

# STATE OF CONNECTICUT

**AUDITORS' REPORT  
DEPARTMENT OF TRANSPORTATION  
SPECIAL REVIEW OF THE  
BUREAU OF PUBLIC TRANSPORTATION**

**AUDITORS OF PUBLIC ACCOUNTS**  
KEVIN P. JOHNSTON ♦ ROBERT G. JAEKLE

# Table of Contents

---

<b>INTRODUCTION.....</b>	<b>1</b>
<b>COMMENTS.....</b>	<b>1</b>
<b>AUDIT OBJECTIVES, SCOPE AND METHODOLOGY .....</b>	<b>1</b>
<b>RÉSUMÉ OF OPERATIONS .....</b>	<b>2</b>
<b>Overview .....</b>	<b>2</b>
<b>Organization .....</b>	<b>3</b>
<b>RESULTS OF REVIEW .....</b>	<b>4</b>
<b>Item No. 1 – Contract Terms .....</b>	<b>4</b>
<b>Item No. 2 – Misleading/Erroneous Invoices.....</b>	<b>6</b>
<b>Item No. 3 – Bidding and Award Process Inconsistencies .....</b>	<b>7</b>
<b>Item No. 4 – Management Fees.....</b>	<b>8</b>
<b>Item No. 5 – Contract for Property Management Services – Emergency Conditions ....</b>	<b>9</b>
<b>Item No. 6 – Office of the Attorney General Contract Approval.....</b>	<b>11</b>
<b>Item No. 7 – Transportation Centers Parking Revenues – Audit Follow-up.....</b>	<b>11</b>
<b>Item No. 8 – Transportation Centers Parking/Lease Revenues – Bank Accounts .....</b>	<b>12</b>
<b>Item No. 9 – Transportation Centers Parking/Lease Revenues – Netting of         Expenditures .....</b>	<b>14</b>
<b>Item No. 10 – Leasing of Property.....</b>	<b>15</b>
<b>Other Matter .....</b>	<b>15</b>
<b>RECOMMENDATIONS.....</b>	<b>16</b>
<b>CONCLUSION .....</b>	<b>20</b>

October 25, 2004

**AUDITORS' REPORT  
DEPARTMENT OF TRANSPORTATION  
SPECIAL REVIEW OF THE  
BUREAU OF PUBLIC TRANSPORTATION**

At the request of Governor M. Jodi Rell we have performed a special review of the Bureau of Public Transportation (the "Bureau") within the Department of Transportation. In July 2004, the Governor informed us that there was concern over certain procedures and practices within the Bureau, which served as the basis for the request. This report consists of the Comments, Results of Review and Recommendations, which follow.

**COMMENTS**

**AUDIT OBJECTIVES, SCOPE AND METHODOLOGY:**

The request for this review was precipitated by a Department internal inquiry of the Bureau of Public Transportation. More specifically, the Commissioner convened an internal agency committee to review Bureau operations after it was noted that a capital project was administered by a management company under contract with the Bureau, rather than through a formal Department administered bid process. Further, it was noted that certain invoices had inaccurate descriptions of goods/services presented, and that bank accounts used to account for certain Bureau/Department revenues were under the exclusive control of the same management company.

The objectives of our review were as follows:

- ❖ To identify any other instances in which Bureau capital projects were administered by Department contractors rather than being executed through the formal bid and award process.
- ❖ An identification of revenues generated from Bureau activities and the ultimate deposit of such, including an explanation as to how the amounts are accounted for.
- ❖ A review of contracts entered into by the Bureau based on "emergency conditions" to determine the reasonableness and validity of such.

The scope of our review was limited to Bureau of Public Transportation operations for the five most recent fiscal years.

We interviewed Department staff and employees of the management company, and examined records provided by those same sources. We also conducted site visits at the rail stations in New Haven, Bridgeport and Stamford.

## **RÉSUMÉ OF OPERATIONS:**

### **Overview:**

The Bureau of Public Transportation is one of five distinct bureaus that operate within the Department of Transportation. The Bureau is responsible for all rail, transit and ridesharing activities, as follows:

#### **❖ Rails**

- ❖ New Haven Main Line – provides service from New Haven to the Connecticut/New York State border, and is operated by MTA Metro-North Railroad.
- ❖ New Haven Branch Lines – New Canaan, Danbury and Waterbury lines that merge into the New Haven main line, and are operated by MTA Metro-North Railroad.
- ❖ Shore Line East – provides service between New London and New Haven, and is operated by Amtrak.

