for taking the time to submit your comments to us. It is important for MTS to hear from customers regarding their experiences on public transit. Please, be assured that the appropriate action will be taken concerning the incident you have reported. Feel free to contact us in the future regarding your transportation needs.

Furthermore, Passenger Services has implemented this change to make sure that Section H. Is properly filled out and that the Customer contact Date and CS representative initials are documented in the fields below. If there was no contact requested NA will be noted.

Customer Contacted By:

Contact Date:

Response to #2

Customer Service will check with IT to determine if a popup menu feature can be implemented before a supervisor sends the complaint back for close out.

Until such control can be implemented, Customer Service will monitor Incidents that are sent back for closing and if no "action" has been documented within the field Customer Service will re-submit the complaint back to the operating agency requesting a response or document that there was no action needed.

Management Estimated Action Plan Completion Date:

The above process will be implemented immediately. Customer Service will request a meeting with IT within 30 days after audit finalization. Customer Service cannot give a definite date for IT work until the change details are reviewed by IT professionals.

Finding/Observation:

Resolution of Reported Cases – Final Classification of Reported Cases Inconsistent with Audit's Expectations:

There were seven cases, four from MTS Bus Operations and three from Contracted Services, where Audit's assessment of the final complaint code assigned to the case was inconsistent with the actions taken as documentation by the Supervisor. The majority of these expectation differences involved final case status as BD – Benefit of the Doubt or NV – No Validity.

For certain cases, the supervisor comments did not explicitly indicate benefit of the doubt or no validity, but the case was classified as such. In other instances, the supervisors' notes did indicate benefit of the doubt or suggest no validity, but the case's original complaint classification code was not changed to reflect as such. Ensuring case complaint codes are accurate is also considered a key objective of customer service operations.

Finding Priority Rating:

Low Priority Finding

Audit Recommendation:

Management should provide additional guidelines in their operating procedures regarding what documentation is required in order to change a reported incident to BD – Benefit of the Doubt or NV – No Validity prior to closing a case within the CRC system. Strengthening current guidelines would provide more assurance that all cases are properly classified in accordance with department policies and procedures.

Management Response/Action Plan:

Customer Service Supervisors will continue to review all incidents created by staff for code accuracy to ensure that the proper code is being used. Going forward Customer Service supervisors will monitor close outs that have a notation requesting a code change. The code will only be changed on a particular incident to BD or NV if the operations supervisor has requested the change and all supporting documentation is included or noted in the action taken field.

Management Estimated Action Plan Completion Date:

Customer Service supervisors will implement this procedure immediately upon audit finalization.

OTHER AUDIT OBSERVATIONS:

Resolution of Reported Cases – Including Supervisor’s Initials in Action Taken Section of Case File:

Audit observed that certain supervisors within MTS Bus Operations would include their initials or name when providing a response to an incident, while other supervisor did not. As a best practice, Audit would encourage all supervisors to include their initials or provide their name when responding to an incident.

This is not considered necessary for Contracted Services operations, as management knows who is responsible for completing the supervisor sections for each operating division.

CRC System – Adding an Additional Complaint Code:

Given the new rules and procedures regarding Cart, Strollers, and Cargo for bus and trolley operations, management might consider creating a new customer complaint code within the CRC addressing rule changes. Creating a separate code for these types of complaints would provide management more visibility into how MTS customer are receiving these, or subsequent, rule changes. It could also give management information regarding individual bus driver’s application of the new rules, as the new rules do allow for discretion on the part of the bus drivers when applying the new rules.

AUDIT FINDINGS RATINGS DEFINITIONS:

High Priority Finding	Immediate management attention is required. This is a serious internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines).
Medium Priority Finding	Timely management attention is required. This is an internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact.
Low Priority Finding	Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.



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Att. B, AI 8, 3/15/12

Memorandum

DATE: 12/28/2011
TO: John Davenport, Belinda Fragger, and Christy Gonzalez
FROM: Daniel Madzellan
SUBJECT: Audit Report – Classroom Day Pass Program

EXECUTIVE SUMMARY:

Background:

Passenger Service Department manages the Classroom Day Pass Program. The program offers reduced fare day passes for youth groups or students for fieldtrips. The program serves as a way to educate students on utilizing public transportation. Reduced day pass rates, as documented in program narratives, are:

- \$1.50 per person on all regularly scheduled MTS and North County Transit District (NCTD) buses, MTS trolley, and the NCTD Sprinter.
- \$3.00 per person on the NCTD Coaster. Combine a Coaster excursion with the bus, trolley, or Sprinter and add \$1.50 per person.
- \$2.00 per person on the Coronado/San Diego Bay Ferry. Combine the Ferry outing with bus or Trolley and add \$1.50 per person.

