



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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FOR RELEASE

May 25, 2011

Contact: Andy Nielsen
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Auditor of State David A. Vaudt today released a reaudit report on the Ottumwa Transit Authority (OTA) in the City of Ottumwa, Iowa for the period July 1, 2008 through June 30, 2009. The reaudit also covered certain items to determine practices applicable to the years ended June 30, 2008 and June 30, 2010. The reaudit was performed at the request of citizens pursuant to Chapter 11.6(4)(a)(3) of Code of Iowa.

The reaudit report addresses concerns regarding overstated passenger counts submitted to the Iowa Department of Transportation used to determine funding reimbursements to the OTA. During the fiscal year ended June 30, 2010, the OTA overstated passenger counts by an estimated 50% over actual documented counts. Fiscal year 2009 and prior periods could not be tested since the documentation for fiscal year 2009 and prior periods was destroyed by the OTA.

The reaudit report also addressed other findings and recommendations, including record retention, related party transactions, private use of public property, fuel pumps, timesheets, questionable expenditures and an unsubstantiated claim.

Copies of the reaudit report have been filed with the Iowa Department of Transportation for consultation with the U.S. Department of Transportation, the Federal Transit Administration and the Wapello County Attorney for review and determination of further action, if any.

A copy of the reaudit report is available for review in the City of Ottumwa City Clerk's Office, in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/specials/0920-0868-T00Z.pdf>.

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**OTTUMWA TRANSIT AUTHORITY
CITY OF OTTUMWA**

AUDITOR OF STATE'S REPORT ON REAUDIT

**FOR THE PERIOD
JULY 1, 2008 THROUGH JUNE 30, 2009**

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**Ottumwa Transit Authority
City of Ottumwa**

Officials

June 30, 2009

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
	City	
Dale M. Uehling	Mayor	Jan 2012
Keith Cavlness	Council Member	Jan 2012
Mitch Niner	Council Member	Jan 2012
Jeremy Weller	Council Member	Jan 2014
Brian Morgan	Council Member	Jan 2014
Bob Meyers	Council Member	Jan 2014
Joseph Helfenberger	City Administrator	Indefinite
Robert P. Jay	Director of Finance	Indefinite
Ann Cullinan	City Clerk	Indefinite
Joni Keith	City Attorney	Indefinite

Board of Trustees

Hanna Jo Kyhl	Chair	May 15, 2014
Stan Kerr	Vice Chair	May 15, 2011
Daniel Kent	Board Member	May 15, 2012
Robert King	Board Member	May 15, 2013
Patricia Swanson	Board Member	May 15, 2015

10-15 Regional Transit Agency

Dale Taylor, Davis County	Chair	Indefinite
Lee Dimmitt, Jefferson County	Vice Chair	Indefinite
Greg Kenning, Wapello County	Board Member	Indefinite
Jody McDanel, Appanoose County	Board Member	Indefinite
Deke Wood, Keokuk County	Board Member	Indefinite
Janet Fife-La Frenz, Lee County	Board Member	Indefinite
Dennis Smith, Lucas County	Board Member	Indefinite
Ken Rozenboom, Mahaska County	Board Member	Indefinite
Michael Beary, Monroe County	Board Member	Indefinite
Ted Nixon, Van Buren County	Board Member	Indefinite
Amy Sinclair, Wayne County	Board Member	Indefinite

**Ottumwa Transit Authority
City of Ottumwa**



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Auditor of State's Report on Reaudit

To the Honorable Mayor and Members
of the Ottumwa City Council and the
Board of Trustees
of the Ottumwa Transit Authority:

We received a request to perform a reaudit of the Ottumwa Transit Authority (OTA), City of Ottumwa (City), under Chapter 11.6(4)(a)(3) of the Code of Iowa. The City operates the OTA and 10-15 Regional Transit, both of which are governed by separate Boards of Directors. The OTA and 10-15 Regional Transit provide transportation services to individuals and organizations.

As a result, we requested and received selected workpapers prepared by the City's certified public accounting firm to determine whether the CPA firm may have addressed any or all of the specific issues identified in the request for reaudit during the annual audit of the City. Based on our review of the preliminary information available, we determined a partial reaudit was necessary to further investigate specific issues identified in the request for reaudit, pertaining primarily to the Ottumwa Transit Authority.

Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the OTA and the City for the period July 1, 2008 through June 30, 2009. We also inquired and performed procedures for certain items applicable to the years ended June 30, 2008 and June 30, 2010.

The procedures we performed are summarized as follows:

1. We conducted interviews with certain City and OTA officials and employees.
2. We performed selected testing of OTA passenger count sheets for the period July 1, 2009 through June 30, 2010.
3. We obtained and reviewed selected OTA Board minutes for certain actions, including approval of salaries and raises.
4. We reviewed the OTA Board minutes for compliance with Chapter 21 of the Code of Iowa, including closed sessions and the City/OTA policy for posting minutes on the OTA web site.
5. We performed selected testing of OTA expenditures, including travel expense and related reimbursements.
6. We reviewed and tested selected expenditure transactions for approval and compliance with public purpose criteria.
7. We inquired whether the OTA had a credit card and reviewed reimbursements to the OTA Executive Director for charges on the Executive Director's personal credit card.
8. We performed selected testing of OTA timesheets and payroll.
9. We reviewed potential related party transactions.

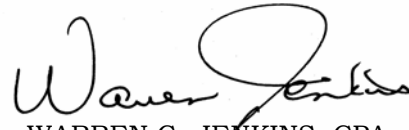
10. We inquired about possible personal purchases and use of OTA assets, including equipment and facilities.
11. We inquired about controls over OTA fuel pumps and procedures to prevent possible personal use of OTA fuel pumps.

Based on the performance of the procedures described above, we identified instances of non-compliance and have developed various recommendations for the City and OTA. Our recommendations and the instances of non-compliance are described in the Detailed Findings of this report. Unless reported in the Detailed Findings, items of non-compliance were not noted during the performance of the specific procedures listed above.

The procedures described above are substantially less in scope than an audit of financial statements made in accordance with U.S. generally accepted auditing standards, the objective of which is the expression of an opinion on financial statements. Accordingly, we do not express an opinion. Had we performed additional procedures, or had we performed an audit of the City of Ottumwa, including the Ottumwa Transit Authority, additional matters might have come to our attention that would have been reported to you. Pursuant to Chapter 11.15 of the Code of Iowa, a copy of this report has been filed with the Wapello County Attorney for review and determination of further action, if any. A copy of this report has also been filed with the Iowa Department of Transportation for consultation with the U.S. Department of Transportation, Federal Transit Administration for its review and determination of further action, if any.

We would like to acknowledge the assistance extended to us by personnel of the City of Ottumwa and the Ottumwa Transit Authority. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

April 28, 2011

Detailed Findings

**Ottumwa Transit Authority
City of Ottumwa**

Ottumwa Transit Authority
City of Ottumwa

Detailed Findings

July 1, 2008 through June 30, 2009

- (A) Overstated Passenger Counts – OTA receives funding from the Iowa Department of Transportation (IDOT), State Transit Authority. IDOT funding is based on ridership information (passenger counts) determined using ridership information from the prior two-year period.

OTA passenger counts are maintained on Daily Summary Passenger Count Sheets prepared by OTA drivers and submitted to the OTA business office for compilation of OTA Ridership Summary Reports. According to OTA office staff, the OTA office staff compile and prepare the OTA Ridership Summary Report from the Daily Summary Passenger Count Sheets. Each quarter and annually, the OTA Executive Director submits an electronic Report on Transit Operations to IDOT. The Reports on Transit Operations were prepared and authenticated by Pam Ward, OTA Executive Director, as documented on copies of the Reports on Transit Operations.

OTA was unable to provide Daily Summary Passenger Count Sheets prior to July 2009. Based on inquiry, Daily Summary Passenger Count Sheets for fiscal year 2009 and prior periods were destroyed by OTA due to limited storage space. For fiscal year 2010, the quarterly and annual Report on Transit Operations provided to IDOT agreed with the ridership information documented in the OTA Ridership Summary Reports. However, testing of fiscal year 2010 Daily Summary Passenger Count Sheets resulted in significant variances between the Daily Summary Passenger Count Sheets and the OTA Ridership Summary Report.

