

OFFICE OF THE AUDITOR GENERAL

The Navajo Nation

A Performance Audit of the Navajo Transit System

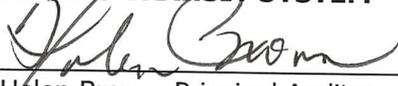
**Report No. 19-18
June 2019**

**Performed by:
Noon & Associates, LLC.**



M-E-M-O-R-A-N-D-U-M

TO : Marcus Tulley, Acting Transit Manager
NAVAJO TRANSIT SYSTEM

FROM : 
Helen Brown, Principal Auditor
Delegated Auditor General
OFFICE OF THE AUDITOR GENERAL

DATE : June 27, 2019

SUBJECT : Performance Audit of the Navajo Transit System

The Office of the Auditor General herewith transmits Audit Report No. 19-18, Performance Audit of the Navajo Transit System (NTS). The performance audit was conducted, in conjunction with Noon and Associates, LLC to determine whether the Navajo Transit System is able to provide safe and reliable public transport bus services for the Navajo Nation.

The auditors reported twenty (20) findings:

1. Transit resources are not adequately managed to meet NTS' needs.
2. Transit operational performance measures have not been established.
3. Transportation services are not sufficiently communicated to the general public.
4. Vehicle inventory and condition is not sufficiently maintained.
5. Vehicle inspections are not adequately documented.
6. Lack of a formal preventive maintenance plan.
7. The work order system is not consistently used.
8. Transit mechanics are not trained to use the RTA.
9. Transit vehicles are not adequately safeguarded.
10. Transit vehicle dispositions are not adequately recorded and repair versus replacement plan is not in place.
11. There is no inventory of bus shelters and their condition.
12. Transit drivers are licensed, but driver training is not adequately monitored.
13. There is no formal emergency response plan in place.
14. Incident reporting is not sufficient to address the needs of NTS.
15. Data collection and analysis is not sufficient.
16. Customer satisfaction is not solicited to improve operations.
17. Revenue from fares are not reviewed for sufficiency to meet NTS' needs.
18. Procurement activities do not comply with the Navajo Nation's procurement code.
19. Grant reimbursement has not occurred in a timely manner.
20. Staffing capacity is not adequately maintained.

Detailed explanation of the findings can be found in the body of this report. The report provides recommendations to correct the reported findings.

If you have any questions about this report, please contact our office at extension 6303. Thank you for your assistance in completing this audit.

xc: Lomardo Aseret, Division Director
DIVISION OF GENERAL SERVICES
Paulson Chaco, Chief of Staff
OFFICE OF THE PRESIDENT/VICE PRESIDENT
Chrono

June 24, 2019

Helen Brown, Delegated Auditor General
The Navajo Nation
Office of the Auditor General
7498 SW Morgan Blvd.
Window Rock, AZ 86515

Dear Ms. Brown:

We have conducted a performance audit of the Navajo Transit System (NTS). The report was predicated on the desire to assess the ability of NTS to provide safe and reliable public transport bus services for the Navajo Nation.

The scope of the performance audit covered the two-year period from October 1, 2016, to September 30, 2018. Our performance audit included interviews with appropriate personnel, examination of books and records, and other such evidence gathering procedures as considered necessary under the circumstances. The report presents our findings, recommendations, and responses from NTS.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Management of NTS is responsible for the design, implementation, and maintenance of internal control relevant to operations. We designed our procedures, performed inquiries, and requested relevant information and evidence to accomplish the performance audit scope. We relied on NTS' cooperation to participate in inquiries and provide the requested information and evidence.

Noon & Associates, LLC

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Executive Summary

Noon and Associates, LLC was engaged to perform a performance audit of the NTS for the Navajo Nation Office of the Auditor General. Specifically, we reviewed compliance with twenty scope of work items presented in the Request for Proposal (RFP). Based on the procedures performed, we found there is a high risk that NTS is not compliant with all twenty criteria.

Background

NTS was established in 1980 to provide safe and reliable public transport bus services for the Navajo Nation. This is achieved through increasing the accessibility to services and resources of the public and private sectors, particularly in meeting the needs of health care, education, employment, recreation, entertainment, and shopping.

Legislative oversight of the department is provided by the Health, Education and Human Services Committee (HEHSC) of the Navajo Nation Council. Within the Division of General Services of the Executive Branch, NTS runs 18 routes and budgets for a staff of 38 total employees including 25 personnel for route operations, seven personnel for equipment maintenance, three accounting personnel, and three management personnel.

Funding for NTS is provided by the Federal Transit Administration (FTA) Sections 5311, Formula Grants for Rural Areas, and 5339, the Bus and Bus Facilities Infrastructure Investment Program. NTS is a sub-grantee of the States of New Mexico (NM) and Arizona (AZ) under these grant programs. Funding under these programs can be used for administration, operations, and capital expenditures and is awarded in two-year increments. Funding for fiscal years 2017 and 2018 totaled approximately \$3.3 million.

