



**Chesterfield County, Virginia
Internal Audit**

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DATE: April 19, 2019

TO: Joseph P. Casey, Ph.D. Chesterfield County
County Administrator Board of Supervisors

Mervin B. Daugherty, Ed.D Chesterfield County
Superintendent School Board

FROM: Greg L. Akers *Greg*
Director of Internal Audit

SUBJECT: GRTC Billing Analysis Special Project

Background

Chesterfield’s Transportation Department manages payments to the Greater Richmond Transit Company (GRTC) for bus express route service between Chesterfield and Downtown Richmond. GRTC provides public transportation service in the Richmond area and is owned by the City of Richmond (50%) and Chesterfield County (50%). Operating costs are paid by fare revenue, state and federal grants, and local route subsidies. Each locality participates in GRTC's cost only to the extent that the locality chooses to have GRTC operate routes within its jurisdiction. GRTC currently operates one route in Chesterfield County called 82x (Commonwealth 20 Express) between Commonwealth Centre Parkway and Downtown Richmond as shown in **Figure 1.1**. GRTC provides monthly invoices to Chesterfield County for service cost. The Transportation Department requested Internal Audit (IA) evaluate GRTC invoices to better understand monthly fluctuations.

Figure 1.1 – Chesterfield GRTC Commonwealth 20 Express Route



Objectives, Scope, and Methodology

We performed analysis of monthly GRTC invoices and supporting documentation paid by Transportation from fiscal year 2015 through February 2019 to understand billing basis and reasons for monthly fluctuations. We also gained an understanding of billing practices for certain other jurisdictions.

We believe our analysis provides an objective summary of internal controls provided to Internal Audit for evaluation. However, as required by Government Auditing Standards (2011 Revision) section 2.12 issued by the U.S. Government Accountability Office, we must communicate this evaluation does not constitute an audit conducted in accordance with generally accepted government auditing standards (GAGAS).

Results

Certain localities using GRTC services were contacted to compare billing practices. Henrico County, which paid GRTC roughly \$7.6 million in FY18, is billed monthly on a cost per mile rate like Chesterfield. Neither County has contracts with GRTC defining billing practices. However, Henrico does have a contract with GRTC detailing their service routes. The City of Richmond, which paid GRTC roughly \$14 million in FY18, has a different funding method. The City pays GRTC in quarterly installments based on budgeted funding allocated to GRTC.

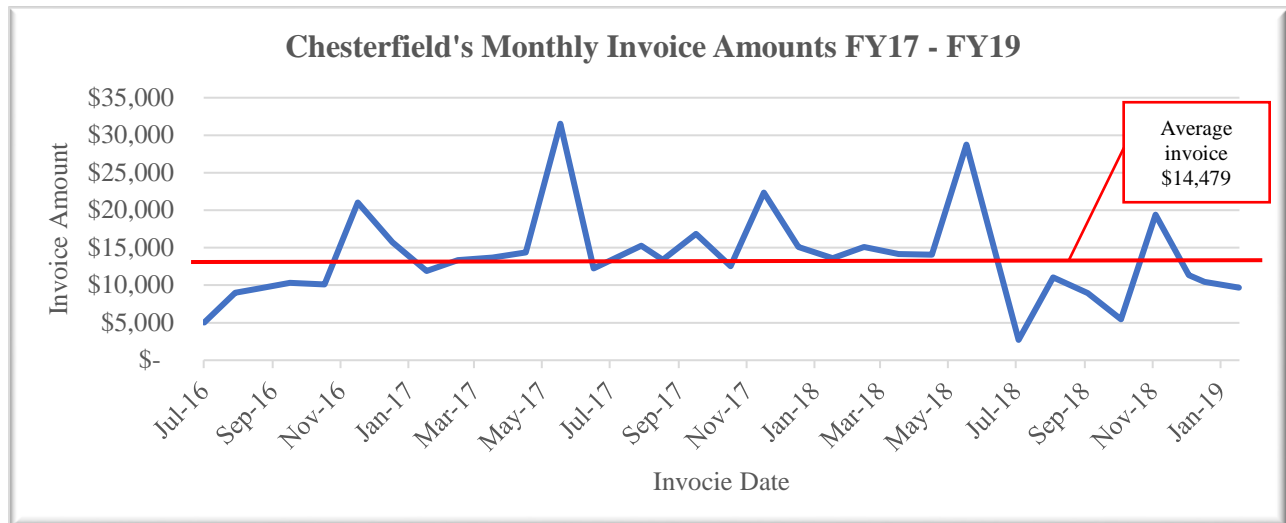
GRTC (**Figure 1.2**) route miles in Chesterfield have decreased since FY15 and have been consistent since FY17. However, monthly invoices (**Figure 1.3**) for service cost continue to vary, sometimes over 100%.