MTS employs a part time Classroom Day Tripper Coordinator who is responsible for the day to day operation and management of the program. Trip reservations can be made via phone, web, or in person. Once the Classroom Day Tripper Coordinator receives and confirms a reservation, the requesting organization is instructed to send a check or money order, made payable to SANDAG, to the Classroom Day Tripper Coordinator. Checks and money orders are the only acceptable method of payment.

Upon receipt of full payment, the Classroom Day Tripper Coordinator prepares a Day Trip Pass that clearly states date of travel, number of passengers, group/organization's name, and the adult leader's name. The day pass can be picked up in person or mailed to the requesting individual or group coordinator. Also upon receipt of payment, the Classroom Day Tripper Coordinator photocopies the check and completes a Classroom Pass Receipt Form listing the actual trip date, group name, check/money order number, and total amount of passengers and the sale amount. This form, along with the individual original checks is forwarded to SANDAG for final processing.

SANDAG confirms receipt of the checks back to the Classroom Day Tripper Coordinator, deposits the actual checks, and remits the revenues collected for the month based on an Excel allocation report prepared by the Classroom Day Tripper Coordinator. The report lists how each payment received during the month are to be allocated amongst MTS Bus, MTS Trolley, NCTD, or the Ferry based on the trip itinerary.

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Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

It should be noted that a new department head assumed management responsibility for Passenger Services and the Regional Telephone Information operations on July 15, 2011. Also at the same time, a new supervisor was promoted to assist the new department head with various tasks including supervision of the classroom day trip coordinator. Upon review of existing procedures with the Classroom Day Tripper Coordinator, the newly assigned managers discovered a number of past operating procedures determined to be ineffective or inefficient. These procedures primarily related to monitoring/oversight controls (i.e. lack of supervisor review of trip request forms). Accordingly, an effort was made to simplify processes while enhancing overall internal control over the classroom day pass program. This was done in conjunction with MTS Audit staff.

Audit Objectives and Scope:

Audit objectives were to evaluate current operating procedures, determine the overall effectiveness of existing controls, and explore opportunities for improving internal controls. The audit focused on: 1) the process for recording and tracking classroom day trip passenger and sales, 2) the communication between MTS and SANDAG regarding day trip programs' revenue, 3) the reconciliation of the MTS allocation reporting to SANDAG's remittance reporting, and 4) the general oversight and monitoring of control activities.

The initial audit scope was to concentrate on activities occurring in September, October, and November of 2011. Upon commencing fieldwork activities Audit identified apparent control and reporting deficiencies. After communicating these preliminary findings with management, Audit and management agreed to expand the scope of the audit by performing high level analytical reviews on all months from calendar year 2011, excluding December.

Audit Results:

Audit concluded that the overall process for recording and reporting day trip activities were out dated and not well designed, and therefore were considered ineffective in achieving the overall goals and objectives of program operations.

As mentioned above, the department has been under new management direction since July 15, 2011. New management, through their own analysis, identified similar findings discussed in this report. Prior to the audit commencing they had been working towards implementing new processes and procedures. Audit has consulted with management on the new reporting procedures for recording day trip activities. Audit concluded management's new control design will be more effective in mitigating the issues identified during this review. However, it should be noted that because this is a new process management may need to revise these new procedures to ensure internal controls are achieving their stated goals/objectives.

Key findings are summarized below. Findings all determined to be medium priority.

1. **MTS Allocation Reporting Inconsistent with SANDAG's Revenue Remittance Reporting:** Currently, MTS bases their allocation reporting on the month the actual trip took place (i.e. modified accrual basis). SANDAG's bases their remittance reporting around actual checks received and processed during a month (i.e. cash basis). The different methodologies of reporting leads to timing differences that cannot be reconciled in an efficient, easy manner.
2. **Validity and Accuracy of MTS Allocation of Revenue Reporting:** There were differences between MTS revenue allocation reports and Audit's expected trip revenues based on passenger counts and pricing as outlined above. Accordingly, Audit cannot reasonably conclude the information reflected with MTS reports is valid and accurate, which in turn impacts Audit's ability to reconcile to SANDAG's actual remittances.
3. **Program Rates Charged for Ferry Services is Inconsistent with the Rates Reflected within Program Operating Narratives:** Current program narratives lists the Coronado/San Diego Bay Ferry cost as \$2 per person. Audit observed there were trips where the reported Ferry charges and allocation was for only \$1 per person. Based on discussion with the prior supervisor and Classroom Day Tripper Coordinator these charges arise if the Ferry use is only one way, not a round trip. There were fifty-three (53) one way trips reflected on MTS reporting where only \$1 per person was charged.