#### **❖ Transit**

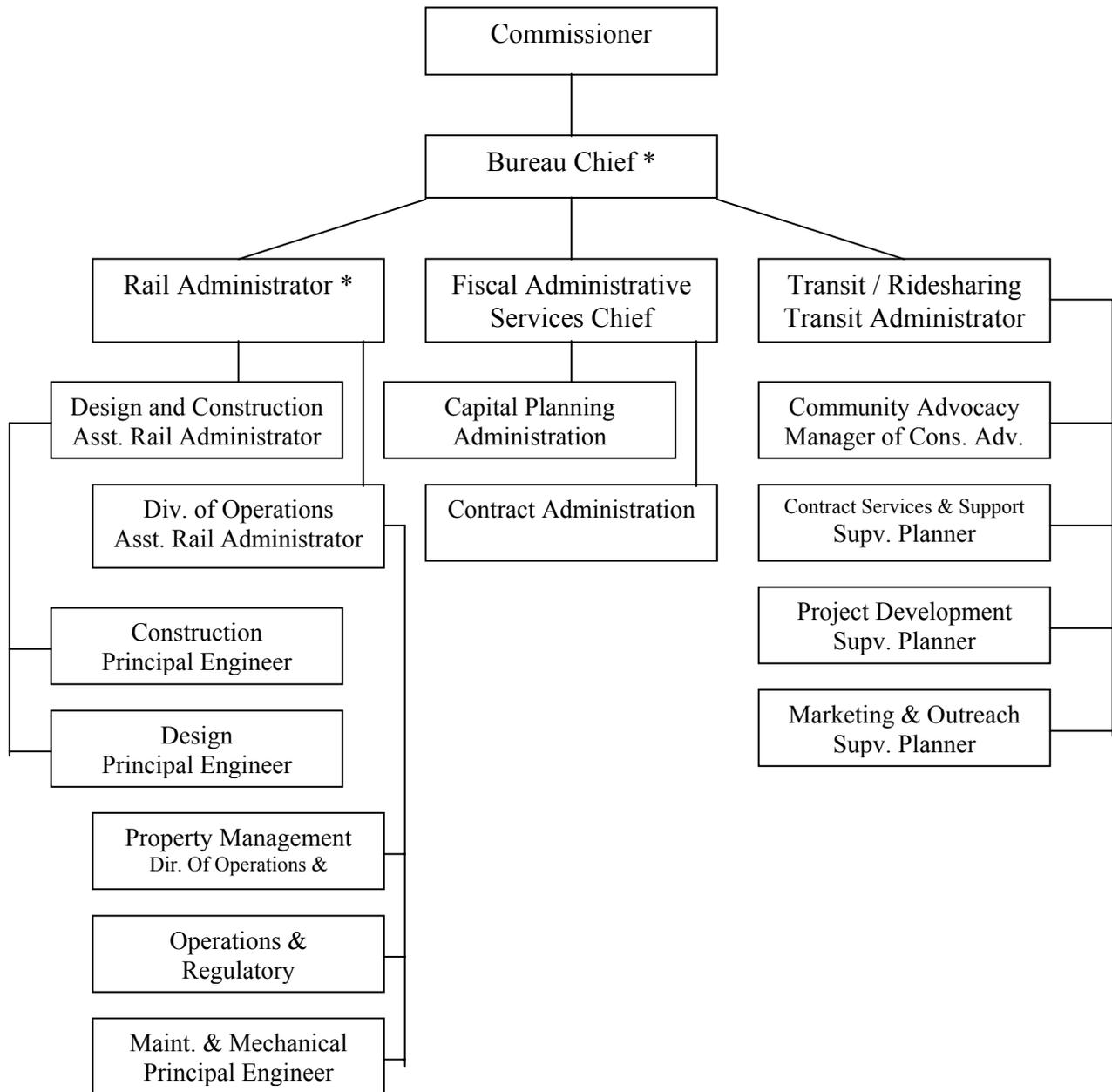
- ❖ CTTRANSIT – HNS Management, Inc. is under contract to operate the Hartford, New Haven and Stamford divisions.
- ❖ CTTRANSIT – North East Transportation Company is under contract to operate the Meriden/Wallingford and Waterbury divisions.
- ❖ CTTRANSIT – New Britain Transportation Company and DATTCO, Inc. are under contract to operate the New Britain/Bristol division.
- ❖ Transit Districts – 13 geographic transit districts contract with various private operators to provide service within their districts.