For July and August 2009, we compared all passenger counts on the OTA Ridership Summary Report to the Daily Summary Passenger Count Sheets for all categories reported (Elderly/Disabled, General, School, Transfers, Shuttles, OTA Lift, New Freedom and Job Access Reverse Commute (JARC)). As a result of the variances noted, we performed additional limited procedures for September 2009 through June 2010, to trace passenger counts on the OTA Ridership Summary Report to the Daily Summary Passenger Count Sheets for some, but not all, categories reported. Limited procedures were performed due, in part, to the nature of the documentation available to support the passenger counts for Shuttles and OTA Lift and the lack of adequate supporting documentation and uncertainty as to the reliability of the passenger counts for JARC.

Exhibit 1 is a summary of the OTA Ridership Summary Reports by category reported for the period July 1, 2009 through June 30, 2010.

Based on procedures performed for fiscal year 2010, we identified improper increases to total passenger counts for OTA of 126,833 passengers, which is likely understated since we did not trace or verify passenger count sheets for all categories for the entire fiscal year.

Upon inquiry, OTA office staff confirmed passenger counts were increased by OTA office staff as directed by the OTA Executive Director. However, as noted below, we were unable to determine the basis, if any, for the amounts adjusted. OTA office staff also indicated increasing passenger counts has been a practice of the OTA for several years. Based upon inquiry of OTA staff, increasing passenger counts was based on the belief actual passenger counts were inaccurate as a result of bus drivers understating

passenger counts and sometimes understating passenger counts intentionally. No direct evidence was submitted to corroborate these allegations. However, it is unlikely counts were understated to the extent noted above. It is also unlikely bus drivers would intentionally understate counts which have a direct impact on the OTA funding and potentially the number of bus drivers required.

We also noted the OTA increased passenger counts when actual bus tokens exceeded the passenger counts but did not reduce passenger counts when actual bus tokens were less than the passenger counts.

In addition, according to OTA office staff, the OTA started performing a statistical analysis of the number of passengers in September 2009, resulting in adjustment to the actual passenger count sheets. We reviewed the OTA statistical analysis document but were unable to determine the basis for the assumptions and averages used in arriving at the total rides ultimately used to adjust the total passenger counts reported.

Based on the statistical analysis worksheet provided by OTA office staff, the OTA assumed every passenger purchasing a bus pass rode an OTA bus 3.75 times per day every day of every month OTA operated (358 days for fiscal year 2010). This amount is multiplied by the number of bus passes sold each month to determine the total rides and is used to adjust the actual passenger counts, which are then reported by the OTA Executive Director on the electronic Report on Transit Operations to IDOT. Exhibit 2 is a summary of the statistical analysis performed by OTA.

As a result, 107,414 of the inflated passenger counts, totaling 126,833 for fiscal year 2010, pertained to the statistical analysis. Per inquiry, IDOT Transit personnel confirmed transit authorities may use either actual passenger counts or a statistical analysis, but not a combination of both methods.

Recommendation – For fiscal year 2010, the only year for which passenger counts were retained and available, the OTA intentionally overstated the passenger counts included in its reports to the Iowa Department of Transportation. Although supporting source documentation for fiscal year 2009 and prior periods was destroyed by the OTA, it is reasonable to conclude prior year reports were also overstated since, based on inquiry, there were no changes in staff and/or procedures at the OTA with regard to those involved in this process.

The City and OTA should review and revise their policies and procedures to ensure adequate documentation, including the supporting detail for JARC, is maintained, retained, as noted below, and developed in a consistent acceptable manner to support the reports to IDOT.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response – See Exhibit 5.

Conclusion – Response acknowledged. Our finding and recommendation remains unchanged. The OTA did not use a true statistical analysis. For example, daily counts were randomly adjusted by exactly 50 or 100 passengers, which would not result from a statistically valid analysis. Regardless, as previously noted, IDOT Transit personnel confirmed transit authorities may use either actual passenger counts or a statistical analysis, but not a combination of both methods.

Source documentation was destroyed by OTA as previously noted and confirmed by the City in its response to item B.

As previously noted, the OTA intentionally overstated the passenger counts included in its reports to the Iowa Department of Transportation. As a result, this matter has been referred to the Iowa Department of Transportation for consultation with the U.S. Department of Transportation, Federal Transit Administration for its review and determination of further action, if any, including interpretation of state and/or federal regulations.

A copy of this report has also been filed with the Wapello County Attorney for review and determination of further action, if any.

- (B) Record Retention - As previously noted, the OTA destroyed copies of the Daily Summary Passenger Count Sheets for fiscal year 2009 and prior periods. We did not determine whether the OTA Ridership Summary Report (compilation of the Daily Summary Passenger Count Sheets) were retained since the amounts reported in the OTA Ridership Summary Report could not be verified without the supporting source documentation. Also, as previously noted, funding is based on ridership information (passenger counts) determined using ridership information from the prior two-year period. The OTA is funded, in part, through Federal financial assistance.

Record retention requirements are prescribed in Title 49: Transportation, of the Code of Federal Regulations, (CFR), Section 19.53 pertaining to "Retention and Access Requirements for Records." This section states, in part:

"Financial records, supporting documents, statistical records, and all other records pertinent to an award shall be retained for a period of three years from the date of submission of the final expenditure report or, for awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, as authorized by the Federal awarding agency."

In its "Record Retention Manual for Iowa Cities," the Iowa League of Cities recommends a minimum retention period of five years for most transit financial records and reports.

Recommendation - The City and the OTA appear to be in violation of the Federal record retention requirements.

The City and OTA should address the Federal record retention requirements in a record retention policy to require the City and OTA maintain records and documents for a minimum period of three years, as required by the Code of Federal Regulations. The City and OTA should also consider the Iowa League of Cities recommendation to retain transit records for a minimum of five years.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements, including strict adherence to and compliance with FTA regulations.

City Response - See Exhibit 5.

Conclusion - Response acknowledged. Implementation of internal controls, including policies and monitoring procedures, should help prevent future violations. As previously noted, this matter has been referred to the Iowa Department of Transportation for consultation with the U.S. Department of Transportation, Federal Transit Administration for its review and determination of further action, if any.

- (C) Related Party Transactions - Chapter 362.5(2) of the Code of Iowa states, in part, "A city officer or employee shall not have an interest, direct or indirect, in any contract or job of work or material or the profits thereof or services to be furnished or performed for the officer's or employee's city."

Chapter 721.11 of the Code of Iowa provides similar provisions and states, "Any officer or employee of the state or of any subdivision thereof who is directly or indirectly interested in any contract to furnish anything of value to the state or any subdivision thereof where such interest is prohibited by statute commits a serious misdemeanor. This section shall not apply to any contract awarded as a result of open, public and competitive bidding."

Exceptions to these provisions are provided in Chapter 362.5 of the Code of Iowa, including the following sections:

"362.5(3)(d): Contracts made by a city, upon competitive bid in writing, publicly invited and opened.

362.5(3)(j): Contracts not otherwise permitted by this section, for the purchase of goods or services by a city having a population of more than two thousand five hundred, which benefit a city officer or employee, if the purchases benefiting that officer or employee do not exceed a cumulative total purchase price of one thousand five hundred dollars in a fiscal year."

During fiscal year 2009, the OTA paid \$2,118 to Ward Construction, owned by the spouse of the OTA Executive Director. The fiscal year 2009 audit report prepared by the City's independent auditors stated, "The transaction with the Transit Director's spouse does not appear to represent a conflict of interest since it was entered into through competitive bidding in accordance with Chapter 362.5(4) of the Code of Iowa."

Chapter 362.5(4) of the Code of Iowa does not exist. In addition, based upon our review and inquiry, no bids were taken and the OTA minutes did not document Board approval for work to be provided by Ward Construction. According to the invoice submitted for payment, OTA Executive Director Pam Ward and her son assisted in the work performed. A review of the days and times worked indicated Executive Director Ward performed the work evenings and weekends.

Recommendation - The City and OTA should consult legal counsel regarding the propriety of this payment to Ward Construction. The City and OTA should review and revise its policies and procedures to ensure compliance with the requirements of the Code of Iowa.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response - See Exhibit 5.

Conclusion - Response acknowledged. Implementation of internal controls, including policies and monitoring procedures, should help prevent future violations.

- (D) Private Use of Public Property - Article III, Section 31 of the Constitution of the State of Iowa prohibits the appropriation of public money or property for private purposes. Also, according to the OTA policy and procedure manual for bus operators (Update 2010), Section 12.06 states, "The use of 10-15 Transit or OTA property, time or personnel for personal gain or benefit is expressly prohibited."

