

108-1

ITEM # 108

ADDITIONAL AGENDA MATERIAL

August 31, 2010
Board Meeting
10:00 A.M.

Submitted by County Auditor

30 AUG '10 PM 4:35



COUNTY AUDITOR

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August 30, 2010

TO: Mayor and Members, Board of County Commissioners

FROM: Evan A. Lukic, County Auditor 

SUBJECT: Item 108, August 31, 2010,

Enclosed please find our report on the results of operations for the five months ending May 31, 2010, reported by the four current Paratransit Service providers. I am submitting the report as a yellow sheet for your consideration in connection with the proposed amendments to the Paratransit Service Providers agreements (Agenda Item 108). The report will be formally submitted as an agenda item to the Board on September 14, 2010.

It is important to note our review was limited to analysis of the financial reports submitted and inquiry of individual providers. Due to time constraints and given the newness of the program service delivery method we could not complete a more comprehensive review. We are presently planning more in-depth reviews of each of the providers.

EAL/dh

Cc: County Administrator
County Attorney



Review of Results of Operations Paratransit Service Providers

August 27, 2010

Report No. 10-18



Office of the County Auditor
Evan A. Lukic, CPA
County Auditor

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Executive Summary

This report presents our review of the results of operations for the five months ending May 31, 2010 reported by the four Paratransit service providers (providers): Allied Medical Transportation, Inc. (Allied), Lucanus Development Center, Inc. (Lucanus), Medex Transport, Inc. (Medex) and Tender Loving Care Transportation Services, Inc. (TLC). This review was undertaken in response to complaints from the providers regarding their financial losses, lower than forecasted trips per revenue hour and operational inefficiencies. Our objectives were to review the providers' reported results of operations for accuracy and determine whether the trips per revenue hour were in accordance with the bid document.

Our review indicates:

The financial information submitted by the providers contained errors and inconsistencies. The providers agreed to adjust these errors, including improper cost allocation between related business operations, misstatement of revenues and expenses and inconsistent reporting of transactions between periods (months and quarters). After adjusting for identified errors, all four providers had incurred operating losses for the five months ending May 31, 2010 totaling \$374,425 (6.5% of total revenue). These losses consisted of \$247,678 for Allied, \$13,091 for Lucanus, \$94,855 for Medex, and \$18,801 for TLC.

Additional adjustments to the reported results of operations may be necessary as a result of reliability, consistency and allocation issues with the financial data submitted by the providers.

In addition to reviewing the financial information submitted by the providers, we reviewed trip data in the County's ADEPT software system to address the providers' expressed concerns that the number of trips per revenue hour were causing the financial losses and were less than projected by the County.

We found the combined averages of both scheduled and actual trips per revenue hour for the five months ending May 31, 2010 were within the range of trips projected by the County in the bid document.

We also attempted to analyze operating and financial data for trends, but were unable to do so because of:

- The newness of the Paratransit service delivery method,
- Changes in program operations during the period, and
- Reliability and consistency issues with the financial data submitted by the providers.

Because of these limitations, we could not determine if the reported operating losses reflect initial startup inefficiencies or are the result of inherent Paratransit system design issues and are therefore likely to continue unless operational changes are made. We understand the Administration, with the assistance of the County Attorney's Office, has negotiated with the providers to identify an interim solution to maintain program services and allow time for an assessment of Paratransit service operations. In addition to the Administration's assessment efforts, our office has initiated in-depth reviews of the Paratransit service providers as well as the Transit Division.

Purpose, Scope and Methodology

The purpose of the review was to verify the results of operations reported by each of the Paratransit service providers. Our review encompassed the five month period from January 1 to May 31, 2010.

To accomplish our objectives, we:

- Interviewed
 - County Transit Staff,
 - Allied, Lucanus, Medex, and TLC (Paratransit Service Providers) Staff, and
 - Call Center staff from Inktel Direct
- Reviewed
 - Call Center and Provider Bid Documents,
 - Paratransit Providers Profit and Loss Statements, General Ledgers, and other accounting records,
 - Transit invoice payments to providers, and
 - Transit trip, vehicle hour, and revenue hour data.