Subsequent pages of this report contain details regarding audit findings, recommendations, and management's response to findings and recommendations.

AUDIT FINDINGS:

1) MTS Allocation Reporting Inconsistent with SANDAG's Revenue Remittance Reporting:

Audit learned through inquiry that Passenger Services was not provided with information from SANDAG regarding the actual remittances made on a monthly basis. SANDAG confirms with the Classroom Day Tripper Coordinator receipt of actual checks on the Classroom Day Pass Program Receipt Form, but there was no further correspondence. The Classroom Day Tripper Coordinator allocation spreadsheet was not forwarded to MTS Accounting/Finance. Conversely, SANDAG's monthly allocation file was not forwarded to MTS Passenger Services. As such, Audit designed testing to verify that MTS reporting and SANDAG reporting were reconciling on a monthly basis. Audit was unable to reconcile MTS allocation reporting to SANDAG remittance reporting.

Currently, MTS bases their allocation reporting on the month the actual trip took place (i.e. modified accrual basis). SANDAG bases their remittance reporting around actual checks received and processed during a month (i.e. cash basis). This difference in reporting leads to timing/reconciling differences as outlined below:

A group may schedule a day trip for one month, but make a payment in a month preceding the actual trip date. For example, a group may schedule a trip for January 2012, but make their full payment in December 2011. Upon receipt of the actual check, the MTS Classroom Day Tripper Coordinator records the check on a Day Pass Program Receipt Form and forwards the form and actual check to SANDAG. In general, Audit found that The Day Pass Program Form does not report how to allocate payment checks. Allocation information comes from a monthly Excel file submitted to SANDAG. Audit found no concrete evidence of past supervisor review of the trip request form to ensure completeness of trip details or accuracy of the form. In the situation described herein the Excel file forwarded to SANDAG by MTS would not reflect the trip and payment allocation for the January 2012 trip, since MTS only reports allocations on trips occurring during the current month just completed, in this case December trips. In these instances, SANDAG would be allocating cash receipts without input or guidance from MTS.

The table below summarizes MTS allocation reporting and SANDAG's remittance reporting at the end of the four month test period. Totals shown below represent cumulative revenues reported as of the end of the month. As shown in the table, SANDAG's reporting shows remittance of more revenues than MTS reported to them. SANDAG's monthly allocations for NCTD and Ferry operations were almost always in agreement with MTS reporting for those agencies. Thus, the differences shown below all relate to MTS Bus or Trolley revenues.

	End of Aug 2011	End of Sept 2011	End of Oct 2011	End of Nov 2011
MTS Revenue Reporting – All Agencies	\$ 41,600.75	\$ 43,234.75	\$ 45,962.25	\$ 49,748.25
SANDAG Revenue Allocations – All Agencies	\$ 42,750.75	\$ 43,805.75	\$ 46,404.25	\$ 49,801.75
Difference	(\$ 1,150.00)	(\$ 571.00)	(\$ 441.50)	\$ (53.50)

While the overall revenues reported by MTS and remitted by SANDAG nearly agree by the end of November, further Audit testing raised concerns regarding the overall validity and accuracy of MTS reporting as discussed below.

2) Validity and Accuracy of MTS Allocation of Revenue Reporting:

Audit's initial testing procedures to test the validity and accuracy of reporting focused on selecting individual day trips from MTS reporting, obtaining the supporting details for the trip, and verifying the trip was properly reflected on MTS reporting, including both the Day Pass Receipt Form and monthly allocation Excel report. Audit reviewed four trips from September observing the following:

- The allocation of revenue to the various agencies was not documented on the day trip request form. This form is used to compile the monthly Excel report forwarded to SANDAG at the end of a month detailing how the trip revenues are to be allocated amongst the various agencies.
- There was no evidence of past supervisor review of the trip request form to ensure completeness of trip details or accuracy of the form details.
- One of the trip selections was missing a photocopy of a payment check. However, there was evidence to support this check was forwarded to SANDAG for processing.
- Two of the trips had total revenues reported inconsistent with Audit's expectation based on the total passenger counts reported and total payment made by the organization.