Based upon inquiry of OTA staff, management has allegedly permitted use of OTA facilities and vehicles for personal use. No direct evidence was submitted to

corroborate these allegations. However, based upon inquiry of OTA staff, OTA management, including the Executive Director, and employees have used OTA facilities for oil changes, car washing, maintenance and detailing personal vehicles.

Per inquiry and as noted below, OTA vehicles have been used by OTA employees for personal/private trips to the Adventureland amusement park in Altoona, Iowa, to accommodate birthday and wedding parties and other trips allegedly permitted as long as the employee provided documentation of fueling the vehicle upon return. It was unclear whether the vehicle was full of fuel when obtained for the trip.

The U.S. Department of Transportation, Federal Transit Administration (FTA) addressed similar complaints regarding the use of OTA vehicles in a letter dated December 6, 2010 to the OTA Executive Director pertaining to "School Bus Deficiencies" and "Charter Service Deficiencies." As such, we did not attempt to investigate further. A copy of the letter dated December 6, 2010 is included as Exhibit 3.

Recommendation - The City and OTA should review and revise its internal control over use of OTA facilities and vehicles. The restrictions on personal use of OTA property, time or personnel should extend to all employees.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements, including strict adherence to and compliance with FTA regulations.

City Response – See Exhibit 5.

Conclusion - Response acknowledged. Implementation of internal controls, including policies and monitoring procedures, should help prevent future violations. Interpretation of state and/or federal regulations should be addressed by the Iowa Department of Transportation in consultation with the U.S. Department of Transportation.

- (E) Fuel Pumps – The OTA has fuel pumps on site to be used by the OTA, City and paratransit buses. Per inquiry, the fuel pumps are locked after normal business hours from 7PM to 6AM but multiple keys exist, including an office key. It was unclear how many individuals may have access to the office key.

Mileage logs are required to be maintained and completed each time the vehicle is fueled. We inquired but were unable to determine or verify whether monitoring, including reconciliations, is performed and/or reviewed to ensure fuel is used only for OTA vehicles.

As previously noted, Article III, Section 31 of the Constitution of the State of Iowa prohibits the appropriation of public money or property for private purposes. Also, according to the OTA policy and procedure manual for bus operators (Update 2010), Section 12.06 states "The use of 10-15 Transit or OTA property, time or personnel for personal gain or benefit is expressly prohibited."

Management has allegedly filled personal vehicles from the OTA fuel pumps. No direct evidence existed to corroborate this allegation. However, per inquiry, OTA employees fill OTA vehicles which are used for commuting. We did not determine whether the use of these vehicles and OTA fuel should be reported as taxable income to the employees under Internal Revenue Service (IRS) regulations or whether the vehicles meet the IRS definition of a qualified personal use vehicle.

Recommendation – The City and OTA should review and revise the controls over OTA fuel pumps and keys to the fuel pumps. The keys to the fuel pumps should be stored in a secured location with limited access. The restrictions on personal use of OTA property, time or personnel should extend to all employees.

The City and OTA should implement procedures to require periodic reconciliations be completed between the mileage logs and actual fuel usage. Significant variances should be investigated and resolved in a timely manner.

The City and OTA should review the policies regarding personal use of OTA vehicles and determine allowable uses, if any, of OTA vehicles for commuting. Policies should be reviewed and revised to address such use and to address required documentation, reimbursement by employees for personal use, the public purpose served and compliance with IRS regulations, including tax aspects governing use of OTA vehicles for commuting.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response – See Exhibit 5.

Conclusion - Response acknowledged. Implementation of internal controls, including policies, reconciliations and monitoring procedures, should help prevent future violations.

- (F) Timesheets - Per inquiry, all employees, including full-time and part-time employees, are required to complete timesheets for review and supervisory approval.

Management has allegedly periodically changed employee timesheets. No direct evidence existed to corroborate this allegation. However, based on inquiry, bus driver and other employee timesheets might be changed to reduce hours, resulting in reducing the amount billed to customers, to eliminate hours believed to be in excess of actual route time and/or overtime hours worked since bus drivers are not paid overtime, if unavailable leave time was charged or due to addition errors on the employee timesheet.

We judgmentally selected and requested payroll information for certain OTA staff, including timesheets for three bus drivers. However, only one of the three bus driver's timesheets was located. No variances were noted in the timesheet located and tested. The Executive Director prepares a timesheet, but there is no evidence of independent review and approval.

Recommendation - As previously noted, the City and OTA should review policies and procedures for record retention. All timesheets should be reviewed, approved and retained. In its "Record Retention Manual for Iowa Cities", the Iowa League of Cities recommends a minimum retention period of 5 years for most payroll documents, including timesheets.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response – See Exhibit 5.

Conclusion - Response acknowledged.

Record requests were made of Brenda Stevens, OTA Finance Officer, and Kristi McDowell, City Accountant. We retained workpaper copies of the supporting documentation available for items selected for testing when we performed procedures and compared those workpaper copies to those provided subsequently with the City's response. The City provided copies of payroll input sheets prepared by City staff and copies of some, but not all, original driver timesheets (original source documents prepared by the drivers) with the City's response. However, the original driver timesheets we selected for testing which were missing when we performed fieldwork were still not included with the copies provided with the City's response.

Implementation of internal controls, including policies, record retention and monitoring procedures, should help prevent future violations.

- (G) Questionable Expenditures – Based on procedures performed, we identified expenditures which may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 and Article III, Section 31 of the Constitution of the State of Iowa since the public benefits to be derived have not been clearly documented.

These included expenditures for employee awards and recognition and various other items totaling \$3,257. These expenditures are detailed in Exhibit 4. The City and OTA do not have policies addressing public purpose criteria or permitting the expenditure of public funds for employee recognition.

Due to lack of documentation, we were unable to determine the individual value of each employee award. We also did not determine whether the City and OTA included and reported the value of the various employee awards to individual employees in accordance with and as required by the IRS on IRS Form W-2.

We also identified expenditures for travel and routine business expense items initially paid by the Executive Director using her personal credit card. Travel expenditures totaling \$3,860 included payments for the Executive Director's and other OTA employees' hotel and airfare for various meetings and did not always include supporting documentation other than a copy of the Executive Director's credit card statement.

City travel policy, Article 34, adopted September 19, 2006 establishes the City's requirements for travel and its policy regarding reimbursement, including requirements pertaining to supporting documentation for various travel expenses. Article 34, Section 4(e) regarding reimbursable costs for registration and lodging states, "All receipts must accompany reconciliation form before reimbursement. All forms and receipts must be turned into the approving authority within five days of return to work."

Routine business expense items totaling \$4,358 included supporting documentation and consisted primarily of stamps (postage) and employee background checks as well as other miscellaneous items. OTA does not have a credit card, but it was unclear why the Executive Director used her personal credit card to pay for other employees' reimbursable expenses or purchases which should have been billed to and paid for by the employees or directly by OTA.

Recommendation – Pursuant to Article III, Section 31 of the Constitution of the State of Iowa, public funds may only be spent for the public benefit. Several court cases and opinions of the Iowa Attorney General address and provide guidance regarding this public purpose criteria. City and OTA policies and minutes records did not document, and we were otherwise unable to determine, the public benefit regarding the payments, pertaining primarily to employee awards and recognition, noted above and detailed in Exhibit 4.

The City and OTA should determine and document the public purpose served by these expenditures before authorizing any further payments. The City and OTA should establish written policies and procedures, in compliance with Article III, Section 31 of the Constitution of the State of Iowa, including the requirement for proper documentation of the Constitutional public purpose criteria.

The City and OTA should review and revise policies to require proper documentation for all expenditures and reimbursements and proper payroll reporting to the IRS. The City and OTA should require employees to pay for their own travel expenses and submit reimbursement requests, including proper and complete supporting documentation.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response – See Exhibit 5.

Conclusion - Response acknowledged. Supporting documentation was not provided as stated in the City's response.

The expenditures addressed in Item G were summarized in three categories: employee awards and recognitions, which lacked documentation of public purpose criteria, travel expenditures paid by the Executive Director on her personal credit card for herself and/or other individuals, which did not always include supporting documentation other than a copy of the Executive Director's credit card statement, and routine business expenses paid by the Executive Director on her personal credit card. As previously noted, it is unclear why the Executive Director used her personal credit card to pay for other employees' reimbursable expenses or purchases which should have been billed to and paid for directly by OTA.

