

LAC

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# A Review of Transportation Services Provided by State Agencies

**M**embers of the General Assembly requested that we conduct a review of state agencies that provide transportation to their clients. These agencies transport their clients to and from medical appointments, work sites, and day treatment programs.

We were asked to determine costs incurred by the agencies and to develop a formula for them to use in calculating their transportation costs. We were also asked to examine the agencies' use of professional staff (those whose duties do not primarily involve driving) to transport clients. In addition, we reviewed functions of the South Carolina Department of Transportation's (SCDOT) mass transit division. The division is responsible for coordinating, developing, and administering general mass transit programs for the state. We made recommendations regarding transportation cost issues, the coordination of transportation services, and SCDOT operations.

## TRANSPORTATION COST ISSUES

### CALCULATION OF COSTS

Our review found that state agencies generally do not know the full extent of their client transportation costs, and do not track costs as a separate item. Without accurate cost data, the state cannot make informed decisions about the cost effectiveness of providing services directly as compared to contracting for transportation services.

We reviewed transportation operations at five agencies.

Department of Social Services (DSS)

Department of Health and Human Services (HHS)

Department of Vocational Rehabilitation (VR)

Department of Mental Health (DMH)

Department of Disabilities and Special Needs (DDSN)

- # DSS staff could not provide complete data on transportation costs. According to agency officials, "... the agency has no funding specifically appropriated for transportation and, it is difficult ... to distinguish costs for transportation alone."
- # VR staff does not include expenditures such as insurance, maintenance and gas in its transportation costs.
- # Neither DMH nor DDSN maintain transportation data at the state level.

ESTIMATED TRANSPORTATION COSTS	
AGENCY	COSTS
DSS	\$2,600,000
VR	1,286,000
DMH	3,000,000
DDSN	8,800,000
HHS	23,000,000
<b>TOTAL</b>	<b>\$38,686,000</b>

Source: State agency data.

Although these agencies were not able to provide their exact costs, we were able to identify a minimum of \$38.7 million spent on client transportation by the agencies in FY 98-99.

We concluded that the SCDOT has made little effort to determine agency transportation costs. Since at least 1996, state agencies have been aware of problems with tracking transportation costs. State provisos dating back to 1996 have required SCDOT to collect cost data from transportation providers who receive state and state-administered funds. According to SCDOT officials, the agency has provided training to some agencies on identifying costs. However, complete data on how much the state is spending for client transportation services is still not available.

## COST FORMULA

We recommend that the South Carolina Department of Transportation implement a full cost resource allocation method to calculate agency transportation costs with input from state agencies that provide transportation services. This method considers all costs associated with client transportation, including those not actually incurred by the agency such as donated equipment and volunteer drivers. SCDOT should consider agency service requirements such as client travel time and vehicle usage data in implementing the cost formula. Service requirements may directly impact transportation costs while incorrect usage data can result in inaccurate cost per mile figures.

In January 2002, SCDOT should issue a report to the House Education and Public Works Committee and the Senate Transportation Committee on its progress in developing and implementing a full resource cost allocation formula.

FACTORS GENERALLY CONSIDERED IN A FULL COST RESOURCE ALLOCATION METHOD	
LABOR	Costs such as drivers' salaries are considered the single largest transportation expenditure.
FRINGE BENEFITS	The cost of insurance and other benefits for personnel driving clients.
ADMINISTRATIVE OVERHEAD	Time spent by personnel supervising transportation operations.
GAS, OIL, AND TIRES	These items combined account for approximately 16% of the total transportation costs.
CAPITAL COSTS	The cost to replace vehicles.
MAINTENANCE	The costs of vehicle upkeep.
INSURANCE	The cost to insure vehicles used for client transportation.

## LOCAL OFFICES

In a sample of three counties, we found that local offices of the agencies that we reviewed have not considered all transportation costs when selecting providers. These offices differ in their reimbursement rates for the use of personal vehicles and in the methods they use to bill transportation costs.