#### **❖ Ridesharing**

- ❖ Department sponsored non-profit organizations administer ridesharing programs.
- ❖ Department maintained park-and-ride parking area lots available for commuters participating in ridesharing.

**Organization:**

An organization chart for the Bureau of Public Transportation follows:



\* At the time of our review the Bureau Chief also served as the Rail Administrator.

There are approximately 90 Bureau of Public Transportation employees, approximately half of which are within the Office of Rails.

## RESULTS OF REVIEW

Our examination of operations within the Department of Transportation, Bureau of Public Transportation, disclosed matters of concern requiring disclosure and attention.

### **Item No. 1 – Contract Terms:**

*Background:* In November 1994 it was determined that the Department would have to take over the operations of the Bridgeport Transportation Center, due to the fact that the city of Bridgeport, in the Department’s opinion, was not maintaining or operating the station to a satisfactory degree. The Bureau of Public Transportation entered into a contractual relationship with a property management company for security and maintenance services. In May 2000 it was determined that the city of Stamford was not maintaining or operating the Stamford Transportation Center to a satisfactory degree, as well. At that time, the contract with the property manager was amended to include the Stamford Transportation Center.

*Criteria:* Contractual agreements are entered into between two parties to set terms and conditions. Such terms routinely describe the goods and/or services to be provided and the entities and locations to be served.

The subject contract was entered into for the Stamford and Bridgeport railroad stations for property management type services. According to Article 2 of the agreement, entitled “Scope of Work”, the contractor was/is responsible for security, maintenance and janitorial duties. Per Article 10, Section 2, of the contract, “the Contractor may secure the services of additional subcontractors or items of personal property ... to meet the security and maintenance requirements of this Agreement.” The Department and contractor clarified such terms in a written agreement, by specifically excluding capital expenditures and major repairs within the scope of services contracted for. More specifically, it was agreed that the “scope of services required for both Bridgeport and Stamford ... specifically excludes capital expenditures, major repairs and preexisting conditions.” This letter became an attachment to the agreement.

*Condition:* From April 2000 through July 2004, we noted that the property manager was reimbursed for 118 expenditures that appeared to be of a capital project nature. Of this amount, 13 exceeded \$100,000. Some examples follow:

- A \$1,301,310 renovation for interior wall paneling throughout the Stamford Transportation Center concourses and escalator areas in June 2000.

- A \$521,160 office renovation at the New Haven Union station in June 2003.
- A \$324,541 electrical upgrade and fixtures at the Stamford Transportation Center in June 2001.
- A \$276,239 generator (and installation) at the Stamford Transportation Center in September 2000.

*Effect:* The Department did not have a proper contract in place before it instructed its management company to administer capital projects. The contract between the Department and the management company was entered into for the Stamford and Bridgeport Transportation Centers only, and did not provide for services to be performed at the New Haven Union station. In addition, the contract expressly stated that the management company could only secure additional subcontractors for security and maintenance purposes.

*Cause:* A cause for this condition was not determined. The firm contracted with for security and maintenance services does not possess expertise in the area of capital projects.

*Recommendation:* The Department should not purchase goods and/or services that are not properly contracted for. Any contract that allows a vendor, such as the property management company noted above, to perform the duties of supervising capital projects, needs to be executed before such services are provided. (See Recommendation 1.)

*Agency Response:* “As you are aware, a Committee was convened within the Department on June 14, 2004, to examine the policies and practices of the Bureau. Additionally, the Governor requested that the Auditors of Public Accounts perform a special review of the Bureau.

The Department has devoted significant resources in conjunction and cooperation with the audit by the Auditors of Public Accounts.

The Department acknowledges the conditions reported in the referenced audits and concurs with the recommendations. The Department will continue to research the impact of the exceptions noted in the report and address same.”

**Item No. 2 – Misleading/Erroneous Invoices:**

*Background:* In order to generate payments to its property manager for administering capital projects, standard State invoices were prepared.

*Criteria:* Per Section 3-117, subsection (a), of the General Statutes, “Each claim against the state shall be supported by vouchers or receipts for the payment of any money exceeding twenty-five dollars at any one time, and an accurate account, showing the items of such claim, and a detailed account of expenses, when expenses constitute a portion of it, specifying the day when and purpose for which they were incurred.” Agencies are required to certify that the goods or services have been received/rendered.