Objective and Scope

Our review included procedures to address the following questions stated in the RFP for the period beginning October 1, 2016 and ending September 30, 2018:

1. How well are transit resources (staff, fleet, fuel, etc.) managed to meet the NTS' needs? Is there long-term planning to maintain resources?
2. Are transit performance measures being met?
3. How well are transportation services/routes coordinated? Are changes to services/routes communicated effectively to the general public?
4. Is there an accurate inventory of all transit bus vehicles and based on on-site inspection, does the inventory accurately reflect the condition of the vehicles?
5. Are transit vehicles routinely inspected? If so, are inspections adequately documented? Do transit vehicles meet Americans with Disabilities Act (ADA) requirements?
6. Are vehicles routinely maintained? Is there a preventative maintenance plan in place for vehicles and bus shelters?
7. Are transit vehicle repairs done timely? Is there a work-order system in place to properly account for vehicle repairs/maintenance services?
8. Are transit mechanics trained and diverse in the RTA Fleet Management System (RTA) for bus maintenance?
9. Are transit vehicles adequately safeguarded from theft or vandalism?
10. Are transit vehicles that are no longer in service properly disposed of in a timely manner? Is there

- a repair versus replacement plan in place for the transit vehicles?
11. Are bus shelters adequately maintained to meet applicable regulations?
 12. Are transit drivers appropriately licensed, trained and fit to carry out duties and responsibilities?
 13. Are transit employees adequately trained and prepared to respond to emergency/hazardous incidents? Is there an emergency response plan in place?
 14. Is there a process in place for reporting and investigating accidents/incidents?
 15. Is there sufficient data maintained on transit services (# of riders, # of riders per routes, # of complaints, etc.)? Is the data analyzed to improve services?
 16. Are riders satisfied with current transit services? Are complaints addressed in a timely manner?
 17. Is the current transit fare comparable to surrounding transit systems? Does the current fare produce sufficient revenue levels to facilitate enhancements to transit services?
 18. Do transit services and procurement activities comply with applicable Navajo Nation, state and federal regulations?
 19. Does NTS effectively manage its grants to ensure funds owed to the Navajo Nation are reimbursed in a timely manner?
 20. Does NTS maintain appropriate staffing capacity to ensure continuity of services? If not, are alternatives considered to avoid disruption in services?

Methodology

To meet the audit objective, we performed the following procedures:

- Performed and documented performance audit planning and risk assessment procedures;
- Determined audit criteria based on the assessed risks, audit objectives, and scope;
- Conducted inquiries with appropriate NTS, Office of the Controller (OOC), and Office of Management and Budget (OMB) personnel;
- Documented and evaluated applicable program practices;
- Reviewed and evaluated applicable documentation provided by NTS, OOC, and OMB;
- Determined whether evidence to support responses to our inquiries was adequate;
- Developed findings and recommendations based on the procedures performed and evidence reviewed.

Findings and Recommendations

Finding 1: Transit resources are not adequately managed to meet NTS' needs

Scope:

How well are transit resources (staff, fleet, fuel, etc.) managed to meet the NTS' needs? Is there long-term planning to maintain resources?

Criteria:

Standards for Internal Control in the Federal Government, Government Accountability Office (GAO) 14-704G, 10.01 – Management should design control activities to achieve objectives and respond to risks.

Condition:

Transit resources are not adequately managed to meet NTS' needs, and NTS does not perform long-term planning or routine budget and resource monitoring. At the time of fieldwork, there was \$9.3 million in NTS grant funds available. Approximately \$8.7 million of the \$9.3 million total pertains to grant years prior to fiscal year 2017 and includes \$5 million in Federal funds awarded in fiscal year 2011 for a hybrid bus program that has never been implemented.

Effect:

NTS is at risk to lose future grant funding if it has unspent funds at the end of each two-year grant period. There is a risk that current and future program needs are not being met, which reduces the program's ability to serve the public.

Cause:

NTS management does not monitor budgeted resources to actual spending nor makes necessary adjustments to ensure program needs are met consistently. Additionally, NTS did not have a certified 6B approver in fiscal year 2017 and 2018, which would have been necessary for the program to purchase certain items and use budgeted funds. In fiscal year 2018, the funds awarded under the Memorandum of Agreement with New Mexico were restricted by OMB for several months as the agreement was not finalized by Department of Justice due to a dispute in the agreement language.

Recommendation:

NTS should work with the OMB to close out expired grant funding. Additionally, NTS management should reassess the program's ability to use the funding awarded for the hybrid bus program and consider returning the funds if accomplishing the program requirements is not feasible at this time. NTS management should develop a plan and budget for grant funding prior to the start of the grant period of performance. The budget should be monitored monthly for indications that spending is consistent with planning, and budget revisions should be proposed when necessary and in accordance with the Budget Instructions Manual for the applicable fiscal year. For example, if one month has passed and spending is intended to be consistent throughout the year, the reviewer should monitor whether one-twelfth of the budget has been spent. Additionally, if large repairs are scheduled to be completed in the first quarter of the year, the reviewer should note if they have occurred and investigate the reason if they have not. NTS management should develop the method that best suits its operations, establish the method in writing,

and use it consistently. NTS management should designate a 6B approver and ensure the approver is certified.

Finding 2: Transit operational performance measures have not been established

Scope:

Are transit performance measures being met?

Criteria:

Standards for Internal Control in the Federal Government, GAO-14-704G, 5.01 – Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Condition:

The following performance criteria have been established for NTS through the Navajo Nation's annual budget process:

1. 50,000 passengers per quarter;
2. \$40,000 bus fare revenue per quarter;
3. Eight public contacts per quarter for marketing;
4. Two work sessions or staff development trainings per quarter;
5. 75 completed work shop orders per quarter.

The criteria, however, is inadequate and does not connect with a strategic plan. Further, it does not include other critical aspects such as customer satisfaction. NTS does not evaluate existing internal operational performance measures for relevancy and does not document whether performance measures are being met. The grant agreements include certain performance measures such as miles traveled, ridership, and preventive maintenance that are required to be documented, maintained, and reported for purposes of the grant funding. However, these measures are not completely considered in NTS's existing performance criteria.

Effect:

Without the establishment of relevant performance measures, NTS is unable to evaluate whether operations meet minimum standards for its business objectives and grant funding. NTS management is unable to assign responsibilities and hold personnel accountable without performance measures to provide a clear understanding of program duties.

Cause:

The NTS Program Manager position has been vacant since January 2015. Several employees have been delegated to perform the Program Manager duties since then; however, lack of consistency has contributed to inadequate performance measure establishment and monitoring.