Background

Broward County's Transit Division administers the federally and state mandated paratransit services to Broward County residents and visitors. Paratransit service is defined as "comparable public transportation services required by the Americans with Disabilities Act (ADA) of 1990 for qualified individuals with disabilities who are unable to use fixed route transportation services, or service to other qualified individuals with disabilities, on demand, by reservations, by subscription, and on a shared-ride basis." Typically, paratransit providers use vans or mini-buses to provide door-to-door transportation service from any point of origin to any destination within a specified service area at the request of an eligible person. As of January 2010, there were 14,606 registered paratransit services clients in Broward County.

Broward County has historically contracted with private entities for the provision of paratransit services to Broward County residents. The County pays paratransit service contractors a "one-way passenger trip" rate for each trip actually provided. The Transit Division is responsible for monitoring service contractor performance and authorizing contractor payment. Other paratransit related responsibilities of the Transit Division include registering new clients to the program and serving as the lead agency during paratransit contract development and negotiations.

On September 22, 2009, The Broward County Board of County Commissioners (BOCC) approved five individual contracts under Invitation for Bid (IFB) #V0696801B1 for the provision of paratransit transportation services to Broward County residents and visitors. The contracts are effective from January 1, 2010 to December 31, 2015 and reflect the allocation of a percentage of total trips to each provider. The contracts have been amended two times as follows:

- On November 17, 2009 the contracts were amended to redistribute certain nutrition trips, estimated at ten percent (10%) of the total trips, to five community centers providing related meal services. The five community centers operate their transportation services as subcontractors to the original providers.

- On December 21, 2009, the contracts were amended again to redistribute trips resulting from the inability of one of the providers to fulfill their assigned trips. As of May 2010, Support Management, Inc. no longer provided services, leaving four providers.

Table 1 below shows the original and modified allocation of trips among providers.

Table 1 - % of Allocated Trips per Provider

Four Providers	Before Contract Start Date			
	09/22/09	11/17/09	12/21/09	05/2010
Allied Medical Transportation, Inc.	20.00%	17.96%	35.46%	38.99%
Lucanus Developmental Center, Inc	25.00%	19.76%	27.04%	28.49%
Medex Transport, Inc	10.00%	9.03%	13.50%	14.86%
Tender Loving Care Transportation Services, Inc.	5.00%	5.00%	7.00%	7.66%
Support Management, Inc.	40.00%	38.25%	7.00%	0.00%
Subcontracted Nutrition Trips	<u>0.00%</u>	<u>10.00%</u>	<u>10.00%</u>	<u>10.00%</u>
Total	100.00%	100.00%	100.00%	100.00%

Source: Transit Division

Based on the bid, the County pays trip rates depending on the type of trip performed. Table 2 below shows the original bid rates by provider by trip type.

Table 2 – Original Bid Rates by Provider by Trip Type

Types of Trips	Allied	Lucanus	Medex	Support	TLC
Non-Ambulatory Trips	\$30.50	\$25.25	\$29.95	\$33.79	\$28.00
Ambulatory Trips	\$20.50	\$19.25	\$22.00	\$23.59	\$20.00
Companion Trips	\$18.50	\$13.50	\$14.95	\$16.98	\$15.00
Multi-load Trips	\$18.50	\$15.50	\$21.22	\$20.79	\$20.00
Group Trips	\$17.50	\$13.50	\$15.99	\$18.98	\$18.00
Blended Rate	\$21.07	\$18.35	\$22.26	\$23.69	\$20.91
Subcontracted Nutrition Trips ¹	\$18.01	\$18.01	\$18.01	\$18.01	\$0.00

Source: Transit Division

Trips Scheduling and Route Assignments

Clients are required to make trip reservations by contacting the Paratransit Call Center one day in advance between 8:00a.m. and 5:00p.m. The Call Center operates 7 days a week from 4:40 a.m. to

¹ This trip type was not part of the original Invitation For Bid (IFB) document. This trip type was added in the 1st Amendment which reallocated approximately 5% of the overall program trips to five senior nutrition sites. The rate of \$18.01 was calculated as the average Multi-load trip rate of the five providers. The County pays the providers \$18.01 for the trips and the providers in turn pay the subcontractors \$16.21 per trip and retain \$1.80 per trip as an administrative fee.

12:40 a.m.² The Call Center utilizes the ADEPT software system (the system) to take reservations and assign trips for the providers. The system automatically schedules trips based on the incoming requests and routes that were pre-entered in the system by the providers. However, some reservations cannot be automatically routed by the system and are placed on the wait-list. The schedulers at the Call Center scan the system for these wait-listed trips and manually place them on routes.