### Reimbursement Rate

The rate at which agencies reimburse individuals for the use of their personal vehicles varies both among and within agencies. For example, the Spartanburg VR training center has four travel zones and the personal reimbursement rate ranges from \$1 to \$5 per trip. The Marlboro VR training center has five travel zones and the personal reimbursement rate varies from \$3 to \$7 per trip.

When rates differ among offices, agencies may be paying more than necessary for transportation, or they may be understating their actual transportation costs. To ensure that clients are treated in an equitable manner, state agencies should work with their local offices to establish a standard rate for reimbursement of personal vehicles.

### Billing Methods

The most common transportation billing methods are:

Passenger mile — taking one passenger one mile in a vehicle.

Vehicle mile — driving a vehicle one mile, regardless of the number of passengers on board.

Vehicle hour — a vehicle used for transportation service for one hour.

# The VR training center in Florence county bills for transportation at 65¢ using *passenger miles*; the Sumter center bills transportation at 72¢ per *vehicle mile*; and the Hartsville center bills transportation at \$36 per *vehicle hour*.

# One outside contractor provides services to all five of the agencies that we reviewed. These agencies use three different billing methods. One method is based on the cost of a one-way trip.

Varying methodologies make cost comparisons difficult and may result in higher costs. To ensure that transportation costs are calculated on a more consistent and accurate basis, state agencies should develop a standardized billing unit and system for transportation providers.

## USE OF STAFF AS DRIVERS

We examined the use of staff whose duties do not primarily involve driving, but who are used to transport clients. While we found that several agencies allow their staff to transport clients, some agencies do not know the extent that staff is used to drive clients. Also, the use of staff differs among local offices of the same agency. For example, while some DSS and DDSN offices use staff as drivers, others do not.

In an effort to accurately account for transportation costs, state agencies should include the cost of using staff as drivers when calculating transportation costs. Where feasible, agencies should make greater use of full-time drivers or contract with private providers to transport clients.

## COORDINATION OF TRANSPORTATION SERVICES

### SCDOT COORDINATION EFFORTS

SCDOT has not complied with requirements that it take the lead in coordinating state transportation services. We concluded that there has been little coordination of services on a statewide basis. The lack of coordinated services may result in higher transportation costs. Therefore, it is possible that many people who need transportation may not receive it.

For example, agency staff has not analyzed the results of five demonstration projects which were to be used by the Department of Transportation to develop a statewide model coordination program.

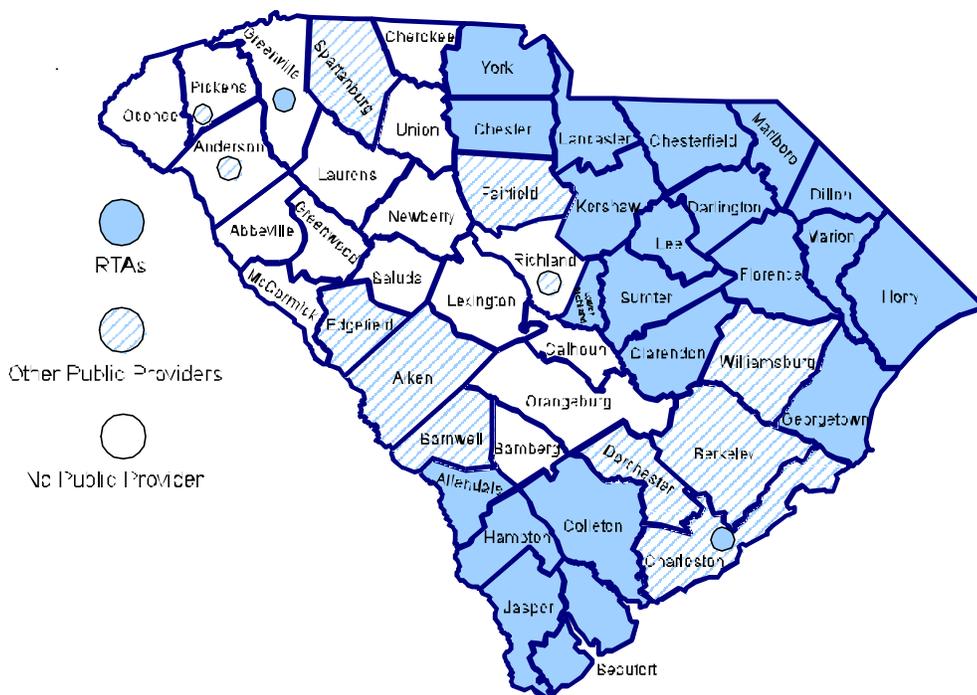
SCDOT has not collected cost data from transportation providers as required by state law. In addition, the agency has not taken advantage of opportunities to develop standards needed to coordinate transportation services.