Recommendation:

NTS management should develop operational performance measures using requirements of the grant agreements and operational needs and assign data collection and monitoring to applicable personnel. Performance measures should be reviewed monthly and documented by management prior to submitting data to the grant awarding agencies.

Finding 3: Transportation services are not sufficiently communicated to the general public

Scope:

How well are transportation services/routes coordinated? Are changes to services/routes communicated effectively to the general public?

Criteria:

The Memorandum of Agreement, Section 1(F), between the New Mexico Department of Transportation (NMDOT) and NTS requires that the Navajo Nation shall conduct an advertising program to increase ridership on all trips.

Condition:

Transportation routes and services are coordinated in advance and advertised to the public on the NTS website; however, if delays or cancellations occur, there is a high risk that changes in the route schedule will not be effectively communicated to riders.

Effect:

Riders may be delayed or not reach their destination.

Cause:

NTS uses a single website to communicate route information to the public. The website is updated during normal business hours, which begin after the routes start and end before the routes conclude. The website may not be accessible to all riders in a timely fashion as remote areas of the Navajo Nation may not have internet access.

Recommendation:

NTS should develop a policy to use social media platforms in addition to their internal website to inform riders of changes in the schedule. NTS should also consider a text notification platform. For emergency changes to the schedule due to driver illness, weather, or emergency road closure, the NTS program supervisor should formalize its relationship with the KTNN radio station for reporting changes to routes to riders immediately.

Finding 4: Vehicle Inventory and condition is not sufficiently maintained

Scope:

Is there an accurate inventory of all transit bus vehicles and based on on-site inspection, does the inventory accurately reflect the condition of the vehicles?

Criteria:

The Memorandum of Agreement, Section 15(A), between NMDOT and NTS requires that a "Program Vehicle Inventory" must be completed for each vehicle that will be used in the Program.

Condition:

NTS keeps multiple listings of vehicles in service that notes the unit number, year, make, model, vehicle identification number, license plate, capacity, purchase price, and business unit. However, these listings do not agree to each other and do not provide an accurate and timely inventory of transit vehicles that reflects the location and condition of all vehicles assigned to NTS. There may be assets recorded in the NTS fixed asset ledger that are no longer in service.

Effect:

There is a risk that the program does not have sufficient information to monitor the condition of its vehicles or manage the transit schedule effectively. There may be disposed vehicles on the listing or vehicles whose condition is not timely and accurately reflected that could be used as backup vehicles or used for additional routes.

Cause:

There is no reconciliation between NTS' inventory listing and the fixed asset ledger. There is no consolidated, formal documentation of the condition of each vehicle.

Recommendation:

NTS should perform periodic physical inventories to keep an accurate record of each available vehicle with a current status of condition so that vehicles can be managed to the needs of each route or the creation of new routes. Vehicles that are no longer in service should be disposed of in accordance with Federal and Navajo Nation policy. NTS should coordinate with other Navajo Nation departments as necessary to determine the assets recorded in the fixed asset ledger that should be removed. If vehicles are identified for disposal and do not have a valid title, NTS should work with the applicable Navajo Nation department and State agency to obtain valid title in order to proceed with disposals. NTS should additionally use the Global Positioning System installed in each vehicle as a part of its physical inventory process to verify the location of each vehicle.

Finding 5: Vehicle Inspections are not adequately documented

Scope:

Are transit vehicles routinely inspected? If so, are inspections adequately documented? Do transit vehicles meet ADA requirements?

Criteria:

The Memorandum of Agreement, Section 20(A), between the NMDOT and NTS requires that the Navajo Nation shall keep daily Pre/Post Trip Inspection Records on the use of each transit vehicle and shall submit to the Department, upon request, such information.

Condition:

NTS performs and documents the vehicle inspections daily and vehicles are inspected by the drivers daily for ADA compliance; however, there is no method to collect data in a format that tracks non-compliance instances. There is no documentation of supervisory review to verify mileage or vehicle condition, and there is no member of management that reviews this information for purposes of planning, assessment of program objectives, or compliance with ADA requirements.

Effect:

The vehicle inspection reports are the primary source of information for mileage reporting required by the grant agreements; however, with no centralized data collection method or review, mileage may be reported inaccurately. Without proper record keeping on the results of inspections, there is no process to identify problem areas or trends for specific vehicles. This presents a risk for inadequate maintenance and repairs, lack of evaluation of vehicle performance, and failure to provide evidence of ADA compliance.

Cause:

There is no policy or procedure that calls for collection of data from inspection reports in a format useful for compilation and analysis or for a supervisor to verify information on the inspection reports to ensure the mileage is correct and the condition of the vehicle is accurate. There has been turnover in the Transit Manager and Program Supervisor positions that has created inconsistency in the data collection process.

Recommendation:

Inspections

NTS should consider adding a serial number to inspection reports to ensure each trip has a corresponding report.

Data Collection & Analysis

NTS should record all mileage data in a single data collection spreadsheet according to vehicle, driver, and date. This data should be collected in a way that enables sorting, filtering, and analysis in order to monitor total mileage for each vehicle for any given time period. The data should indicate that the mileage came from a daily inspection report in order to account for all inspection reports and whether there were any ADA non-compliance items or repairs. The program supervisor should randomly verify vehicle mileage and ADA compliance then document the verification on the inspection report and the data collection

spreadsheet. Management should review the mileage data prior to submission to the grant awarding agencies.

The data collection spreadsheet will accomplish the following items:

- Serve as a log for all inspection reports to ensure they are completed;
- Allow for mileage data collection in a single location to be used for monthly reporting, management review, and analysis;
- Identify trends for repairs or ADA noncompliance for certain vehicles;
- Identify repairs that result from daily inspections.