Audit communicated these findings to management. At management's request, Audit changed and expanded the scope of the audit and performed high level analytical reviews on all monthly revenue allocation reporting compiled by the Classroom Day Tripper Coordinator. Analytical procedures focused on re-calculating the total revenues based on total passengers reported in the Excel allocation report and program rates as stated in program operating narratives. The following summarizes the analytical reviews performed by Audit.

Total Trips Reflected on Monthly Reports (January – November 2011).	411
Total Trips where Audit's Expected Reported Revenues was different from those reflected in Mgmts. Reporting. ***	62
Percentage Difference	15.1%
Total Revenue Dollars Reported – MTS Reports (January – November 2011)	\$ 49,748.25
Audit's Expected Total Revenues based on MTS Reporting ***	\$ 50,574.50
Difference – Net Basis	(\$ 826.25)

*** Difference, both in terms of individual trip events and dollars does include inconsistencies with Ferry charges, as will be discussed in a subsequent finding.

Audit provided management a copy of the analysis. Management communicated to Audit that their own internal reviews have found similar issues with current revenue allocation reporting.

Based on discussion with the Classroom Day Tripper Coordinator, as well as evidenced by the analysis, there have not been well-defined review procedures in the past to validate the accuracy of the information contained in the monthly revenue allocation reports. Also, the reports do not utilize Excel formula functionality to serve as a compensating internal control to ensure accurate data input and calculations.

Audit also learned through discussion with the Classroom Day Tripper Coordinator the actual allocation reports are not updated at the time checks are received. Rather the reports are compiled near the end of the month. As such, there were months where the final report had to be adjusted to reflect activities that were previous excluded.

Based on discussions and evidence reviewed, Audit concluded that while MTS allocation reporting and SANDAG actual remittance reporting were nearly in agreement as of the end of November (\$53 difference as documented above), there are general concerns regarding the overall validity and accuracy of the reports MTS prepares, which ultimately SANDAG uses to allocate revenues to the various agencies.

3) Program Rates Charged for Ferry Services are Inconsistent with the Rates Reflected within Program Operating Narratives

As documented above, current program narratives indicate Coronado/San Diego Bay Ferry day pass rates are \$2 per person. While testing for validity and accuracy of MTS reporting, Audit observed there were trips where the reported Ferry allocation was for only \$1 per person. Based on discussion with the Classroom Day Tripper Coordinator and previous supervisor in charge of program oversight these events arise if passengers take the Ferry one way, not a round trip.

There were fifty-three (53) one way trips reflected in MTS reporting where only \$1 per person was charged. Also within SANDAG's fare ordinance concerning the classroom day trip program, there was no mention of cost related Ferry usage, either a one way fare or a round trip fare per passenger.

AUDIT RECOMMENDATIONS:

Prior to the audit commencing, management was in the process of re-designing their procedures for tracking and revenue allocation on a cash basis model, so as to better align MTS reporting with SANDAG's remittance reporting. Taking a proactive approach and altering the current reporting guidelines with Audit's review and feedback was considered the most rational course of action management could take. Audit has consulted with management on these new reports/templates and believes the new reporting format will be far more effective in mitigating the issues discussed in this report. Management also communicated with Audit their plans for changing operating responsibilities between the Classroom Day Tripper Coordinator and the Supervisor. Audit likewise concluded management's plans for changing roles and responsibilities would be more effective in mitigating issues within this report.

Along with formally implementing the new reporting and operating procedures to ensure the validity and accuracy of reporting, Audit would recommend the following:

1. Management documented new control activities into a formal Department Standard Operating Procedure (SOP).
2. Management work with MTS Accounting/Finance to determine the best method for obtaining SANDAG allocation reporting, so that monthly reconciliations can take place in a timely fashion.
3. Management should update the day trip program operation narratives to reflect the fact that Ferry reduced pass rates for one way service is \$1 per person, while round trip reduced rates are \$2 per person.