The State of Connecticut utilizes invoices which document that certain goods/services have been received/performed, the amount of payment to be made, accounts and funds to be charged, as well as a narrative description of the goods and/or services provided. A proper description provides that Department staff, responsible for reviewing invoices before payment is made, may properly code expenditures and verify the propriety of such.

*Condition:* Our review of certain invoices disclosed that descriptions presented were erroneous and/or misleading. We noted seven invoices for capital project type expenditures for the New Haven Union railroad station that were described as being maintenance type expenditures at the Stamford railroad station. Examples of our observations follow:

- A May 2003 invoice for \$91,000 to advance funds for a New Haven Union Station renovation was described as, “Stamford Transportation Center. Perform cleanup of all external areas of the station garage, parking lot, and stairs including window cleaning, pressure washing and landscaping.”
- A November 2003 invoice for \$100,000 to advance funds for a New Haven Union railroad station renovation was described as, “Improvements to be performed at the Stamford Transportation Center.”
- A November 2003 invoice for \$75,000 to advance funds for a New Haven Union railroad station renovation was described as, “Perform improvements to areas at the Stamford Transportation Center.”

It should also be noted that authorization does not exist for advance payments to be made.

*Effect:* Payments made to reimburse the property manager for capital project expenses were not identified as such, as the payments

appeared to be for routine maintenance type items. This had the effect of concealing office renovations made at the New Haven Union railroad station.

*Cause:* We were informed that the property manager was instructed by Bureau of Public Transportation personnel to prepare descriptions of invoices that were not accurate.

*Recommendation:* The Bureau concealed payments for office renovations made to the New Haven Union railroad station by providing misleading/erroneous invoices. Invoices for goods and services should include an accurate description of the specific item received or service provided. Advance payments should not be made. (See Recommendation 2.)

*Agency Response:* See Response to Item #1.

**Item No. 3 – Bidding and Award Process Inconsistencies:**

*Background:* The Bureau of Public Transportation relied on its property manager to administer the process of bidding and awarding contracts for capital projects.

*Criteria:* Per Section 4a-57, subsection (a), of the General Statutes, all purchases are to be awarded under a competitive process. Further, “In the case of an expenditure which is estimated to exceed fifty thousand dollars, such notice shall be inserted, at least five calendar days before the final date of submitting bids or proposals, in two or more publications, at least one of which shall be a major daily newspaper published in the state and shall be posted on the Internet.”

*Condition:* Our review of the bid and award processes used for capital projects administered by the Bureau of Public Transportation through its property manager disclosed the following examples of inconsistencies:

- Our review of the 13 projects administered by the management company with each exceeding \$100,000, disclosed that a documented bid process was evident in only two instances. In one instance there was information on file that indicated that four interested parties bid on the project. In the other instance, it appeared that two parties bid on the project.
- For the capital project related to office renovations at the New Haven Union Station, the property manager did not advertise for proposals.

*Effect:* Bid and award requirements, established to encourage an open and fair process, were not followed.

*Cause:* A desire to complete projects in a more timely manner was cited as a reason that formal bid and award processes were not employed.

*Recommendation:* The Department should ensure a fair and open contracting process by using a formal bid and award process as required by Section 4a-57, subsection (a), of the General Statutes. (See Recommendation 3.)

*Agency Response:* See Response to Item #1.

**Item No. 4 – Management Fees:**

*Background:* The Department is under contract with a property management company for the Stamford and Bridgeport Transportation Centers.

*Criteria:* Entering into a contractual arrangement for services which is based on actual defined efforts is a good business practice which provides for an equal exchange of compensation for services rendered.

*Condition:* The contractual relationship entered into between the Department and the property manager of the Stamford and Bridgeport Transportation Centers provides that the property manager shall receive a fee of nine percent of expenditures processed by the property manager on behalf of those centers. We noted that in rare circumstances a four percent fee was charged.

*Effect:* There appears to be minimal efforts exerted by the management company for certain railroad station expenses that it processes, relative to the ultimate fees it receives. For example, utility charges approved by the management company are reviewed for reasonableness, and the company receives approximately \$30,000 annually for that simple task.

It was also noted that the management company received fees totalling \$20,846 for the office renovation project at the New Haven Union Station. The management company was under contract to manage the Stamford and Bridgeport Transportation Centers and had no discernable duties or responsibilities over the New Haven Union railroad station construction project.

Under this fee structure there is no incentive to operate efficiently. There is actually a disincentive, as management fees increase proportionately with expenses.

*Cause:* A cause for this condition was not determined. Provisions for payment were prescribed in the original agreement that was entered into in 1994.