In Florida, North Carolina, and Iowa, coordination of services begins at the local level and allows for penalties against providers who do not promote coordination efforts. We recommend that the Department of Transportation review coordination structures in these and other states and work with local entities to determine what practices may be beneficial in South Carolina.

### RTA STRUCTURE

### Public Providers in South Carolina

We examined the benefits of a statewide transportation authority as compared to the present regional transportation authorities (RTAs). In South Carolina, the 6 RTAs along with 11 other providers receive funding from SCDOT and furnish public transportation services. Nevertheless, South Carolina does not have transportation coverage in every county. Based on available information, we were unable to determine whether a statewide transportation authority would benefit the state. However, we recommend that the Department of Transportation work with the 17 public providers to ensure transportation coverage in every county.



RTAs and other providers furnish limited transportation coverage in some counties. Source: SCDOT

# SCDOT OPERATIONS

## OVERSIGHT OF FEDERAL FUNDS

An April 2000 Federal Transit Administration (FTA) audit found that SCDOT's mass transit division had not adequately monitored the expenditure of funds disbursed by FTA to SCDOT for local providers. For example, the FTA found that the department awarded one provider \$235,204 for rural service over a three-year period when the provider did not offer this service. Following the FTA review, SCDOT recouped and redistributed these funds to other providers.

We concluded that inadequate monitoring by the department may be due to its focus on a programmatic rather than a financial review of transportation providers. SCDOT should update its policies and procedures to include a financial review of providers receiving rural service funds.

## MASS TRANSIT OBJECTIVES

SCDOT has established four primary objectives for the mass transit division related to improvement and expansion of transportation modes in South Carolina. As of April 2000, only one of these four objectives had been reached. The other three objectives had not been reached and their projected completion dates had been revised.

## EMPLOYEE QUALIFICATIONS

Three (20%) of the 15 employees in SCDOT's mass transit division do not meet the minimum education requirements for the positions they hold. We also found that SCDOT does not require documentation to verify applicant or employee educational credentials. Documentation of required training was found in only 1 of 15 cases reviewed.

## RURAL SERVICE FUNDS

From FY 97-98 to FY 00-01, SCDOT awarded public providers approximately \$7.5 million based on data reported by the providers themselves. The agency's reliance upon unverified self-reported information provides minimal assurance that data is accurate.

## RTAP FUNDS

State transportation agencies like SCDOT receive yearly Rural Transportation Assistance Program (RTAP) funds to design and implement training, technical assistance and support services for providers in rural areas. As of April 2000, SCDOT had used only \$12,328 of \$285,173 (4%) of the RTAP funds allocated from FY 96-97 to FY 98-99.

Because the department did not use the RTAP funds, the FTA withheld additional RTAP allocations amounting to \$208,081 from SCDOT. We recommend that SCDOT improve its use of RTAP funds for training.

SCDOT RTAP FUNDS AS OF APRIL 2000			
FISCAL YEAR	FUNDS		
	ALLOCATED	EXPENDED	BALANCE
96-97	\$94,272	\$12,328	\$81,944
97-98	94,196	0	94,196
98-99	96,705	0	96,705
<b>TOTAL</b>	<b>\$285,173</b>	<b>\$12,328</b>	<b>\$272,845</b>

Source: Federal Transit Administration audit.



This document summarizes our full report, ***A Review of Transportation Services Provided by State Agencies***. Responses from state agencies are included in the full report. All LAC audits are available free of charge. Audit reports and information about the LAC are also published on the Internet at [www.state.sc.us/sclac](http://www.state.sc.us/sclac). If you have questions, contact George L. Schroeder, Director.