Finally, the MTS Senior Accountant communicated to Audit that SANDAG had approached MTS in early December about eliminating their involvement in the day trip program allocation process. As described in this report, SANDAG only serves as a conduit to process checks and remit payments back to MTS, NCTD, and the Ferry. They do not receive any proceeds from day trip activities. Accordingly, Audit would recommend:

1. If SANDAG no longer wants to be involved in the process and provided legal ordinances would allow for MTS to have complete ownership, Audit would encourage Passenger Service Management and Accounting/Finance assess the internal control activities that would need to be put in place for MTS to operate the program without SANDAG involvement.

If implementation of such controls could occur with limited financial burden, both from a monetary and human resource perspective, Audit believes the best course of action would be for MTS to take full control and operate the Classroom Day Pass program without SANDAG involvement.

MANAGEMENT RESPONSE:

- Management will take an objective look at the current operation of the day tripper program to determine long term needs of the program including the proper resources and skill levels required to successfully operate the classroom day tripper program.
- Management has implemented a new reporting system that was reviewed by audit to ensure proper record keeping.
- MTS Finance will assume the role of SANDAG on February 1, 2012.
- Management will work closely with Finance to ensure all classroom day tripper records are compliant with MTS financial standards.

AUDIT FINDINGS RATINGS DEFINITIONS:

High Priority Finding	Immediate management attention is required. This is a serious internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Significant financial losses;• Serious violation of corporate strategies, policies, or values,• Reputational damage• Significant adverse regulatory impact (loss of operating licenses, material fines).
Medium Priority Finding	Timely management attention is required. This is an internal control that if not mitigated could lead to: <ul style="list-style-type: none">• Financial losses,• Loss of control, non-compliance with departmental policies or procedures,• Adverse regulatory impact.
Low Priority Finding	Routine management attention is warranted. This is an internal control or risk issue which may lead to improvement in the quality or efficiencies of the organization or process.



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Agenda Item No. 9

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

HMS CONSTRUCTION - JOB ORDER CONTRACT

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute a Job Order Contract (JOC) with HMS Construction Corporation using MTS Doc. No. PWL136.0-12 (in substantially the same format as Attachment A) for as-needed railroad signal, overhead catenary, and track-work construction services.

Budget Impact

The total contract amount would not exceed \$2,000,000.00 and would be effective from 4/1/12 through 4/14/13. As individual work orders will be issued under this contract, required funds would be encumbered from those work orders' project funding source. Individual work orders exceeding the CEO's authority of \$100,000.00 will be submitted to the Board for approval. Use of JOC contracts competed by SANDAG also requires a 6.75% payment to cover SANDAG, administrative costs, and proprietary costs related to the JOC procurement method. Such fees are assessed at the time an individual work order is issued.

DISCUSSION:

JOC is a procurement process under which public agencies generate a contract specification that defines various work categories, identifies unit costs (including labor and materials for each of those categories), and invites competitive bids. This process allows the consolidation of numerous individual projects of the same general scope to be managed under a single competitively bid contract. In addition, it also provides an on-call contractor ready to perform a series of projects at previously competed prices. This

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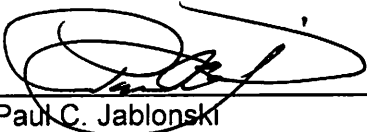
Metropolitan Transit System (MTS) is a California public agency comprised of San Diego Transit Corp., San Diego Trolley, Inc., San Diego and Arizona Eastern Railway Company (nonprofit public benefit corporations), and San Diego Vintage Trolley, Inc., a 501(c)(3) nonprofit corporation, in cooperation with Chula Vista Transit. MTS is the taxicab administrator for seven cities. MTS member agencies include the cities of Chula Vista, Coronado, El Cajon, Imperial Beach, La Mesa, Lemon Grove, National City, Poway, San Diego, Santee, and the County of San Diego.

optimizes staff's ability to manage repetitive maintenance and repair work of the same nature and is generally considered as both time- and cost-efficient.

This JOC is under the San Diego Association of Governments' (SANDAG's) Contract Number 5001338. SANDAG routinely awards JOCs in different work disciplines with each containing language that allows other agencies (such as MTS) to participate. MTS staff recommends leveraging these contract provisions to reduce procurement administrative lead times and to conserve MTS staff labor while seeking a qualified service provider for signal, catenary, and track-related work.

Approval of this JOC would ensure that MTS will have ability to complete contemplated upgrades on the Orange Line, such as track work, railroad switch and signal system work, and work on traction power/catenary systems on other lines, without the need for a lengthy and labor-intensive procurement process.