Also, as previously noted, pursuant to Article III, Section 31 of the Constitution of the State of Iowa, public funds may only be spent for the public benefit. Several court cases and opinions of the Iowa Attorney General address and provide guidance regarding this public purpose criteria. City and OTA policies and minutes records did not document, and we were otherwise unable to determine, the public benefit regarding the payments pertaining primarily to employee awards and recognition noted above and detailed in Exhibit 3.

The City and OTA should determine and document the public purpose served by these expenditures before authorizing any further payments. The City and OTA should establish written policies and procedures in compliance with Article III, Section 31 of the Constitution of the State of Iowa, including the requirement for proper documentation of the Constitutional public purpose criteria.

The City and OTA should review and revise policies to require proper documentation for all expenditures and reimbursements and proper payroll reporting to the IRS. The City and OTA should require employees to pay their own travel expenses and submit reimbursement requests, including proper and complete supporting documentation.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

- (H) Unsubstantiated Claim - On April 9, 2009, the OTA Executive Director authorized payment of \$1,387 for repairs to an OTA employee's personal vehicle which was paid to Clemons Inc. on April 20, 2009. Per inquiry of OTA office staff, the claim was not turned in to insurance since the amount was less than the insurance deductible.

The OTA employee completed a City accident report, which indicated the vehicle was damaged in the OTA visitor parking lot while the employee was at work on Saturday, March 28, 2009. However, the employee did not discover the damage until the next day. According to the employee's accident report, "Sunday morning 3-29-09 I cleared the snow off my car and that is when I noticed the damage. I immediately called Pam Ward to let her know my car had been hit and no one reported hitting me the day before."

Based upon inquiry of OTA staff, the employee's vehicle was allegedly hit by the minor child of one of the OTA employees who was allegedly driving an OTA bus. No direct evidence was submitted or available to corroborate these allegations. Based on our inquiry of the employee, the employee did not know which "bus driver" hit the employee's car.

OTA has video equipment installed on OTA buses. An email dated April 8, 2009 from Tom Jones, OTA Operations Manager, to Pam Ward, OTA Executive Director states, in part:

"I (Tom Jones) reviewed three of the four tapes from the City buses that were out that day. I couldn't see anything in the morning because the cameras hadn't fully booted before they were pulled out and parked. The same holds true for that afternoon. When they came in, they turned off the buses when they parked. When Mike started them back up and backed them around for fueling, the camera's still didn't have enough time to fully boot. In other words, there is no video evidence either way."

It is unclear why only three of the four tapes were reviewed and there was no apparent evidence the buses were reviewed for damage. It is also unclear how the employee determined a "bus driver" hit the employee's car and, if so, whether the "bus driver" was in an OTA bus or the "bus driver's" personal vehicle. There was virtually no evidence or documentation to substantiate the damage occurred on the date and location described in the accident report.

Due to the lack of documented evidence, witnesses, video surveillance and documented damage to an OTA bus, it remains unclear whether or how the City and OTA determined the City and OTA were liable for payment of the employee's claim for repairs to the employee's personal vehicle.

We did not determine whether the Executive Director had authority to approve this expenditure prior to Board approval. Typically, the Board of Directors should have been consulted prior to authorizing an unusual expenditure such as this. In the May 26, 2009 OTA Board minutes, the Board questioned the repairs to the employee's car. The minutes indicated the Executive Director explained the circumstances. However, the explanation was not documented in the Board minutes.

Recommendation – As previously noted, public funds may only be spent for the public benefit. Pursuant to this Constitutional criteria and to achieve accountability and transparency, the City and OTA should consult legal counsel regarding the propriety of the \$1,387 expenditure, including the possibility of requiring reimbursement from the employee.

The City and OTA should review and implement policies and procedures to ensure proper and consistent procedures are followed, especially in unusual circumstances.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

City Response – See Exhibit 5.

Conclusion - Response acknowledged. As previously noted, public funds may only be spent for the public benefit. The public purpose of this expenditure of public funds remains unclear.

The City and OTA should review and implement policies and procedures to ensure proper and consistent procedures are followed, especially in unusual circumstances.

The City and OTA should implement internal control and monitoring procedures to ensure compliance with established requirements.

**Ottumwa Transit Authority
City of Ottumwa**

Exhibits

Ottumwa Transit Authority
City of Ottumwa

Schedule of Ridership Amounts

Month	Elderly/ Disabled	General	School	Transfers
July 2009 Reported Ridership Amounts	8,465	5,686	-	1,140
Less: Improper Adjustments	(460)	(1,022)	-	(311)
Actual Ridership Amounts	8,005	4,664	-	829
August 2009 Reported Ridership Amounts	9,499	3,970	4,646	925
Less: Improper Adjustments	(2,154)	-	(900)	(199)
Actual Ridership Amounts	7,345	3,970	3,746	726
September 2009 Reported Ridership Amounts	19,395	2,850	11,499	717
Less: Improper Adjustments	(12,161)	-	(2,100)	-
Actual Ridership Amounts	7,234	2,850	9,399	717
October 2009 Reported Ridership Amounts	21,570	3,422	11,439	705
Less: Improper Adjustments	(14,548)	-	(2,020)	-
Actual Ridership Amounts	7,022	3,422	9,419	705
November 2009 Reported Ridership Amounts	17,221	3,705	9,510	657
Less: Improper Adjustments	(10,695)	-	(1,800)	-
Actual Ridership Amounts	6,526	3,705	7,710	657
December 2009 Reported Ridership Amounts	16,746	4,718	7,215	778
Less: Improper Adjustments	(10,265)	-	(1,400)	-
Actual Ridership Amounts	6,481	4,718	5,815	778
January 2010 Reported Ridership Amounts	17,036	3,849	8,381	863
Less: Improper Adjustments	(11,234)	-	(2,150)	(250)
Actual Ridership Amounts	5,802	3,849	6,231	613

Shuttles #	OTA Lift #	New Freedom #	JARC ##	Grand Total
1,144	1,299	337	2,809	20,880
(656)	(1)	-	-	(2,450)
488	1,298	337	2,809	18,430
1,130	1,203	271	2,476	24,120
(644)	-	-	-	(3,897)
486	1,203	271	2,476	20,223
956	1,182	498	2,985	40,082
-	-	-	-	(14,261)
956	1,182	498	2,985	25,821
1,036	1,232	482	2,792	42,678
-	-	-	-	(16,568)
1,036	1,232	482	2,792	26,110
1,172	1,013	429	2,564	36,271
-	-	-	-	(12,495)
1,172	1,013	429	2,564	23,776
1,312	1,058	346	2,679	34,852
-	-	-	-	(11,665)
1,312	1,058	346	2,679	23,187
1,215	1,119	208	2,628	35,299
-	-	-	-	(13,634)
1,215	1,119	208	2,628	21,665

Ottumwa Transit Authority
City of Ottumwa

Schedule of Ridership Amounts

Month	Elderly/ Disabled	General	School	Transfers	
February 2010	Reported Ridership Amounts	16,201	4,264	7,990	945
	Less: Improper Adjustments	(10,463)	-	(1,500)	(231)
	Actual Ridership Amounts	5,738	4,264	6,490	714
March 2010	Reported Ridership Amounts	20,875	5,242	7,496	747
	Less: Improper Adjustments	(14,365)	-	(219)	-
	Actual Ridership Amounts	6,510	5,242	7,277	747
April 2010	Reported Ridership Amounts	17,522	4,662	9,599	778
	Less: Improper Adjustments	(10,891)	-	(1,400)	-
	Actual Ridership Amounts	6,631	4,662	8,199	778
May 2010	Reported Ridership Amounts	14,451	4,579	8,397	806
	Less: Improper Adjustments	(8,030)	-	-	-
	Actual Ridership Amounts	6,421	4,579	8,397	806
June 2010	Reported Ridership Amounts	11,545	6,988	2,186	833
	Less: Improper Adjustments	(4,764)	-	-	-
	Actual Ridership Amounts	6,781	6,988	2,186	833
Total FY 2010	Reported Ridership Amounts	190,526	53,935	88,358	9,894
	Less: Improper Adjustments	(110,030)	(1,022)	(13,489)	(991)
	Actual Ridership Amounts	80,496	52,913	74,869	8,903

- We did not trace or verify passenger count sheets for the noted categories between September 1, 2009 and June 30, 2010. Therefore, the improper adjustments are likely understated since we did not trace or verify passenger count sheets for the noted categories for all of fiscal year 2010.

- Unable to determine if proper because adequate supporting documentation was not available to verify the summaries prepared by OTA office staff.

Note: Actual Ridership Amounts in the first four columns are per the daily summary passenger count sheets and the remaining four columns are per the ride requests, service sheets and/or other documents.