Reconciliation

NTS should additionally record any maintenance or repairs resulting from inspection reports in the RTA and indicate which inspection report corresponds. The equipment maintenance supervisor should sign and date the inspection report of record when the repairs and maintenance are complete, then the bus can be returned to service. Management should reconcile the inspection log entries to the work orders completed in the RTA to ensure the repairs are complete.

Finding 6: Lack of a formal preventive maintenance plan

Scope:

Are vehicles routinely maintained? Is there a preventative maintenance plan in place for vehicles and bus shelters?

Criteria:

The Memorandum of Agreement, Section 15(J), between the NMDOT and NTS requires that the Navajo Nation shall follow the equipment manufacturer's minimum standards and recommended preventative maintenance schedules.

The Grant Agreement between the Arizona Department of Transportation (ADOT) and NTS, Section VI, Compliance with Manufacturer's Maintenance Schedule requires NTS abide by the vehicle manufacturer's schedule of maintenance, at a minimum, during the period the vehicle is operated in conjunction with ADOT, or its successor agency.

Condition:

NTS has a preventative maintenance policy in place. However, vehicle maintenance needs are identified in daily or periodic inspection reports rather than planned in advance according to the manufacturers' specifications. Additionally, bus shelter maintenance is identified by inspection rather than scheduled in advance.

Effect:

Without a preventative maintenance plan, NTS vehicles are at risk for mechanical damage or failure. NTS is therefore at risk of failing to meet its business objective of providing reliable transportation to the public. If routes are cancelled, passengers may not have alternate means of transportation.

Cause:

NTS does not have a process in place for long term preventative maintenance planning nor does it have a data collection process to consolidate vehicle information in a single document that can be used for analysis and planning purposes. Additionally, NTS mechanics were understaffed during the period under audit.

Recommendation:

NTS should develop a written preventative maintenance plan for all vehicles in service based on manufacturer's specifications. NTS should consider forecasting mileage for each vehicle to predict the timing for maintenance and repairs. Additionally, NTS should consider the timing for capital expenditures based on the estimated useful life expiration for each vehicle and budget for capital expenditures in the appropriate year for replacement. NTS should have the means to document when the planned maintenance is performed to report vehicle condition on the physical inventory and to the awarding agency.

Finding 7: The work order system is not consistently used

Scope:

Are transit vehicle repairs done timely? Is there a work-order system in place to properly account for vehicle repairs/maintenance services?

Criteria:

Standards for Internal Control in the Federal Government, GAO-14-704G, 11.01 – Management should design the entity's information system and related control activities to achieve objectives and respond to risks.

Condition:

There is no system in place to ensure repairs and maintenance is done timely. NTS uses the RTA for work orders; however, it is not consistently used and there is no management review of the data entered into the RTA. Additionally, there is no reconciliation of repairs and maintenance performed to any preventative maintenance plan or the inspection reports. There are no contracts in place for vehicle repairs that are required to be outsourced resulting in delays due to obtaining quotes and vendor selection for instances where outsourcing is necessary.

Effect:

Without timely repairs to vehicles, NTS risks premature equipment failure, unsafe driving conditions, and noncompliance with grant agreements. NTS is therefore at risk of failing to meet its business objective of providing reliable transportation to the public. If routes are cancelled, passengers may not have alternate means of transportation.

Cause:

NTS does not have a policy that requires the use of the RTA to record work orders. Additionally, NTS does not have service contracts established with repair shops for outsourced services. In lieu of service contracts, NTS is required to initiate a purchase requisition with a minimum of three quotes for work for approval and issuance of a purchase order. Approval time through the required approval chains can delay the repair process.

Recommendation:

NTS should use the RTA as the record for all vehicle maintenance and repair and document the time it takes to complete maintenance and repair. Work orders should be created for the following:

- Inspection reports that indicate a vehicle needs parts replacement, maintenance or repair;
- The Preventative Maintenance Plan indicates a vehicle is due for repair;
- When a vehicle requires any repairs due to accidents or parts failure; and
- When a vehicle requires outsourced repair or warranty work.

NTS should additionally select qualified repair shops in accordance with Navajo Nation procurement policy and establish contracts with pre-approved pricing to reduce any delays that may result from obtaining quotes and selecting a vendor.

Finding 8: Transit mechanics are not trained to use the RTA

Scope:

Are transit mechanics trained and diverse in the RTA software for bus maintenance?

Criteria:

The Grant Agreement between the ADOT and NTS, Section VI, Compliance with Manufacturer's Maintenance Schedule, requires NTS abide by the vehicle manufacturer's schedule of maintenance, at a minimum, during the period this vehicle is operated in conjunction with ADOT, or its successor agency.

Condition:

Transit mechanics are not trained and diverse in the RTA software for bus maintenance.

Effect:

There is a high risk that maintenance records are incomplete as not all personnel can use the work order software. Without complete maintenance records, NTS can be found non-compliant with grant requirements, perform duplicate maintenance, or not perform maintenance at recommended mileage.

Cause:

The equipment maintenance supervisor and his office assistant are the only two personnel who have access to the RTA and have attended the RTA training. The program supervisor and other equipment maintenance staff do not have access to the RTA and have not been trained on how to use it.

Recommendation:

NTS should provide system access and training for equipment mechanics to use the RTA for all work orders. Each month, management should produce a detailed report of work orders and reconcile the work performed to the preventative maintenance plan and inspection report log to ensure completion of repairs and appropriate documentation of repairs. Where unexpected repairs were necessary, management should consider the impact on the budget and consider budget adjustments.

Finding 9: Transit vehicles are not adequately safeguarded

Scope:

Are transit vehicles adequately safeguarded from theft or vandalism?