Therefore, MTS staff recommends that the Board authorize the CEO to execute a JOC with HMS Construction Corporation using MTS Doc. No. PWL136.0-12 for as-needed railroad signal, overhead catenary, and track-work construction services.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Marco Yniguez, 619.557.4576, marco.yniguez@sdmts.com

MARCH15-12.9.HMS CONSTRUCTION JOC.MYNIGUEZ

Attachment: A. MTS Doc. No. PWL136.0-12 with HMS Construction Corporation

STANDARD SERVICES AGREEMENT

DRAFT

PWL136.0-12
CONTRACT NUMBER

FILE NUMBER(S)

THIS AGREEMENT is entered into this _____ day of _____ 2012, in the State of California by and between San Diego Metropolitan Transit System, a California public agency, and the following contractor, hereinafter referred to as "Contractor":

Name: HMS Construction Corporation Address: 1047 La Mirada Court

Form of Business: Corporation Vista, CA 92081

(Corporation, partnership, sole proprietor, etc.)

Telephone: (760) 673-8647

Authorized person to sign contracts: Michael C. High President
Name Title

The attached Standard Conditions are part of this agreement. The Contractor agrees to furnish to MTS services and materials, summarized as follows:

Railroad signaling, overhead catenary, and track work construction services work will consist of track work, railroad switching and signaling-equipment work, and traction power/catenary system work in accordance with the SDMTS Standard Condition Services, Federal Requirements), MTS's Safety Program, and as further described in SANDAG Job Order Contract No. 5001338, and hereinafter referred to as "Contract Document."

This contract shall be effective 4/1/12 through 4/14/13. The total cost of this contract shall not exceed \$2,000,000.

SAN DIEGO METROPOLITAN TRANSIT SYSTEM	CONTRACTOR AUTHORIZATION
By: _____ Chief Executive Officer	Firm: _____
Approved as to form:	By: _____ Signature
By: _____ Office of General Counsel	Title: _____

AMOUNT ENCUMBERED	BUDGET ITEM	FISCAL YEAR
\$To be encumbered on JOC		FY 12-13

By: _____ Date _____
Chief Financial Officer

(___ total pages, each bearing contract number)



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Agenda Item No. 10

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

THE ARC OF SAN DIEGO INTERIOR BUS-CLEANING SERVICES - EXERCISE
CONTRACT OPTION YEARS ONE AND TWO

RECOMMENDATION:

That the Board of Directors authorize the Chief Executive Officer (CEO) to execute MTS Doc. No. B0517.1-09 (in substantially the same format as Attachment A) with The ARC of San Diego to exercise option years one and two for interior bus-cleaning services.

Budget Impact

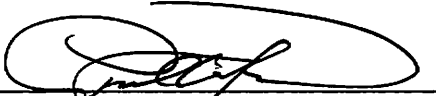
The total amount of option year one is \$201,691.80. The total amount of option year two is \$205,725.64. The total contract amount, including this amendment, would not exceed \$1,105,168.65. The MTS Bus Maintenance operating budget funds this project annually. MTS receives federal funds for preventative maintenance in the form of a grant, which is budgeted with 80% federal funds and 20% local funds of the total amount.

DISCUSSION:

In 2009, the MTS Board of Directors awarded a contract to The ARC of San Diego (ARC) to deep clean SDTC buses for a three-year base with two 1-year options. ARC is a not-for-profit organization providing services for the mentally disabled to promote personal, social, and economic independence. Because of the socioeconomic benefits of contracting with ARC combined with a shortage of internal International Brotherhood of Electrical Workers (IBEW) 465 union personnel available to perform this work, the IBEW made an exception and allowed this work to be contracted to ARC. Staff worked in conjunction with the IBEW and signed an agreement to allow ARC members to perform this work that is usually reserved for union personnel only.



Staff is very satisfied with ARC's performance, and the costs have remained fair and reasonable; therefore, staff is recommending approval of MTS Doc. No. B0517.1-09 to exercise the two option years for deep cleaning the interior of MTS buses.



Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Julio Ortiz, 619.238.0100, Ext. 6500, Julio.Ortiz@sdmts.com

MARCH15-12.10.THE ARC OF SD BUS CLEANING.MLAWRENCE

Attachment: A. MTS Doc. No. B0517.1-09

DRAFT

Att. A, AI 10, 3/15/12

March 15, 2012

MTS Doc. No. B0517.1-09
OPS 960.6

Mr. Anthony De Salis
The ARC of San Diego
9575 Aero Drive
San Diego, CA 92123

Dear Mr. De Salis:

Subject: AMENDMENT NO. 1 TO MTS DOC. NO. B0517.0-09; INTERIOR BUS-CLEANING SERVICES

This shall serve as Amendment No. 1 to our agreement for interior bus-cleaning services as further described below.