Shuttles #	OTA Lift #	New Freedom #	JARC ##	Grand Total
1,297	1,127	249	2,425	34,498
-	-	-	-	(12,194)
1,297	1,127	249	2,425	22,304
2,568	1,197	434	1,432	39,991
-	-	-	-	(14,584)
2,568	1,197	434	1,432	25,407
2,230	1,190	360	1,320	37,661
-	-	-	-	(12,291)
2,230	1,190	360	1,320	25,370
1,194	1,218	599	1,895	33,139
-	-	-	-	(8,030)
1,194	1,218	599	1,895	25,109
1,312	1,194	197	2,095	26,350
-	-	-	-	(4,764)
1,312	1,194	197	2,095	21,586
16,566	14,032	4,410	28,100	405,821
(1,300)	(1)	-	-	(126,833)
15,266	14,031	4,410	28,100	278,988

**Ottumwa Transit Authority
City of Ottumwa**

Ottumwa Transit Authority
City of Ottumwa

Statistical Analysis Schedule

Month	# Total Actual Rides	Number of Passes Sold	Days of Service	Total Rides @ 3.75 Average	Variance
September 2009	13,069	232	29	25,230	(12,161)
October 2009	13,236	239	31	27,784	(14,548)
November 2009	12,795	216	29	23,490	(10,695)
December 2009	13,878	222	29	24,143	(10,265)
January 2010	12,279	209	30	23,513	(11,234)
February 2010	12,427	218	28	22,890	(10,463)
March 2010	10,745 ##	216	31	25,110	(14,365)
April 2010	13,522 ##	217	30	24,413	(10,891)
May 2010	12,895	186	30	20,925	(8,030)
June 2010	15,824 ##	183	30	20,588	(4,764)
Total	<u>130,670</u>	<u>2,138</u>	<u>297</u>	<u>238,086</u>	<u>(107,416)</u>

- OTA only included Elderly/Disabled, General and JARC in Total Actual Rides calculation.

- Unable to determine why Total Actual Rides does not agree with amounts included on Exhibit 1 for Elderly/Disabled, General and JARC.

Ottumwa Transit Authority
City of Ottumwa

Letter from Federal Transit Administration Dated December 6, 2010



U.S. Department
of Transportation
Federal Transit
Administration

REGION VII
Iowa, Kansas,
Missouri, Nebraska

901 Locust Street
Suite 404
Kansas City, MO 64106
816-329-3920
816-329-3921 (fax)

December 6, 2010

Ms. Pam Ward
Transit Administrator
Ottumwa Transit Authority
2417 S. Emma Street
Ottumwa, IA 52501

Re: FTA's Findings—School Bus and Other Complaints Received October, 2010 and Site Visit of
November 3, 2010

Dear Ms. Ward:

This letter is the Federal Transit Administration's ("FTA") findings related to school bus and other complaints received in October 2010. The complaints (see Exhibit 1, hereto in the language of the complainants) were that Ottumwa Transit Authority ("OTA") provided improper charter and school bus trips in violation of FTA regulations at 49 C.F.R. Parts 604 and 605. Because no registered charter provider filed a complaint as required by 49 C.F.R. 604.27(a), the Regional Office has decided to treat the complaints as a school bus complaint and to provide cautionary instruction to OTA regarding charter service.

On November 3, 2010, FTA representatives and representatives of the Iowa Department of Transportation ("IDOT") met with you, members of your staff, your outside counsel, and members of the OTA board and its chair, and members of the County Board of Supervisors and Ten-Fifteen Regional Transit Authority ("10-15 Transit"), a demand response service also operated by OTA. OTA and 10-15 Transit are subrecipients of IDOT which is a grantee of FTA. Attached hereto as Exhibit 2, is the summary of information gathered during the November 3 site visit, including your acknowledgement that the summary is a true and accurate restatement of your comments and responses to the complaints.

FTA wishes to thank you for the full cooperation it received during this site visit. FTA is mindful of the important role of OTA and 10-15 Transit which combined provided 694,042 rides in State Fiscal Year 2010 for public transportation participants. FTA wishes to assist both agencies and IDOT in achieving full compliance with FTA regulations. To that end, FTA has responded through its Charter Ombudsman to one or more e-mails raising hypothetical questions regarding application of the charter rule to specific circumstances.

Ottumwa Transit Authority
City of Ottumwa

Letter from Federal Transit Administration Dated December 6, 2010

FTA Findings

A. School Bus Deficiencies:

School bus service is prohibited by 49 C. F. R. Part 605. School bus service is defined as: "transportation by bus exclusively for school students, personnel and equipment in Type I and Type II school vehicles as defined in Highway Safety Program Standard No. 17." Exclusive school bus service is distinguished from tripper service. "Tripper service means regularly scheduled mass transportation service which is open to the public, and which is designed or modified to accommodate the needs of school students and personnel, using various fare collections or subsidy systems. Buses used in tripper service must be clearly marked as open to the public and may not carry designations such as "school bus" or "school special". These buses may stop only at a grantee or operator's regular service stop. All routes traveled by tripper buses must be within a grantee's or operator's regular route service as indicated in their published route schedules." (See 49 C.F.R. 605.3(b).) FTA has further elaborated on exclusive school bus service in its "Final Policy Statement on School Bus Operations Regulations, 73 FR 53384, dated September 16, 2008. "FTA shall interpret the definition of 'school bus operations' to include service that a reasonable person would conclude was primarily designed to accommodate students and school personnel and only incidentally to serve the nonstudent general public." The Final Policy Statement also added: "FTA shall construe the term 'tripper service', as it has historically, to include modifications to fare collection or subsidy systems, modifications to the frequency of service, and de minimus route alterations from route paths in the immediate vicinity of schools to stops located at or in close proximity to the schools."

The complaint numbers listed below corresponded to the complaint numbering on Exhibit 1.

Complaint No. 4: Pioneer Ridge Trips of School Children by 10-15 Transit. 10-15 Transit transported school age children from a school at the request of a school district or particular teacher to a destination point (Pioneer Ridge, a nature center) and back again as field trips. This is exclusive school bus service even though it was provided by a demand-response system and even though it was provided in part to reduce dead-head mileage.

Complaint No. 5. OTA's October 8 movement of teachers between school and other sites for in-service training is not a violation of the school bus rule because it meets the definition of tripper service and is public transportation. All service provided was on a regular fixed route and service was supplemented by adding buses and the fares were subsidized by the school district.

Complaint No. 6. OTA's Airport Bus Fixed Route meets the definition of tripper service and is public transportation, designed in part to meet job access needs and community college needs in addition to servicing the alternative high school.

Complaint No. 7. OTA's provision of service for school children and faculty for field trips to Burlington, Oskaloosa and Pella IA is improper school bus service because a reasonable person would conclude it was primarily designed to accommodate students and school personnel and only incidentally (if at all) to serve the nonstudent general public.

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Letter from Federal Transit Administration Dated December 6, 2010

Complaint No. 8. OTA Fixed Bus Routes do serve school children based on a published schedule which does not vary by day of the week or time of year. FTA finds the fixed routes to constitute tripper service because of the fare subsidy by the school district and tripper service is public transportation.

Complaint No. 9. This really a more specific instance of Complaint No. 4. FTA finds that trips to Pioneer Ridge by 10-15 Transit are exclusive school bus transportation.

B. Charter Service Deficiencies

Charter Service is defined at 49 C.F.R. 604.3(c):

“Charter service” means, but does not include demand response service to individuals:

- (1) Transportation provided by a recipient at the request of a third party for the exclusive use of a bus or van for a negotiated price. The following features may be characteristic of charter service:
 - (i) A third party pays the transit provider a negotiated price for the group;
 - (ii) Any fares charged to individual members of the group are collected by a third party;
 - (iii) The service is not part of the transit provider's regularly scheduled service, or is offered for a limited period of time; or as well as scheduling; or
- (2) Transportation provided by a recipient to the public for events or functions that occur on an irregular basis or for a limited duration and:
 - (i) A premium fare is charged that is greater than the usual or customary fixed route fare; or
 - (ii) The service is paid for in whole or in part by a third party.