*Recommendation:* The Department should enter into agreements that provide for compensation that is consistent with services provided. The contract entered into for property management services provides fees that are not consistent with actual services provided, as fees were simply based on an added percentage of operating expenses. Defined fees, for specific tasks and responsibilities, enhance justification for such expenses, and are easier to budget. (See Recommendation 4.)

*Agency Response:* See Response to Item #1.

**Item No. 5 – Contract for Property Management Services – Emergency Conditions:**

*Background:* The original contract for property management services at the Bridgeport Transportation Center was entered into on the grounds that “emergency conditions” existed. The supplemental agreement made to include the Stamford Transportation Center stated that emergency conditions existed at that station as well.

*Criteria:* Per Section 13b-4d of the General Statutes, the Commissioner may declare a state of emergency and employ, in any manner, such assistance required to restore any transit system or its facilities, equipment or service when the system is deemed by the Commissioner to be in an unsafe condition or when there is an interruption of services.

According to the contract between the Department and the property manager, the term of the agreement was through March 31, 2002. The contractor had/has the right, by mutual agreement, to extend the term for five additional successive one-year periods of time providing that emergency conditions continue to exist.

*Condition:* The Bureau of Public Transportation determined that “emergency conditions” at the Bridgeport Transportation Center existed in 1994 because the city of Bridgeport was not fulfilling its responsibility to maintain a safe and operable station. A similar determination was made for the Stamford Transportation Center in 2000.

As we inquired of improvements made at the Bridgeport and Stamford Transportation Centers, we were informed that electrical work performed at the facilities was performed under “emergency declaration.”

It was also noted that a number of agreements were entered into with transit (bus) operators, under Sections 13b-34 and 13b-35 of the General Statutes. Under those Sections, the Commissioner is empowered to contract if “express findings” have been made which have determined that a disruption of service would occur, and would be detrimental to the general welfare of the State. In essence, decisions were made to award operations to transit companies without advertising for proposals, as “express findings” had been made.

*Effect:*

While it could be argued that emergency conditions existed at the time that the Bridgeport Transportation Center contract and Stamford Transportation Center supplement were entered into, it is quite clear that the conditions were not of an emergency nature after operations had stabilized. As regards the electrical work performed, there were no conditions that warranted the work to be emergency in nature.

As concerns the agreements entered into with transit operators under the claim of an “express finding”, as described within Section 13b-35 of the General Statutes, we do not believe that the intent of the provision was to allow a circumvention of a competitive process unless there are specific conditions which warrant such.

*Cause:*

Bureau of Public Transportation staff were of the opinion that conditions at the two railroad stations were, and continued to be, emergency in nature.

*Recommendation:*

The Department should re-evaluate current conditions at the Stamford and Bridgeport Transportation Centers, and award a contract for property management services based on a formal bid and award process. Individual projects/improvements should also be awarded under a formal bid and award process. As concerns transit operations, the use of “express findings” under Section 13b-35 of the General Statutes, to avoid a competitive process, should not be used unless emergency conditions, which would jeopardize the operation of critical services, truly exist. (See Recommendation 5.)

*Agency Response:*

See Response to Item #1.

**Item No. 6 – Office of the Attorney General Contract Approval:**

- Background:* While the Office of the Attorney General routinely approves State contracts “as to form”, there are instances whereby assistance has been provided to the Department of Transportation related to the contracting process.
- Criteria:* The Department has a Contract Administration Unit which is responsible for reviewing and approving contracts that the Department is in the process of entering into. During that process a contract number is provided.
- Condition:* In September 1974, it was determined that the Office of the Attorney General could provide for approval of contracts indicating that the contracting process had been proper and that Contract Administration Unit review was not required.
- The Bureau of Public Transportation routinely used the above process to bypass the Contract Administration Unit review. It was noted that the above process was used to contract for property management services for the Shoreline East rail facilities and others.
- Effect:* Any input that could have been provided by the Contract Administration Unit, for contracts that were not forwarded to the Unit, was, therefore, not considered.
- Cause:* The action taken was apparently intended to provide for a more timely contracting process.
- Conclusion:* The Department, as of August 2004, discontinued the practice of bypassing the review and approval of proposed contracts by the Contract Administration Unit.