SCOPE OF SERVICES

Continue to provide interior bus-cleaning services in accordance with the terms and conditions of the original agreement.

SCHEDULE

Option year 1 covers the period of service from April 1, 2012, through March 31, 2013. Option year 2 covers the period of service from April 1, 2013, through March 31, 2014.

PAYMENT

The parties agree that the total amount of option year one will be \$201,691.80. The total amount of option year two will be \$205,725.64. The total value of this contract (including this amendment) shall not exceed \$1,105,168.65.

All other conditions remain unchanged. If you agree with the above, please sign below, and return the document marked "Original" to the Contracts Specialist at MTS. The remaining copy is for your records.

Sincerely,

Agreed:

Paul C. Jablonski
Chief Executive Officer

Anthony De Salis
The ARC of San Diego

Date: _____



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Agenda Item No. 11

MEETING OF THE METROPOLITAN TRANSIT SYSTEM BOARD OF DIRECTORS

March 15, 2012

**Draft for
Executive Committee
Review Date: 3/8/12**

SUBJECT:

FY 2012 CALTRANS TRANSPORTATION PLANNING GRANT PROGRAMS

RECOMMENDATION:

That the Board of Directors approve Resolution No. 12-5 (Attachment A) authorizing the Chief Executive Officer (CEO) to submit applications and enter into a contract (if awarded) with the California Department of Transportation (Caltrans) for FY 2012 Transportation Planning Grant Programs.

Budget Impact

None at this time. The total amount of the application is up to \$100,000.

DISCUSSION:

Each year, Caltrans administers a federal transportation planning grant program that provides grants to transit agencies, regional planning agencies, and other community and governmental entities. These funds are to be apportioned by Caltrans through a competitive-grant application process. Caltrans is currently accepting applications for the available funding. MTS is seeking funding under this program to develop transportation forecasting tools and models using Compass Card data.

Recommendation

Caltrans requirements include submission of a resolution by the Board of Directors. Therefore, staff recommends that the Board approve Resolution No. 12-5 (Attachment A) authorizing the CEO to enter into a contract with Caltrans for the use of FY 2012 Transportation Planning Grant Programs (if awarded).

Paul C. Jablonski
Chief Executive Officer

Key Staff Contact: Janelle Carey, 619.557.4561, janelle.carey@sdmts.com

Attachment: A. Resolution No. 12-5



SAN DIEGO METROPOLITAN TRANSIT SYSTEM

RESOLUTION NO. 12-5

Resolution of the Board of Directors of the Metropolitan Transit System Authorizing the Chief Executive Officer to Execute Agreements with the California Department of Transportation for Use of FY 2012 Transportation Planning Grant Programs

WHEREAS, the San Diego Metropolitan Transit System (MTS) is a public entity established under the laws of the State of California for the purpose of providing transportation services in the County of San Diego that desires to apply for and obtain funding to develop transportation forecasting tools and models using Compass Card data.

NOW, THEREFORE, BE IT RESOLVED, DETERMINED, AND ORDERED that MTS does hereby authorize the Chief Executive Officer, or designated representative, to file and execute any actions necessary on behalf of MTS to contract with the California Department of Transportation in order to use any federal planning grants awarded through the Transportation Planning Grant Programs.

1. General Counsel, or designated representative, is authorized to execute and file all assurances or any other documents required by the California Department of Transportation.

2. The Chief Financial Officer, or designated representative, is authorized to provide additional information as the California Department of Transportation may require in connection with the application for Transportation Planning Grant Programs.

PASSED AND ADOPTED by the Board of Directors this ____ day of _____ 2012, by the following vote:

AYES:

NAYS:

ABSENT:

ABSTAINING:

Chairperson
San Diego Metropolitan Transit System

Filed by:

Approved as to form:

Office of the Clerk of the Board
San Diego Metropolitan Transit System

Office of the General Counsel
San Diego Metropolitan Transit System

MARCH15-12.11.AttA.RESO 12-5.CALTRANS GRANT.
FORECASTING TOOLS COMPASS CARD DATA.JCAREY