Complaints Nos. 1 through 3 would be charter complaints if made by a registered charter provider. The complaints were not so made. However, FTA feels it necessary to provide these instructional cautions: OTA's service for the exclusive use of a vehicle by a wedding party is charter service. OTA's service for the exclusive use of John Deere employees even when the bus was a locally purchased vehicle is also charter service when that vehicle is stored, dispatched and maintained at an FTA-funded facility. 10-15 Transit's service to RAGBRAI (bicycle event), demand response service would normally be excluded from the charter rule. In this instance, the use of the vehicle was not exclusive to bicycle club members and included the general public from publicized pick-up points. Hence the service was operated like a fixed route instead of demand responsive service and does constitute a charter violation.

Remedies:

1. OTA is required to give 30 days' notice to the school district immediately that it will alter or terminate its agreement and to thereafter conform any such agreement to the school bus rule and permitted tripper service.
2. OTA is required to cease and desist all exclusive school bus services.
3. OTA is required to cease and desist immediately all charter services, which do not conform to an exception with 49 C.F.R Part 604.
4. 10-15 Transit is required to operate its demand response system as such or conform to the rules for fixed route systems.

Ottumwa Transit Authority
City of Ottumwa

Letter from Federal Transit Administration Dated December 6, 2010

Exhibit 1. FTA's Regional Counsel's Compilation of Complaints

1. September 11, 2010: Bull Dog Bus used for a wedding party at the Catholic Church; driver was a man named Ray. Bus took wedding party from the church down Church street, honking and marked with "Just Married" all over the bus. Trip appeared was a charter trip.
2. 2010: OTA took a bus full of John Deere employees to the Farm Progress Show in Boone IA. Trip was a charter trip.
3. July, 2010: OTA took a vehicle to Sioux City IA for the exclusive use of a bicycle club. Trip was a charter trip.
4. Continuously since May, 2000 and 30 trips since January 1, 2010: OTA is taking school age-children from school(s) to Pioneer Ridge (a nature center) in violation of school bus rule.
5. October 8, 2010: OTA to move teachers between school and other sites for in-service training day. Trip was improper school bus transportation.
6. Airport bus route used only to take high school students to and from alternative high school and others to community college at site near airport. Any general public use is purely coincidental. [Note: There is an adjacent Jobs Corp Site at airport; Jobs Corp Site not currently operating and will open summer, 2011.]
7. OTA is providing improper school bus service to Ottumwa School System for field trips by students and faculty advisors to: Burlington, IA, Oskaloosa IA and Pella IA among others.
8. OTA is providing improper school bus service to Ottumwa School System and has revised OTA fixed routes at 2:40 PM each day to accommodate school children.
9. October 4, 2010: OTA provided service for the exclusive use of school children from Wilson Elementary to Pioneer Ridge with two buses and two drivers. Drivers were Brian Drummond and Jim Clark.

Exhibit 2. Responses to Complaints and Questions during Site Visit of November 3, 2010

Ottumwa Transit Authority
City of Ottumwa

Letter from Federal Transit Administration Dated December 6, 2010

Responses to Complaints and Questions during Site Visit of November 3, 2010*

*Note: the complaint is stated in the language of the complainants.

1. Complaint: September 11, 2010. Bull Dog Bus used for a wedding party at the Catholic Church; driver was a man named Ray. Bus took wedding party from the church down Church Street, honking and marked with "Just Married" all over the bus. Trip appeared was a charter trip.

Response: The "Bull Dog Bus" is a new vehicle with a graphic of a bull dog on the rear window of the bus. The colors of the graphic are red and white and both the colors and the dog are the same as the mascot for the local high school. The bus is used for promotional purposes.

The OTA provided the service in question. Pam Ward's daughter-in-law's sister requested a city bus to take the family from St. Patrick's Church to Central Park for pictures and on to the Hotel Ottumwa for the reception. Among those planned for transport were grandparents who are elderly and have some mobility problems. The thought that they could travel as a group and include everyone was the intent of the request. The total distance was about 1 mile. There were two small signs on the bus that said "Just Married."

20 persons were on the bus and the fare collection for the trip was approximately \$48. Locations are on a fixed route: both the South Residential and the S. Commercial routes. Bull Dog Bus was in addition to the regularly scheduled bus.

2. Complaint: 2010. OTA took a bus full of John Deere employees to the Farm Progress Show in Boone IA. Trip was a charter trip.

Response: An OTA driver used a 10-15 Transit bus for this trip. Bus was purchased with local funds. The fares charged covered all operating costs. Bus is housed and dispatched from a partially, federally-funded facility. OTA does receive FTA operating assistance as an IDOT subgrantee.

3. Complaint: July, 2010. OTA took a vehicle to Sioux City IA for the exclusive use of a bicycle club. Trip was a charter trip.

Response: An OTA driver used a 10-15 bus for this trip. The trip was scheduled by a local bicycle club to get to the start of RAGBRAI (a bicycle event /ride across Iowa). Non-club members filled the bus as well as club members. The bus used was purchased with local money. The fares charged covered all operating costs. Bus is housed and dispatched from a partially, federally-funded facility. OTA does receive FTA operating assistance as an IDOT subgrantee. Riders are picked up at metro parking lots and various pick-up points on a posted schedule.

4. Complaint: Continuously since May, 2000 and 30 trips since January 1, 2010. OTA is taking school age-children from school(s) to Pioneer Ridge (a nature center) in violation of school bus rule.

Response: An OTA driver used 10-15 Transit bus for these trips, though OTA does not believe that 30 trips have occurred since January 1, 2010. 10-15 Transit has a standing schedule between Davis

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County (Bloomfield) and Wapello County (Ottumwa) to transport passengers for dialysis (3 times per week currently) and other medically related trips (5 times per week currently) and these trips pass by Pioneer Ridge. The OTA driver does not sit and wait on the dialysis patient(s) because treatment time is 3 or more hours. Providing Service to Pioneer Ridge has allowed 10-15 Transit to provide service to the community on what is otherwise an unproductive deadhead run. Ottumwa Community Schools have been utilizing services in a non-exclusive and flexible schedule to meet OTA's schedule. The school classroom teacher schedules for 19 to 25 students who fill a bus and students are picked up and dropped off at school. Whoever is in class on that day goes, including students with disabilities who are mainstreamed.

5. Complaint: October 8, 2010. OTA moved teachers between school and other sites for in-service training day. Trip was improper school bus transportation.

Response: School District subsidizes fixed route service in Ottumwa based on the number of school age children riding the bus and pursuant to a contract with OTA. Every school is on a fixed route— the North, the East-West, the South Residential or the South Commercial Routes. Published routes are not modified to accommodate school children except that additional buses may be necessary to service a route at arrival and dismissal times. On October 8, OTA drivers used OTA buses and supplemented them with 10-15 buses to accommodate the added number of riders, the teachers. The service was requested by the Ottumwa Community School District to take teachers to the Bridge View Center for in-service training. The district wide in-service meeting occurs once every three years, and 20 agencies send teachers for in-service training, greatly expanding the need on the fixed routes. All origins and destinations are on the OTA fixed routes. ~~[Q: Reconfirm whether the service was open to the general public and was the published route followed?]~~ The service was open to the general public and the published routes were followed.

6. Complaint: August 23, 2010. Since August 23, 2010, airport bus route used only to take high school students to and from an alternative high school and others to community college at site near airport. Any general public use is purely coincidental. [Note: There is an adjacent Jobs Corp Site at airport; Jobs Corp Site not currently operating and will open summer, 2011.]

Response: The Ottumwa Industrial Airport is owned and operated by the City of Ottumwa. The Airport Campus Shuttle was initiated on August 23, 2010. When exploring the demand, initial conversations were held with officials from Ottumwa Schools and Indian Hills Community College along with companies at the Airport including a residential facility (half-way house), American Bottling Company (a large manufacturing site with 210 employees which bottles Dr. Pepper and Snapple drinks), Frog legs (a manufacturer of custom wheel chair parts) and Al-Jon, a manufacturer of car crushers), to name a few.

All literature and promotional material clearly states the schedule, pick-up locations and "open to the general public." Existing services were requested by the Aviation Department of the College and OTA accommodated the request with a fixed route. College facilities are used at the airport for both college programs and for certain high school programs. The shuttle stops at the central downtown workforce stop and takes passengers (students, teachers and workers) to stops at the alternative high school and to the college. New shuttle stops will be added when the Iowa Workforce Development Center is opened in the next year as well as the Job Corp site opening next year. Service expansion has been in the planning since April 2010 when discussions began with employers.

Ottumwa Transit Authority
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Letter from Federal Transit Administration Dated December 6, 2010

At this time, staff is preparing to survey American Bottling because their staff expressed the most interest due to their flexible shifts and the quantity of employees. This would be an expansion of JARC services. However JARC funding is insufficient to cover the expansion. OTA runs 3,000 riders per month and this shuttle is a feeder into the fixed route during the hours it is scheduled to operate.