Criteria:

The Uniform Guidance Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), found in the Code of Federal Regulations (CFR) 2 CFR 200.313, Equipment, states that a control system must be developed to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated.

Condition:

Transit vehicles are not adequately safeguarded from theft or vandalism. There have been reports of two vehicle thefts in 2017 and 2018. A service truck was stolen from the Nahata Dził Chapter House (Sanders, AZ) in 2017 and a passenger van was stolen from the headquarters location (Fort Defiance, AZ) in 2018. The stolen vehicles were both stored behind a locked fence; however, the vehicles were stolen in the early morning hours while a single driver was on-site to unlock the gate. Based on discussion with the program, reports were filed with risk management at the time of the theft, and the passenger van was recovered in damaged condition. There have also been reports of theft of diesel fuel from unattended transit vehicles during the nighttime hours.

Effect:

Theft and vandalism can cause unexpected disruption in services for an indefinite amount of time and cause significant financial loss to the program. Disruption in services has a direct and immediate negative impact on the riders NTS is committed to serve.

Cause:

There is inadequate use of security equipment, storage, and lack of policy to safeguard vehicles from theft and vandalism. The primary vehicle storage is at the NTS lot in Fort Defiance; however, there are two vehicles stored at fleet management lots, two stored at chapter houses, two stored at an NTS substation, one at a police department, and one at a fire department overnight. All the vehicles are kept within a fence with the exception of those stored at the police department and fire department. Although there is an existing memorandum of understanding to document an agreement between NTS and one of the chapter houses for use of its premises, there is no section explicit on responsibility for risk of loss.

Recommendation:

NTS should consider assessing the adequacy of its existing security systems and routinely monitoring their operational effectiveness. NTS should create proper storage for vehicles or work with existing facilities within the Navajo Nation government or chapter houses to store vehicles. In these cases, there should be a formal agreement between NTS and the non-NTS locations to document the responsibility of risk of loss.

Finding 10: Transit vehicle dispositions are not adequately recorded and a repair versus replacement plan is not in place

Scope:

Are transit vehicles that are no longer in service properly disposed of in a timely manner? Is there a repair versus replacement plan in place for the transit vehicles?

Criteria:

The Uniform Guidance, 2 CFR 200.313, Equipment, states that when original or replacement equipment acquired under a Federal award is no longer needed for the original project or program or for other activities currently or previously supported by a Federal awarding agency...the non-Federal agency must request disposition instructions from the Federal awarding agency.

Condition:

Transit vehicles that are no longer in service are not disposed of in a timely manner. Although NTS follows a consistent process, there is no formal, written repair versus replacement plan in place. Vehicles that are not disposed of are stored at the Ft. Defiance location where they are subject to deterioration and damage due to exposure to the elements which reduces any residual value of the vehicle and its parts. The program is not in compliance with 2 CFR 200.313.

Effect:

At an operational level, NTS is not able to manage the schedules and routes effectively as there is not an accurate listing of vehicles that are in operational condition. Additionally, without a repair versus replacement plan for vehicles, capital expenditures cannot be budgeted accurately or timely.

Cause:

There are assets recorded in the fixed assets ledger that are not on NTS' vehicle listing used to manage routes and schedules, and there is no reconciliation between NTS' inventory listing and the fixed assets ledger. There is no consolidated documentation of the condition of each vehicle.

Recommendation:

NTS management should work with applicable departments of the Navajo Nation to determine which vehicles should still be in service and which vehicles should be removed from all records. NTS should determine which vehicles can be serviced and used as back-up vehicles or used for additional passenger

capacity. A new vehicle listing should be created with the condition of in-service and back up vehicles and kept current by the program supervisor for operations.

NTS management should perform a repair versus replacement analysis on vehicles approaching the end of its useful life on an annual basis during the budgeting process. Preventative maintenance planning (see finding 6) should be used in consideration of cost in this analysis. Vehicles that are no longer in service should be disposed of in accordance with Federal and Navajo Nation policy.

Finding 11: There is no inventory of bus shelters and their condition

Scope:

Are bus shelters adequately maintained to meet applicable regulations?

Criteria:

The Memorandum of Agreement, Section 35, between the NMDOT and NTS requires that the Navajo Nation comply with United States Code (U.S.C.) 49 U.S.C. Section 5301(d), which state the Federal policy that elderly individuals and individuals with disabilities have the same right as other individuals to use public transportation services and facilities, and that special efforts shall be made in planning and designing those services and facilities to implement transportation accessibility rights for elderly individuals and individuals with disabilities.

Condition:

There is no inventory of bus shelters, their current condition, or if they are maintained to meet applicable regulations.

Effect:

NTS is at risk for noncompliance with Federal law. Additionally, there is a risk that elderly individuals and individuals with disabilities may not have access to transportation services.

Cause:

There is no policy for inventory, inspection, or documentation of the condition of bus shelters with respect to ADA compliance.

Recommendation:

Management should create a policy and assign personnel to inventory and inspect bus shelters and document conditions and whether the shelters are ADA compliant. Additionally, NTS should determine where bus shelters are needed, create a plan for construction of the shelters, and include estimated capital expenditures for the shelters in the annual budget.

Finding 12: Transit drivers are licensed, but driver training is not adequately monitored

Scope:

Are transit drivers appropriately licensed, trained and fit to carry out duties and responsibilities?

Criteria:

The Memorandum of Agreement, Section 29, between the NMDOT and NTS requires that the Navajo Nation shall ensure that all drivers described in the Operations Profile are trained in the following programs, by an approved contractor: first aid, cardiopulmonary resuscitation (CPR), bloodborne pathogens, defensive driving, wheelchair securement, passenger safety, sensitivity, and crisis management. All new drivers must be trained and certified in the above-listed areas within six months of the date of hire and recertified every three years. For CPR training, the drivers must be recertified every two years. All full time, part time, substitute/fill-in, or volunteer vehicle operators shall have in their possession valid certifications (driver's license) while operating a public transportation vehicle.