The Call Center stops taking phone calls for the next day trips at 5 p.m. After the schedulers review the existing routes and complete routing the wait-listed trips, the Call Center sends the run manifests between 6 – 8 p.m. to each provider for the next day trips.

Each provider has real-time access to the system and continuously reviews and makes adjustments to the trips assigned to them even before the run manifests are released from the Call Center. Once the providers finalize their routes, they print the run manifest for each driver. Drivers are required to record trip information on the run manifest including start/end times, start/end odometer readings, and any co-pays collected from the clients. Clients and their accompanying companion(s) are required to pay \$3 upon each boarding. No fare is collected from clients for nutrition trips or from authorized Personal Care Attendants.

When drivers pick up or drop off the clients, the clients are required to sign on the run manifest. The drivers report the time and odometer reading to the dispatcher, who updates the information into the system. At the end of each shift, drivers turn in the completed run manifest to the provider's central office.

At the end of the week, the County's paratransit service manager generates the total amount of trips for the week by provider, by category from the system and reports to the providers who in turn invoice the County on a weekly basis.

Findings

Finding 1

All four providers reported losses from operations for the five month period from January 1 to May 31, 2010.

In June of 2010, the providers indicated that they had incurred substantial losses in providing paratransit services.

The financial information submitted by the providers in response to our request was unaudited and contained errors identified through analysis and inquiry. These errors included the following:

- Improper cost allocation between related business operations,
- Inclusion of payroll costs not related to paratransit operations,
- Misstatement of depreciation, interest, insurance, fuel, and other expenses,
- Misstatement of income, and
- Inconsistent reporting of transactions between periods (months and quarters).

² Call Center operates differently on Sundays and Holidays from 6:45a.m. to 10:15p.m.

Table 3 below shows the results of operations for the five months ending May 31, 2010, before and after adjusting for these errors.

Table 3 – Results of Operations for the Five Months Ending May 31, 2010

Provider	January 2010	February 2010	March 2010	April 2010	May 2010	Five-Month Total
ALLIED						
Profit (Loss) - Originally Reported	(\$41,429)	(\$75,935)	(\$15,632)	(\$133,586)	(\$60,296)	(\$326,878)
After Adjustments						
Paratransit Revenues	\$428,313	\$469,476	\$481,236	\$590,919	\$544,466	\$2,514,410
Less Paratransit Expenses	\$494,530	\$533,271	\$575,544	\$613,676	\$545,067	\$2,762,088
Adjusted Profit (Loss)	(\$66,217)	(\$63,795)	(\$94,308)	(\$22,757)	(\$601)	(\$247,678)
LUCANUS						
Profit (Loss) - Originally Reported	(\$38,738)	\$23,080	\$22,517	(\$41,279)	(\$62,221)	(\$96,641)
After Adjustments						
Paratransit Revenues ³	\$318,855	\$346,475	\$383,327	\$507,355	\$374,077	\$1,930,089
Less Paratransit Expenses	\$345,624	\$325,777	\$365,014	\$457,993	\$448,772	\$1,943,180
Adjusted Profit (Loss)	(\$26,769)	\$20,698	\$18,313	\$49,362	(\$74,695)	(\$13,091)
MEDEX						
Profit (Loss) - Originally Reported	(\$117,503)	\$63,630	(\$139,587)	(\$37,155)	\$103,756	(\$126,859)
After Adjustments						
Paratransit Revenues	\$192,927	\$174,926	\$166,974	\$198,004	\$184,227	\$917,058
Less Paratransit Expenses	\$159,534	\$161,866	\$310,843	\$115,343	\$264,327	\$1,011,913
Adjusted Profit (Loss)	\$33,393	\$13,060	(\$143,869)	\$82,661	(\$80,100)	(\$94,855)
TLC						
Profit (Loss) - Originally Reported			(\$18,342)*	(\$3,358)	(\$6,948)	(\$28,648)
After Adjustments						
Paratransit Revenues			\$242,302	\$98,941	\$91,999	\$433,242
Less Paratransit Expenses			\$247,518	\$101,762	\$102,763	\$452,043
Adjusted Profit (Loss)			(\$5,216)	(\$2,821)	(\$10,764)	(\$18,801)
Total Losses - Originally Reported						(\$579,026)
Total Losses – After Adjustments						(\$374,425)

Source: Prepared by the County Auditor's Office from information obtained from the providers and Transit Division

* TLC reported the first three months of financial information on a quarterly basis.