OTA acknowledges the need to update its website and the city's to include the Airport Campus Shuttle. (See opening statement regarding printed schedules.)

7. Complaint: OTA is providing improper school bus service to Ottumwa School System for field trips by students and faculty advisors to Burlington, IA, Oskaloosa IA and Pella IA among others.

Response: Teachers who organized these trips and scheduled them with OTA advised OTA they had been declined by any other provider. [OTA however has no evidence of declination of registered private providers and no evidence of giving notice of the trips through use of the FTA Charter website.] Trips were included in OTA's posted schedules along with notice that they were open to the general public. Pick up and drop off is at schools and the trips were paid for by the school district. [In an e-mail dated November 5th to Regional Counsel Schwach, Pam Ward corrected the previous statement regarding payment: "Pioneer Ridge trips were not charged [to the school district] because it provided a productive use rather than deadheading between Bloomfield and Ottumwa on those medical/dialysis trips."] The general public does not typically participate in such trips because the bus is full with students and faculty. The notices do produce inquiries from the general public. Notice of trips ranges from a week to one day.

8. Complaint: Every Weekday. OTA is providing improper school bus service to Ottumwa School System and has revised OTA fixed routes at 2:40 PM each day to accommodate school children.

Response: The OTA bus routes are consistent throughout the day with minor route deviations. The same routes are operated year round on the same schedules and with the same pick-up schedules. The minor deviations include first trips of the day are shorter if shopping areas are not yet open. All variations are on the published schedule.

9. Complaint: October 4, 2010. OTA provided service for the exclusive use of school children from Wilson Elementary to Pioneer Ridge with two buses and two drivers. Drivers were Brian Drummond and Jim Clark.

Response: An OTA driver used two 10-15 transit buses to provide this service. One of the buses was locally funded. See response on complaint number four above. Pioneer Ridge trips were reported to IDOT as miscellaneous trips.

This is a true and accurate restatement.

Acknowledgement: Pam Ward
Pam Ward, Transit Administrator

Date: 11-23-10

Ottumwa Transit Authority
City of Ottumwa

Schedule of Questionable Expenditures

Payee	Date Paid	Total Check Amount	Questionable Amount	Description
Pam Ward	9/26/2008	\$ 349.61	19.96	Dominos Pizza for staff meeting
Pam Ward	4/10/2009	776.60	582.40	Pam Ward - reimb for 10 year anniversary awards (purchased from Lands End)
Pam Ward	3/27/2009	297.92	297.92	Pam Ward - reimb for retirement cake, supplies for retirement party, 2 tables (one purchased by Ward Construction)
Pam Ward	4/8/2009	57.70	57.70	Pam Ward - reimb for employee appreciation dinner - food for trays
Pam Ward	5/29/2009	52.00	52.00	Pam Ward - reimb for 4 RAGBRAI t-shirts for staff
Pam Ward	6/19/2009	285.70	285.70	Pam Ward - reimb for employee recognition awards - purchased from Lands End
Pam Ward	7/10/2009	200.95	35.95	Pam Ward - reimb for employee recognition awards
Pam Ward	7/17/2009	159.84	159.84	Reimb Pam Ward - Meals for training exercise
Pam Ward	7/24/2009	269.28	269.28	Reimb Pam Ward - refreshment for RAGBRAI training (dated 7/14/09)
Pam Ward	7/31/2009	33.42	33.42	\$7.98 for water for RAGBRAI drivers; \$25.44 for RAGBRAI snacks
Pam Ward	9/18/2009	243.14	53.94	Reimb Pam Ward for "IDOT Public Meeting Dinner for Board". Receipt for "Manhattan Family Steakhouse and Buffet"
Pam Ward	12/11/2009	214.50	22.00	Reimb for Pam's mileage - one says "OTA Bus Routes - 40 miles"
Clemons Inc.	4/20/2009	1,386.99	1,386.99	Unsubstantiated claim per finding (H)
Total		\$ 4,327.65	3,257.10	

Ottumwa Transit Authority
City of Ottumwa

City Response



May 9, 2011

Mr. David A. Vaudt, CPA
Iowa State Auditor
Capitol Building
Des Moines, IA 50319

RE: Ottumwa Transit Authority Reaudit for the period of July 1, 2008 through June 30, 2009.

Dear Mr. Vaudt:

The City of Ottumwa on behalf of the Ottumwa Transit Authority (OTA) would like to respond to a number of the allegations submitted by the State of Iowa in its preliminary draft of the OTA reaudit.

Please note that OTA is operated independently by a separate Board with full and complete autonomy. The City does have budgetary oversight. However, the City does acknowledge its need to take a more direct role in the operation of the OTA and will do so immediately.

OTA and the City are in the process of compiling documentation to support its Passenger Counts, which was questioned in Section A of the reaudit. The City would like the opportunity to provide further documentation. Clearly the increase in passenger bus passes over this period of time does support the numbers that have been set out by OTA. There has also been an issue regarding interpretation of state and federal regulations as to how passengers are counted. Because of a discrepancy between the numbers reported by OTA bus drivers, OTA implemented a statistical method to assist with a determination of the proper counts. As stated, this additional information will be provided to the State.

However, the City would like to specifically address various issues discussed in Sections B through H of the preliminary report.

Regarding Section B related to Record Retention, the City does confirm that the documentation for the Daily Summary Passenger Count Sheets were destroyed after the compilation of the Summary Reports was provided to the State. The City and OTA are currently implementing internal controls to ensure that the records are properly kept pursuant to State and Federal mandates.

OTA and the City would like to provide the following response to Section C regarding the Related Party Transactions. City Ordinance #2-90 provides that any contractual services costing no more than \$5,000 may be made without a bidding process. However, #2-94 provides that

City of Ottumwa
105 East Third Street, Ottumwa, Iowa 52501
Telephone 641-683-0600 Fax 641-683-0613

Ottumwa Transit Authority
City of Ottumwa

City Response

Audit Letter

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“Notwithstanding the provisions of this Chapter, no contract shall be made contrary to I.C.A. 362.5” which refers to a potential conflict of interest for purchases of more than \$1,500.

OTA was undergoing a building expansion. It had received two bids on the construction project from Bridge City Construction and Grooms & Co. Construction. Neither of those bids included a price for installation of the flooring. The work performed included removal of old tile and preparation of the surface and installation of 2100 square feet of new tile as well as installation of door jams and trim, installation of cove molding and seal tile, and installation of vinyl tile in the computer server closet.

Tim Ward charged 64¢ per square foot for installation of the tile. His total charge for installation of the tile was \$1,344. While the Executive Director, Pam Ward, did not obtain written quotes in advance, she has since obtained information from All Floor Installation, Corey’s Installation and Mike’s Quality Flooring, three businesses that perform these services in the Ottumwa area. All Floor charges \$3.25 per square foot to install ceramic tile on a concrete floor. Corey’s Installation is at the same rate. Mike’s Quality Flooring, also in Ottumwa, charges \$3.50 per square foot. Use of the Director’s spouse for this project resulted in a savings of between \$5,481 and \$6,006 on the floor installation alone.

In the event that the finish carpentry was done at the established Davis-Bacon rate, the charge would have been \$21.82 per hour instead of the \$15 per hour charged by Tim Ward. This represents an additional savings of \$192.10. That presumes that OTA could have obtained finish carpentry services at a rate of \$21.82. In fact, carpenters in the Ottumwa area range from \$25 to \$43.85 per hour depending on their experience and whether or not they operate in a union shop. OTA verified this with three general contractors in the Ottumwa area.

Had OTA hired a contractor to install the new tile floor it would have spent between \$5,673.10 and \$6,198.10 or potentially more for the same work. The amount paid was clearly not excessive.

OTA recognizes that there is a \$1,500 limit on contracts to related party matters pursuant to Iowa Code section 362.5(3)(j). OTA was not aware of this provision at the time that this work was performed. The Director was operating under the City of Ottumwa policy which had a \$5,000 limit before requiring a quotation or bidding process. The transaction was handled in an open method and was specifically disclosed to and approved by the OTA board. It was also approved by the City’s independent auditor.

The City and OTA will implement internal controls and monitoring procedures to ensure compliance with Iowa Code section 362.5(3)(j); however, there is simply no evidence that any improper benefit was derived by anyone as a result of this transaction. In fact, Ottumwa Transit Authority benefitted from the transaction by saving substantial funds in the installation of the new tile.