**Item No. 7 – Transportation Centers Parking Revenues – Audit Follow-up:**

- Background:* The property manager contracts with a parking operator for the Stamford and Bridgeport Transportation Center parking facilities. Revenues from the Bridgeport parking garage approximate \$45,000 per month. Revenues from the Stamford parking garage approximate \$200,000 per month.
- Criteria:* Per Article 7 of the agreement between the Department and the property manager, any subcontracts entered into by the property manager related to the parking garages provides that audits may be performed on related operations.
- Condition:* An “Agreed-Upon Procedures” engagement was performed by an Independent Public Accountant in June 2003. This review was performed to assist the Department and the property manager to understand parking revenue collections and accounting procedures,

operations, and internal controls of the Stamford Transportation Center parking garage, as they relate to operations of the parking garage operator. The report that was prepared as a result of the review presented some significant findings, as follows:

- Parking ticket stock could not be accounted for.
- Documented explanations/authorizations for overrides (“grace” or other “no payment” tickets) were not routinely available.
- A reconciliation between monthly parkers and the revenue derived was lacking.
- There was an unexplained drop in revenue between the months of October 2002 and February 2003. During that same period, there was a significant increase in “no charge” tickets.

We could not determine the substantive action taken to resolve issues raised in the audit report.

*Effect:* The above conditions had the effect of weakening internal controls over cash and Department revenues.

*Cause:* A cause for this condition was not determined.

*Recommendation:* The Department should request a corrective action plan from the parking garage operator and ensure that contemplated action is taken. Any conditions that could indicate that revenue may not be accounted for should be further investigated and resolved to the Department’s satisfaction. (See Recommendation 6.)

*Agency Response:* See Response to Item #1.

**Item No. 8 – Transportation Centers Parking/Lease Revenues – Bank Accounts:**

*Background:* Parking and lease revenues from the Stamford and Bridgeport Transportation Centers are deposited by the property manager and the parking operator that is under contract with the Department’s property manager.

*Criteria:* Per Section 4-33, subsection (a), of the General Statutes, “Any person, with the approval of the Treasurer and the Comptroller, may deposit any funds or moneys in such person’s hands belonging to the state or held by such person as a custodian or trustee ... provided such deposit shall only be made in such person’s name as an official of the state, custodian or trustee or in the name of the state.”

The State Accounting Manual requires that “Any account, be it a State account, petty cash, clearing account, agency, welfare, patient or inmate account, etc., must have prior written permission from both the Treasurer and Comptroller.”

The contract between the Bureau and the management company states that parking fee and lease revenues are to be deposited by the management company into a separate account as trustee for the State.

*Condition:* Bank accounts for the deposit of parking and lease revenues at the Stamford and Bridgeport Transportation Centers were established with the management company as the sole account holder. Our review disclosed that withdrawals did not correspond with authorizations. Periodic withdrawals made by the property management company were made as a “sweep” into other accounts in the sole custody of the property management company, and had the effect of leaving an insignificant balance in the account. As such, a constant receivable/payable was created which was not readily known or reconciled by the Bureau.

Bank statements related to the above accounts, for the period of April 2000 through July 2001, had not been located at the time we concluded our field work (September 2004).

*Effect:* The above conditions had the effect of weakening internal controls over cash and Department revenues.

*Cause:* As noted above, the contract between the property manager and the Department provided that bank accounts established for parking revenues were to be placed in the name of the property manager with the State as trustee. The exclusion of the State as trustee on the accounts was not questioned.

*Recommendation:* The Department should ensure that required bank statements and records are obtained, and determine the amount due to/from the property manager, after reconciling authorized reimbursable expenses and actual draws. (See Recommendation 7.)

*Agency Response:* See Response to Item #1.

#### **Item No. 9 – Transportation Centers Parking/Lease Revenues – Netting of Expenditures:**

*Background:* As noted above, parking and lease revenues from the Stamford and Bridgeport Transportation Centers were deposited by the property manager and the parking operator that is under contract with the Department’s property manager.