Condition:

Transit drivers are licensed, but there is no policy to require ongoing management review of driver training. Transit drivers' licenses are verified by The Navajo Nation Department of Personnel Management when they are hired, and training is conducted for new hires in accordance with a comprehensive checklist. NTS uses a training tracking spreadsheet to record and monitor the grant required training due dates; however, it is not fully completed for all employees and therefore does not have adequate documentation of required training due dates for recertification for current employees. Further, the training tracking spreadsheet documents employees that are non-compliant with required trainings, which was confirmed with management. Lastly, the program was placed on travel restrictions, adding difficulty in attending training.

Effect:

There are employees overdue for required training, putting NTS at risk for noncompliance with grant requirements. Additionally, NTS employees may not know how to perform job duties without current required training. If there is an incident that impacts public safety, NTS employees may not be able to respond effectively and therefore endanger riders or the general public.

Cause:

There is no policy or management review of training requirements and current status of each employee's training record.

Recommendation:

NTS management should develop a policy for recording and monitoring employee training due dates, assign personnel to track and schedule training for employees and perform reviews of training documentation. Prior to the start of the fiscal year, NTS should create an annual training plan to ensure each employee is scheduled for training and that there is budget set aside for training fees and travel expenses. NTS should use an electronic calendar that will give automatic reminders to employees and their supervisors when scheduled training is approaching.

Finding 13: There is no formal emergency response plan in place

Scope:

Are transit employees adequately trained and prepared to respond to emergency/hazardous incidents?
Is there an emergency response plan in place?

Criteria:

Standards for Internal Control in the Federal Government, GAO-14-704G, 7.01 – Management should identify, analyze, and respond to risks related to achieving the defined objective.

Condition:

There is an emergency response plan in place; however, NTS employees may not be adequately prepared to respond to emergency or hazardous incidents.

Effect:

Employees may not know how to respond in an emergency or hazardous incident which can put employees and customers at risk. Lack of formal training on the emergency response plan puts NTS at risk for insufficient or incorrect responses to incidents, increases legal liability to the Navajo Nation, and passengers may be at risk for health and safety hazards.

Cause:

There is no policy or approved, written emergency response procedures. There has been turnover in the Transit Manager and Program Supervisor positions that has created interruption in policy and procedure creation and approval.

Recommendation:

NTS management should develop a policy for responding to emergencies and hazardous incidents and provide training to all employees on its implementation.

Finding 14: Incident reporting is not sufficient to address the needs of NTS

Scope:

Is there a process in place for reporting and investigating accidents/incidents?

Criteria:

The Memorandum of Agreement, Section 15(E), between the NMDOT and NTS requires that the Navajo Nation notify the Department immediately of vehicular accidents, thefts, or vandalism involving Program equipment. Failure to notify the Department shall be considered a material breach of contract subject to the provisions of *Section 7. Termination for Cause*.

The Grant Agreement between the ADOT and NTS, Section III(2)(j), Subrecipient Responsibilities requires NTS notify ADOT program manager and the Finance and Administration Manager of any accident involving equipment funded under this agreement within 48 hours.

Condition:

NTS uses the fleet risk management forms to report accidents, which are not sufficient for an incident involving members of the public and passengers. There is no process for recording and tracking incidents to report to the NMDOT and the ADOT.

Effect:

In the event of an accident or incident, NTS is at risk for legal liability to the public and funding agencies for damages and injury.

Cause:

There is no formal written instruction in place for reporting and investigating accidents/incidents.

Recommendation:

NTS should establish procedures for reporting and investigating accidents and incidents, including reporting to the NMDOT and the ADOT. Consider using guidance from the NMDOT or the ADOT. All accidents and incidents should be recorded with as much completeness and accuracy as possible with written statements from witnesses and involvement of law enforcement and first medical responders as necessary.

Finding 15: Data collection and analysis is not sufficient

Scope:

Is there sufficient data maintained on transit services (# of riders, # of riders per routes, # of complaints, etc.)? Is the data analyzed to improve services?

Criteria:

Standards for Internal Control in the Federal Government, GAO-14-704G, 11.01 – Management should design the entity’s information system and related control activities to achieve objectives and respond to risks.

Condition:

NTS collects mileage data from daily inspection reports and ridership data from the recap sheets used by drivers to record ticket sales; however, there are no internal controls over the collection of this data nor is it collected in a way that can be utilized for analysis to improve services. NTS has not identified data to collect, a method for collecting data, or a system to record and maintain data for use in management’s analysis.

Effect:

Without sufficient data on NTS activities, management is unable to measure performance, develop trends for analysis, monitor planned activity, and identify places for improvement.

Cause:

There is no policy in place to identify the type of data to collect, method of collection, frequency of collection, format of collection, or review of data collected.

Recommendation:

NTS should identify relevant data using the grant agreements, budgetary information, and operational needs. Management should provide instruction to identified NTS employees on how to collect the identified data and recommend a system for maintaining the data that can be analyzed, sorted, filtered, and otherwise used for reporting and analysis.

Finding 16: Customer satisfaction is not solicited to improve operations

Scope:

Are riders satisfied with current transit services? Are complaints addressed in a timely manner?

Criteria:

Standards for Internal Control in the Federal Government, GAO-14-704G, 16.01 – Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.

Condition:

There is inadequate documentation of rider satisfaction with current transit services. Complaints are often received via telephone and recorded by NTS staff; however, they are seldom resolved.

Effect:

NTS is unable to improve operations to serve its customers in accordance with the program funding requirements and passengers may be unnecessarily inconvenienced.