³ Includes co-pay revenue that the company is required to collect from passengers. According to Lucanus, the company did not collect required co-pay revenue.

Although we identified many errors in the providers' reported results of operations, our review was limited to analysis and inquiry of the amounts presented. Therefore, additional adjustments to the reported results of operations may be necessary following our more in-depth review.

Finding 2

The combined averages of both scheduled and actual trips per revenue hour for the five months ending May 31, 2010 were within the range of trips projected in the bid document.

The number of trips per revenue hour⁴ is a key measure used to track the efficiency of routes. In response to question #89 in the bid document, the County projected "1.45 - 1.9 trips per revenue hour." However, the County's response does not indicate whether this is scheduled⁵ or actual trips per revenue hour, nor does the County's response indicate the time period in which the projected trips per hour would be achieved.

Based on system and provider reports, the combined averages of scheduled and actual trips per revenue hour are 1.90 and 1.47, respectively, for the five months ending May 31, 2010. Table 4 below shows the scheduled and actual trips per revenue hour for the five month period.

Table 4 – Scheduled/Actual Trips⁶ per Revenue Hour by Provider for the Five Months Ending May 31, 2010

BY MONTH	SCHEDULED TRIPS PER REVENUE HOUR				ACTUAL TRIPS PER REVENUE HOUR			
	ALLIED	LUCANUS	MEDEX	TLC	ALLIED	LUCANUS	MEDEX	TLC
January 2010	1.83	2.00	1.75	1.93	1.24	1.47	1.23	1.39
February 2010	1.67	2.37	1.75	1.90	1.30	1.91	1.31	1.52
March 2010	1.61	2.14	1.63	1.80	1.23	1.69	1.19	1.33
April 2010	1.97	2.51	1.91	2.19	1.60	2.09	1.52	1.74
May 2010	1.79	1.71	1.93	2.11	1.41	1.32	1.50	1.67
Five Month Average	1.77	2.13	1.79	1.98	1.35	1.69	1.34	1.53
Combined Average	1.90				1.47			

Source: Prepared by the County Auditor's Office from information obtained from the providers and the ADEPT software system

As indicated in Table 4 above, the combined averages of both scheduled and actual trips per revenue hour for the five months ending May 31, 2010 were within the range of trips projected by the County in the bid document.

⁴ Revenue hours are the number of hours between the first pickup and last drop off that a route is running.

⁵ Scheduled trips include the actual trips performed and no-show/cancellation trips.

⁶ Providers' trips exclude the nutrition trips, which are subcontracted to five community centers.

No-shows and cancellations account for the major difference between scheduled and actual trips reported above.

During our review, we noted that the percentage of no-shows⁷/cancellations⁸ is averaging 23% for the five month period. Broward County paratransit staff sends warning letters to the clients each month if a rider has four or more "no-show" or "late cancel" trips. ADA rules allow the County to suspend the service when an ADA eligible person establishes a pattern or practice of missing scheduled trips. Table 5 below shows the percentage of no-shows/cancellations by provider for the same five month period.

Table 5 – Percentage of No-Shows/Cancellations by Provider for the Five Months Ending May 31, 2010

BY MONTH	% OF NO-SHOWS/CANCELLATIONS				
	ALLIED	LUCANUS	MEDEX	TLC	COMBINED
January 2010	32%	26%	30%	28%	30%
February 2010	23%	19%	25%	20%	22%
March 2010	24%	21%	27%	26%	23%
April 2010	19%	16%	21%	21%	18%
May 2010	21%	23%	22%	21%	22%
Five Month Average	24%	21%	25%	23%	23%

Source: Prepared by the County Auditor's Office from information obtained from the ADEPT software system

The 23% combined average of no-show and cancellations in the current contract are slightly lower than the historical percentage of no-show and cancellations which averaged 24.8%.

⁷ A trip is a "no-show" if the rider: 1) cancels a trip less than two hours before the scheduled pickup time, or 2) places a request for service but does not meet the ride upon its arrival, or 3) is not ready to board within five minutes after the arrival of the vehicle and the ride departs without them.

⁸ A trip is a "cancellation" if the rider cancels a trip at least two hours prior to the scheduled pickup time.