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Regardless, the City will revise its policies and procedures related to this issue to ensure compliance with the applicable Iowa Code sections. Furthermore, City and OTA staff will be trained specifically regarding this issue.

Section D relates to the private use of public property. The City does have policies specifically dealing with this prohibition. An investigation of this allegation has revealed that a number of years ago, OTA staff, as a benefit of employment, were permitted to use OTA facilities for oil changes, car washing, maintenance and detailing of personal vehicles. Upon notification of this practice, the City promptly directed OTA staff to cease this practice immediately.

The Audit Report referred to a U.S. Department of Transportation letter dated December 6, 2010 and attached said letter to the report. OTA is in the process of hiring a consultant to assist it in complying with all state and federal regulations. There have been a number of questions as to the interpretation of those regulations and numerous inquiries as to their meanings with several different interpretations based upon who from the state or federal governments were asked. Again, OTA, as directed by the City, has instituted corrections and is taking this issue seriously.

Section E referred to the issue of Fuel Pumps. OTA does have fuel pumps on site that are used to fuel the OTA and the 1015 Transit buses, paratransit buses and service trucks. No privately owned vehicles are fueled at these pumps. OTA currently has several trucks that have not had the transit logos placed on them to date, although state license plates are in place. It is possible that these have been seen being filled. However, a policy is in place to ensure proper usage of these fuel pumps. The vehicle signage is also being addressed.

When a privately owned vehicle is used for travel to a meeting, that employee will fuel the vehicle at a gas station and submit a reimbursement form for the mileage. The reimbursement check is issued by the City's Finance Department. There is absolutely no evidence to support the allegation that management filled personal vehicles from the OTA fuel pumps.

The fuel pumps are locked after normal business hours. Drivers are not allowed to fuel the vehicles. This is done by the three mechanics and the bus cleaner, who all have a key to the pumps. There is a key in the lock box that the dispatchers could have access to, if needed, and a final key is secured in a locked drawer in the finance officer's locked office. OTA periodically changes the lock on the fuel pumps for security purposes. As an additional precaution, a combination lock will be installed in addition to the lock, and the combination will be changed periodically.

Mileage logs are completed each time the vehicles are fueled. OTA is implementing a process to review and reconcile the mileage logs with the actual usage.

The reaudit also referred to employees who are allowed to drive service vehicles to their homes. Currently, two employees are authorized to take the service trucks home since they both have to respond to emergency calls during off-duty hours. OTA is in strict compliance with IRS

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regulations regarding this matter. The taxable value of the take-home vehicle allowance is added to the employee's W-2, which lists the car allowance. Those W-2's are available for your review.

Section F of the preliminary draft of the reaudit dealt with employee timesheets. The allegation is that management periodically changed employee timesheets. It should be noted that OTA drivers and bus cleaners are covered by a collective bargaining agreement. Arbitrary changes to reduce hours would be grieved immediately.

There are times when discrepancies are found on time sheets. Before any changes are made, employees are contacted to discuss those discrepancies and confirm changes before those changes are even made. Again, if this were a legitimate issue, there would be a number of grievances filed by union members.

The time sheets are available for the three employees that were to be reviewed. However, for whatever reason, they were not produced on the date the investigator requested them. Enclosed herewith please find those records. Please note, that City Finance Director, Bob Jay, inquired several times of your office if there were any additional records that needed to be produced for inspection. He was advised repeatedly that the investigator had all that she needed. Regardless, record retention as well as organization, have been lacking, and will be improved.

There was a question regarding time sheets for Director Pam Ward. She is an exempt employee under the Fair Labor Standards Act. No time sheets are required. Her performance is reviewed annually by the OTA Board. If she was not in attendance at her job, this would be reflected in her annual performance evaluations, which are enclosed herewith for 2009 and 2010. Furthermore, City staff monitors the Director's use of vacation, sick leave and all other paid time off.

In Section G, there were eleven checks listed by the auditors that totaled \$3,860.49 in questioned costs. These were reviewed by Finance Director Bob Jay, and he disagrees with some of the auditors' findings. The amounts were questioned because they consisted of payments made to OTA Director Pam Ward for staff training and travel. While Mr. Jay does not understand why the individual employees did not request travel advances to fund the travel, payment by Pam Ward for a legitimate training and travel expense was not a violation of any law. These are properly documented items that were simply paid for by Pam Ward. These items should be included in the paragraph 6 total dollar amounts. The amounts that were adequately documented totaled \$1,886.00 which, when deducted from the amount in paragraph 4, would leave a balance of \$1,974 of undocumented costs. The \$1,886 inclusion in paragraph 6 would increase the amount of documented expenditures to \$6,244. The amounts in paragraph 6 represent documented expenditures paid for Pam Ward and on behalf of staff.

The checks which Mr. Jay disagrees with on the findings are detailed below. The checks listed below were included as items that "did not always include supporting documentation." I have attached the supporting documentation for the individual items.

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- | | |
|---------------|--|
| Check #141299 | There was adequate documentation for an airline ticket, copy of invoice
Amount - \$274.01. |
| Check #146853 | There was adequate documentation for motel stay, copy of bill included,
Amount - \$244.16. |
| Check #148992 | There was adequate documentation for travel paid to Pam Ward. Travel
specifically states that Pam would be attending on the Monday and
Wednesday sessions so travel would consist of two trips, amount \$111.10. |
| Check #135211 | There was adequate documentation for meals and overnight stays for
Pam Ward, Brenda Stevens and Tom Jones, amount - \$367.20. |
| Check #135786 | There was adequate documentation for overnight stays for Tom Jones
and Autumn Jones, amount - \$890.10. |

Again, that documentation is attached herewith. Mr. Jay repeatedly asked if there was missing documentation or anything else that was needed to assist the auditors in their investigation. Nothing was ever requested.

Section H of the reaudit is regarding an alleged unsubstantiated claim that was paid by OTA. This finding relates to an OTA employee's claim that her car was struck while she was at work on Saturday, March 28, 2009. OTA took several steps to investigate that complaint. Not mentioned in the reaudit was the visual inspection of the damage on the employee's vehicle to determine that the location of the damage was consistent with the height of the bumper of one of the old OTA buses.

Second, with respect to the claim that it was the minor of an OTA employee who was allegedly driving the bus, the OTA employee whose car was damaged indicated that she did not see the OTA employee whose minor child was alleged to have been driving the bus on OTA property on the day of the accident. The employee indicated that when the employee whose child was claimed to have been driving the bus comes to the office on a Saturday he makes it a point to call the dispatchers ahead of time and joke with them about some sort of request and to make them aware of the fact that he is on the property. The dispatcher whose car was damaged acknowledged seeing the bus drivers who were working that day (except for R.W.) and the bus cleaner. At the time the allegation was made that the minor child of an OTA employee was operating the bus, the Director investigated and found no evidence to support that allegation. This is clearly consistent with your finding that there was no evidence that an OTA employee's minor child was operating a bus.

The reaudit also assumes because a fourth tape was not reviewed that there was a coverup regarding the circumstances surrounding the claim. The inference is that by reviewing only three

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of four tapes OTA intentionally refused to review potential evidence of the true facts. After reviewing three of the four tapes from city buses that were out on Saturday, March 28, Tom Jones determined that there was no benefit in reviewing the fourth tape. None of the video systems had booted on the three bus cameras that he reviewed when the bus drivers pulled out and parked in the morning or when the bus cleaner backed the buses for fueling later in the day. Therefore, the tapes were simply not available to provide any evidence of which bus and which driver caused the actual damage.

OTA satisfied itself that the damage was consistent with damage from the bumper of one of the old OTA buses and that there was no video evidence that would identify the operator involved in the incident. This was clearly investigated appropriately by OTA staff and the claim was properly paid. In addition, the claim was specifically reviewed and approved by the OTA Board.

The City and OTA will be following up with a further response specifically to Section A related to Overstated Passenger Counts.

Thank you again for the opportunity to provide a preliminary response to this reaudit.

Sincerely,


Jon L. Keith, City Attorney

Cc: Mr. Andrew E. Nielsen, CPA
Ms. Susan D. Battani, CPA

Ottumwa Transit Authority
City of Ottumwa

Staff

This reaudit was performed by:

Susan D. Battani, CPA, Director
Marlys K. Gaston, CPA, Manager
Selina V. Johnson, CPA, Senior Auditor II
James R. Wittenwyler, Senior Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State