Cause:

There is no formal method for gathering feedback from riders.

Recommendation:

NTS should develop a policy to receive, investigate, and resolve customer complaints and feedback. NTS should use a hotline number where complaints can be received, provide comment cards to riders that can be returned via mail, and provide written reporting via e-mail. Complaints should continue to be recorded in a single log and assigned a serial number for tracking. Resolutions of complaints should also be pursued and recorded in the log to demonstrate program improvements and identify areas for future planning. Management should periodically review the log for complaints with no resolution and follow up with

employees assigned to resolve the complaint. NTS should consider presenting complaints, feedback, and resolutions to the HEHSC.

Finding 17: Revenue from fares are not reviewed for sufficiency to meet NTS' needs

Scope:

Is the current transit fare comparable to surrounding transit systems? Does the current fare produce sufficient revenue levels to facilitate enhancements to transit services?

Criteria:

Resolution BFO-153-03, states that NTS is working toward becoming financially self-sufficient by generating greater revenues to offset expense and also, to provide consistent financial program planning and timely account management. Further, Exhibit "E" of the resolution establishes a Proprietary Fund Management Plan and states the proprietary fund will provide a source of funds for the delivery of goods and services in accordance with NTS' Plan of Operation with an ability to pay its operating cost on an uninterrupted basis while maintaining compliance with regulatory entities. The proprietary fund will be subject to annual program review.

Condition:

NTS does not have a method to determine if its \$2.00 daily fare is reasonable or documentation for how it is determined. The fare is consistent with surrounding transit systems such as the City of Gallup, NM. However, NTS has not evaluated whether their fare is reasonable given the unique nature and vast size of the Navajo Nation. NTS budgets bus fare revenue in its proprietary fund for program supplies. There is no detail or support for the number of supplies to be purchased, and there is no other planning performed for how to use the funds. Additionally, NTS does not have an initiative to attract advertisements to generate additional revenue.

Effect:

NTS is not maximizing its potential to earn program revenue through advertisement and fares. NTS is therefore not in compliance with resolution BFO-153-03.

Cause:

NTS does not perform adequate budget planning and does not have a plan to attract advertising agreements.

Recommendation:

NTS should perform an assessment of fares and determine if the fares are reasonable. NTS management should consider a program to attract advertising to increase revenue to the program.

Finding 18: Procurement activities do not comply with the Navajo Nation's procurement code

Scope:

Do transit services and procurement activities comply with applicable Navajo Nation, state and federal regulations?

Criteria:

The Memorandum of Agreement, Section 11, between the NMDOT and NTS requires that the Navajo Nation purchase program equipment pursuant to procedures established by the United States Department of Transportation, the FTA, applicable New Mexico State Law.

The Grant Agreement between the ADOT and NTS, Exhibit D, Procurement, requires NTS follow 2 CFR 200.317 through 200.326 as applicable, Appendix II to Part 200, other CFR references provided in 2 CFR part 200.

The Navajo Nation Purchase Card (p-card) Policies and Procedures requires all employees participating in the p-card program to comply with Navajo Nation laws, policies, and procedures, including Procurement Rules and Regulations.

Condition:

We selected 20 expenses totaling \$362,319 for testing, and we found the following exceptions totaling \$3,093:

1. Promotional items were purchased with an operational p-card which is not consistent with the purpose of the p-card policy which states "the p-card provides a more cost-effective payment method but is not intended to bypass proper procurement procedures." NTS received a notice from the OOC that the purchase of promotional items is not consistent with the purpose of the operational p-card. Additionally, only two quotes were submitted for the items purchased which is not consistent with *Navajo Nation Procurement Rules and Regulations*, Section III.B.1.c.ii, which encourages three vendors. The shipping costs associated with the purchase of promotional items on an operational p-card were coded to the wrong object code and a correction was not able to be made as the business unit expired by the time the error was caught.
2. One travel authorization was not dated by the program manager; therefore, it is unclear if the authorization was approved prior to the employee's travel.

Effect:

1. This misuse of operational p-card resulted in a warning for the program that operational p-card accounts would be suspended or closed if another instance of misuse occurs.
2. An expense was recorded in the incorrect object code.
3. Without dated approval signatures from program management on travel authorizations, there is no sufficient documentation to verify the program requested and approved the expenditure through appropriate channels prior to incurring the expense.

Cause:

Expenses charged to operational p-cards are not properly reviewed by program management prior to the expense being incurred and recorded.

Recommendation:

NTS should adhere to the existing Navajo Nation procurement policy, including all policies relating to p-cards.

Finding 19: Grant reimbursement has not occurred in a timely manner

Scope:

Does NTS effectively manage its grants to ensure funds owed to the Navajo Nation are reimbursed in a timely manner?

Criteria:

The Memorandum of Agreement, Section 3, between the NMDOT and NTS requires that the Department reimburse the Navajo Nation upon receipt of invoices with sufficient supporting documentation indicating that expenses have been paid. Invoices are to be submitted electronically on a monthly basis.

The Grant Agreement between the ADOT and NTS, Section III(2)(r), Subrecipient Responsibilities requires NTS to report to the state as required by the program but a minimum quarterly on the invoice form provided by ADOT, for categorized and reimbursable Project costs/expenses awarded, as authorized and allowable under federal grant requirements, and supported with vendor invoices, original receipts, or other suitable and appropriate documentation.

Condition:

Grants are not effectively managed to ensure funds owed to the Navajo Nation are reimbursed in a timely manner.

Effect:

NTS is at risk for loss of funding if reimbursement requests are not performed timely and in accordance with the grant agreements. If reimbursements are not performed, the General Fund bears the cost of the program. Additionally, the funding agencies may consider a lack of reimbursement requests a risk for not performing the program requirements. Although the budget and operations did not significantly change from fiscal year 2017 to 2018, drawdown requests decreased by nearly \$400,000, or 19%.