- Criteria:* The State of Connecticut has an accounting system which recognizes all funds deposited to and expended from State accounts. To accurately report on Bureau revenues and expenditures, such revenues and expenditures should not be “netted.” Budgetary control should be exercised, in that funds are appropriated and allotted before being expended.
- Condition:* The property manager deposited parking revenues in a bank account as the sole account holder. The resources of these accounts were used for railroad station expenses. The property management company periodically received “authorizations” by Bureau of Public Transportation staff to withdraw funds for its fees and reimbursement of expenses, from this same bank account.
- Effect:* The process employed did not allow for the recognition of all revenues and expenditures, as the amounts were, in essence, netted against each other. That is, the State accounting system could not capture revenue and expenditure information, since the transactions were administered through accounts that were not identified. Bureau revenues and expenditures were understated, as a result. The amount of revenues collected at the Bridgeport and Stamford Transportation Centers and ultimately expended is approximately \$3,000,000 per year. Had this condition continued to exist, revenues, deposited as parking and lease revenues, reported by the Bureau and State would have continued to be understated by that amount. Expenditures, representing amounts to operate the centers and property management company fees, would have been understated by that same amount as well. Budgetary control did not exist, since amounts were not appropriated or allotted.
- Cause:* The contract between the property manager and the Department provided that bank accounts established for parking revenues were to be placed in the name of the property manager with the State as trustee. The exclusion of the State as trustee on the accounts was not questioned. As such, amounts were not recognized or reported within the State’s accounting system.
- Conclusion:* The Department has taken action to identify bank accounts, and is in the process of reconciling such accounts and accounting for Department revenues. Amounts will now be recognized within the State’s accounting system.

**Item No. 10 – Leasing of Property:**

- Background:* The Bureau of Public Transportation leases certain realty that is owned by the Department of Transportation but not being utilized, as well as some retail sites located within its facilities. There are approximately 450 leases which the Bureau has entered into as lessor.

- Criteria:* Within its procedures manual, policies concerning the leasing of property by the Bureau of Public Transportation are presented. For proposed leases that have an annual rental value of \$12,000 or less, a rental value justification is to be prepared based on available market data. For proposed leases that exceed \$12,000, appraisal reports are to be obtained.
- Condition:* Our review of leasing within the Bureau of Public Transportation disclosed that of 23 leases examined, 19 did not have sufficient support to justify the lease amounts determined.
- Effect:* Policies concerning information required to justify determined lease amounts are not being complied with.
- Cause:* The Bureau does not have sufficient resources to properly administer leasing activities. The Department has a Rights of Way Unit that administers a significant number of leases for the Bureau of Engineering and Highways, which is staffed with a number of appraisers and property agents. As we were concluding our review, we requested that the Unit further review the leases we examined, and to perform appraisals where appropriate.
- Recommendation:* For realty leased by the Bureau, justification in the form of available market data and appraisal reports, when required, should be obtained to support determined lease values. The Department should consider placing all leasing activities within the Rights of Way Unit. (See Recommendation 8.)
- Agency Response:* See Response to Item #1.

**Other Matter:**

We have reviewed certain information provided as part of a whistleblower complaint entitled “New Haven Railroad Station Office Renovations” which relates to certain operations of the Bureau of Public Transportation. Our conclusions have been reported to the Office of the Attorney General, in accordance with Section 4-61dd of the General Statutes.

## RECOMMENDATIONS

The following recommendations are presented as a result of our review of the Department of Transportation, Bureau of Public Transportation:

- 1. The Department should not purchase goods and/or services that are not properly contracted for. Any contract that allows a vendor, such as the property management company noted above, to perform the duties of supervising capital projects, needs to be executed before such services are provided.**

Comment:

The Department entered into contracts with a vendor to provide property management services at the Bridgeport and Stamford Transportation Centers. Services were limited to those of a maintenance or security type, and it was expressly agreed that capital projects were not to be administered. There are no provisions in the contracts to provide for services to be performed at the New Haven Union station.

From April 2000 through July 2004, we noted that the property manager was reimbursed for 118 expenditures that appeared to be of a capital project nature. Of this amount, 13 exceeded \$100,000 each, and included improvements at the New Haven Union station.

- 2. The Bureau concealed payments for office renovations made to the New Haven Union railroad station by providing misleading/erroneous invoices. Invoices for goods and services should include an accurate description of the specific item received or service provided. Advance payments should not be made.**

Comment:

Our review of certain invoices disclosed that descriptions presented were erroneous and/or misleading. We noted seven invoices for capital project type expenditures for the New Haven Union railroad station that were described as being maintenance type expenditures at the Stamford railroad station. Three of the invoices, totaling \$266,000, represented advance payments for the New Haven station project.

- 3. The Department should ensure a fair and open contracting process by using a formal bid and award process as required by Section 4a-57, subsection (a), of the General Statutes.**

Comment:

Our review of the bid and award processes used for capital projects administered by the Bureau of Public Transportation through its property manager disclosed that of 13 projects administered that each exceeded \$100,000, a documented bid process was evident in only two instances.