Figure 1.2 – GRTC Expenses and Miles for Chesterfield

FY	Total Miles	Expense
15	102,226	\$316,882
16	77,739	\$212,083
17	56,896	\$165,592
18	56,672	\$193,506
19 ¹	38,094	\$ 79,011

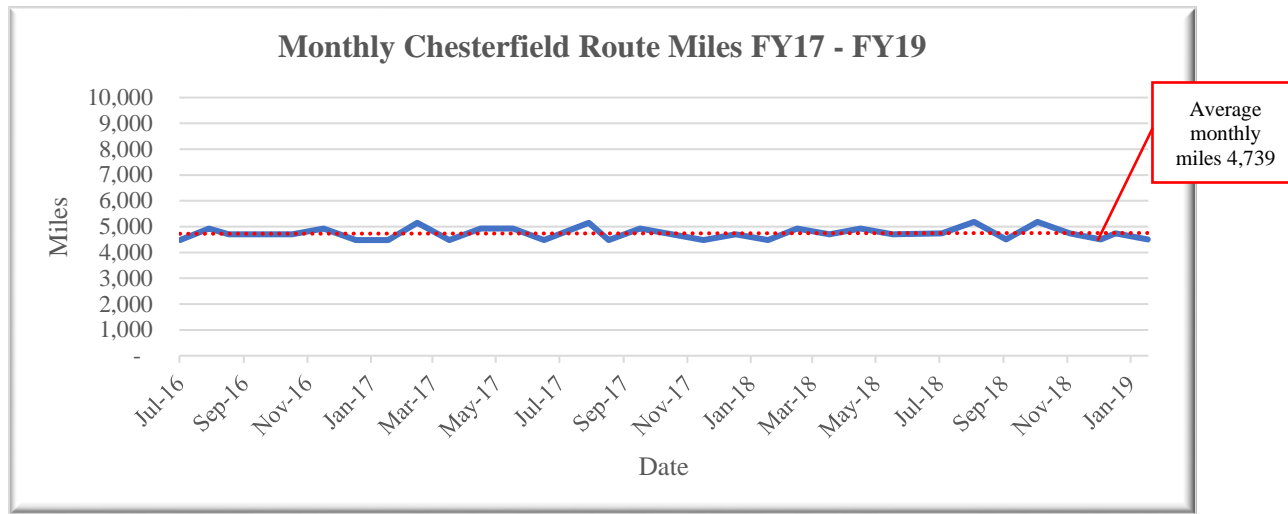
1- Through February 28, 2019

Figure 1.3



GRTC uses monthly general ledger expense to compute their billing rate on a systemwide cost per mile. Invoice charges apply this monthly per mile rate to customer route miles. Chesterfield service is on “weekdays” only, which creates slight variances in total miles per month (**Figure 1.4**). However, GRTC monthly general ledger expense fluctuates for certain routine timing variances. For example, GRTC has 26 payrolls (bi-weekly) per year, making expenses two months per year higher with a third payroll. Each June, GRTC accrues additional expense for invoices received after year end for that fiscal year. This traditionally increases June monthly general ledger expense, and reduces expenses recorded in July and August. The monthly accounting expense variances create large inconsistencies in monthly Chesterfield bill amounts, making the Transportation Department’s review for payment approval difficult.

Figure 1.4



Since Chesterfield’s route miles are consistent between months, Chesterfield’s annual cost would be similar if an estimated (i.e. blended) annual rate per mile were used for the monthly invoices. Basing invoices on a budgeted annual per mile rate (instead of actual monthly cost) would make invoices more consistent. Also, as noted above, there is no contract between GRTC and the County to define services provided or billing procedures. Pursuing a formal agreement with GRTC could provide an opportunity to agree on billing practices with a blended annual rate.

RECOMMENDATION(S):

We recommend The Transportation Department:

1. Work with GRTC to create a contract describing services provided and billing procedures.
2. Consider requesting GRTC develop an annual budgeted (or blended) cost per mile to improve consistency for monthly billings.

MANAGEMENT’S RESPONSE(S):

1. Concur. Principal Engineer, Barb Smith, is responsible for starting 5/1/19. Completion depends on GRTC. Hope to have contract in place for FY20.
2. Concur. Principal Engineer, Barb Smith is responsible for starting 5/1/19. Completion depends on GRTC.

Copy: Bill Dupler, Deputy County Administrator, Community Development
 Jesse Smith, Transportation Director
 Barbara Smith, Principal Engineer