Cause:

Reimbursement requests were not performed in June 2017, and for the following months in FY 2018: November, December, February, March, April, and May. A large drawdown was completed in July 2018 that included cost reimbursement for the prior months where no drawdown was performed. NTS required assistance with this drawdown from other Navajo Nation departments. See the table below for details.

Fiscal Year	Month	Drawdown	Fiscal Year	Month	Drawdown
2017	October	\$42,697	2018	October	\$64,215
2017	November	\$357,186	2018	November	\$0
2017	December	\$168,146	2018	December	\$0
2017	January	\$20,580	2018	January	\$253,422
2017	February	\$100,718	2018	February	\$0
2017	March	\$304,341	2018	March	\$0
2017	April	\$290,982	2018	April	\$0
2017	May	\$136,851	2018	May	\$0
2017	June	\$0	2018	June	\$193,710
2017	July	\$95,586	2018	July	\$863,991
2017	August	\$27,853	2018	August	\$112,974
2017	September	\$470,219	2018	September	\$146,525
	Total	\$2,015,159		Total	\$1,634,837

Recommendation:

Reimbursement requests should be performed on a monthly basis in accordance with the grant agreement. NTS management should log into the state grant systems each month to ensure reimbursement requests are performed timely by the assigned personnel.

Finding 20: Staffing capacity is not adequately maintained

Scope:

Does NTS maintain appropriate staffing capacity to ensure continuity of services? If not, are alternatives considered to avoid disruption in services?

Criteria:

The Memorandum of Agreement, Section 1(C), between the NMDOT and NTS requires that the services described in the operations profile shall remain intact throughout the term of the agreement. The Navajo Nation must notify and seek approval from the Department if there will be an elimination or reduction of services greater than 20%.

Condition:

NTS does not maintain appropriate staffing capacity to ensure continuity of services. Although there was available budget to fill vacancies in fiscal year 2017 and 2018, the program manager position has not been permanently filled since the prior manager retired in January 2015 and there were six vacancies for drivers at the time of test work. There is one route in which the temporary back up driver is required to travel and therefore incur travel costs each week. The program manager vacancy has required the division director to temporarily delegate duties to various personnel throughout the vacancy period leading to inconsistency in program management. During fieldwork, the equipment mechanic supervisor and the

senior accountant were terminated with no plan for another employee to assume the duties of these positions. These individuals were subsequently reinstated to those positions.

Effect:

Significant turnover in key NTS positions and lack of qualified drivers has caused disruption in services that directly and immediately have a negative impact on riders. Without sufficient staffing, NTS is unable to provide service to the community in accordance with its business purpose.

Cause:

NTS has had turnover at the division director level and vacancy in the program manager position since January 2015. The program's lack of consistency in leadership has resulted in a lack of hiring expertise and delegation of management tasks to the remaining personnel.

Recommendation:

NTS should identify all positions that need to be filled and develop job announcements as soon as possible. Review of the fiscal year 2017 and 2018 budgets show that funding is available for these positions. If qualified candidates for drivers cannot be found locally, consider staff augmentation from state resources or funding training for new drivers. It should be a priority to management to hire a qualified program manager.

Conclusion

The NTS program needs improvement to ensure it meets its obligations to the general public, the Navajo Nation government, and its State and Federal funding sources. The Navajo Nation Council has empowered NTS to assume responsibility of program administration and planning to facilitate vital, safe, and reliable transportation services for the people of the Navajo Nation. Evidence gathered and analyzed in this performance audit shows that NTS is not performing to its full potential due to lack of planning and underutilization of resources. The recommendations in this report are intended to assist NTS management in making improvements to the program that meet operational and financial goals, thereby accomplishing its program objectives.

CLIENT RESPONSE

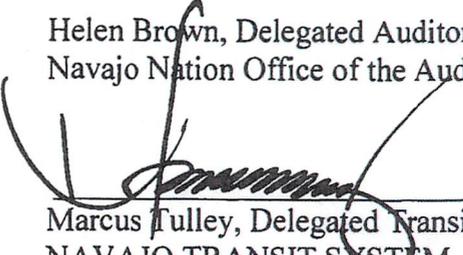
THE NAVAJO NATION

JONATHAN NEZ | PRESIDENT MYRON LIZER | VICE PRESIDENT



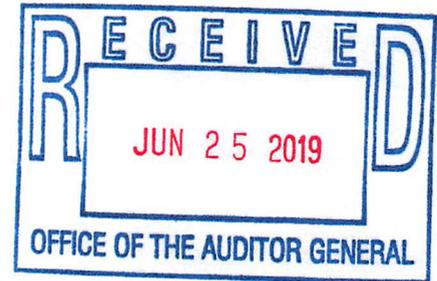
Memorandum

To: Helen Brown, Delegated Auditor General
Navajo Nation Office of the Auditor General

From: 
Marcus Tulley, Delegated Transit Manager
NAVAJO TRANSIT SYSTEM

Date: June 21, 2019

Subject: PERFORMANCE AUDIT – NAVAJO TRANSIT SYSTEM



Please accept this memorandum as an acknowledgement of the attached Memorandum dated June 4, 2019 from the Office of the Auditor General.

NTS is in receipt of a final draft of the Performance Audit for the Navajo Transit System. Pursuant to Title 12 N.N.C. Section 7(A), we agree to the findings of the Performance Audit and we will begin the process of Corrective Action Plan with thorough consideration to recommendations made by the Office of the Auditor General, within 30 days.

Your assistance in this matter is greatly appreciated. If you should have any questions, please contact us at (928) 729-4002. Thank you.

CC: File
Lomardo Aseret, Division Director