4. **The Department should enter into agreements that provide for compensation that is consistent with services provided. The contract entered into for property management services provides fees that are not consistent with actual services provided, as fees were simply based on an added percentage of operating expenses. Defined fees, for specific tasks and responsibilities, enhance justification for such expenses, and are easier to budget.**

Comment:

The contractual relationship entered into between the Department and the property manager of the Stamford and Bridgeport Transportation Centers provides that the property manager shall receive a fee of nine percent of expenditures processed by the property manager on behalf of those centers. Under this fee structure there is no incentive to operate efficiently. Further, there are certain expenses of the centers for which the management company exerts minimal efforts related to such expenses, but receives the nine percent fee.

5. **The Department should re-evaluate current conditions at the Stamford and Bridgeport Transportation Centers, and award a contract for property management services based on a formal bid and award process. Individual projects/improvements should also be awarded under a formal bid and award process. As concerns transit operations, the use of “express findings” under Section 13b-35 of the General Statutes, to avoid a competitive process, should not be used unless conditions, which would jeopardize the operation of critical services, truly exist.**

Comment:

The Bureau of Public Transportation determined that “emergency conditions” at the Bridgeport Transportation Center existed in 1994 because the city of Bridgeport was not fulfilling its responsibility to maintain a safe and operable station. A similar determination was made for the Stamford Transportation Center in 2000.

As we inquired of improvements made at the Bridgeport and Stamford Transportation Centers, we were informed that electrical work performed at the facilities was performed under “emergency declaration.”

It was also noted that a number of agreements were entered into with transit (bus) operators, under Sections 13b-34 and 13b-35 of the General Statutes. Under those Sections, the Commissioner is empowered to contract if “express findings” have been made which have determined that a disruption of service would occur, and would be detrimental to the general welfare of the State. In essence, decisions were made to award operations to transit companies without advertising for proposals, as “express findings” had been made.

6. **The Department should request a corrective action plan from the parking garage operator and ensure that contemplated action is taken. Any conditions that could indicate that revenue may not be accounted for should be further investigated and resolved to the Department's satisfaction.**

Comment:

An "Agreed-Upon Procedures" engagement was performed by an Independent Public Accountant in June 2003. This review was performed to assist the Department and the property manager to understand parking revenue collections and accounting procedures, operations, and internal controls of the Stamford Transportation Center parking garage, as they relate to operations of the parking garage operator.

The report that was prepared as a result of the review presented some significant findings, which indicate that internal controls over revenues are not adequate and that any loss may not be detected by management within a timely period. We could not determine the substantive action taken to resolve issues raised in the audit report.

7. **The Department should ensure that required bank statements and records are obtained, and determine amounts due to/from the property manager after reconciling authorized reimbursable expenses and actual draws.**

Comment:

Bank accounts for the deposit of parking and lease revenues at the Stamford and Bridgeport Transportation Centers were established with the management company as the sole account holder. Our review disclosed that withdrawals did not correspond with authorizations. Periodic withdrawals made by the property management company were made as a "sweep" into other accounts in the sole custody of the property management company, and had the effect of leaving an insignificant balance in the account. As such, a constant receivable/payable was created which was not readily known or reconciled by the Bureau.

Bank statements related to the above accounts, for the period of April 2000 through July 2001, had not been located at the time we concluded our field work (September 2004).

- 8. For realty leased by the Bureau, justification in the form of available market data and appraisal reports, when required, should be obtained to support determined lease values. The Department should consider placing all leasing activities within the Rights of Way Unit.**

Comment:

The Bureau of Public Transportation leases certain realty that is owned by the Department of Public Transportation but not being utilized, as well as some retail sites located within its facilities. There are approximately 450 leases which the Bureau has entered into as lessor.

Within its procedures manual, policies concerning the leasing of property by the Bureau of Public Transportation are presented. For proposed leases that have an annual rental value of \$12,000 or less, a rental value justification is to be prepared based on available market data. For proposed leases that exceed \$12,000, appraisal reports are to be obtained. Our review of leasing within the Bureau of Public Transportation disclosed that of 23 leases examined, 19 did not have sufficient support to justify the lease amounts determined.

**CONCLUSION**

In conclusion, we wish to express our appreciation for the courtesies and assistance extended to our representatives by the personnel of the Department of Transportation, during this review.

John A. Rasimas  
Principal Auditor

Approved:

Kevin P. Johnston  
Auditor of Public Accounts

Robert G. Jaekle  
Auditor of Public Accounts