



EXECUTIVE SUMMARY
Guam Regional Transit Authority Procurement and
Billing of Public Transit Service
OPA Report No. 18-01, February 2018

Our audit of the Guam Regional Transit Authority's (GRTA) found that the procurement for the outsourced management and operations of public transit services did not comply with applicable laws and regulations and GRTA's billing review was inadequate to identify overcharges. Specifically, the multi-step bid (MSB) procurement record was incomplete and inadequate to support the sole-source contract awarded to the vendor. In addition, there was no formal contract that defined the specifications and deliverables for the management and operations of the public transit system.

We found that GRTA did not diligently review invoices against daily manifests and depended on contractor-provided invoices. As a result, we found: (1) the daily manifests did not have sufficient information to justify billed hours for fixed route services; (2) 374 hours or \$23,246 were overbilled, for paratransit services; (3) \$350,260 in unauthorized charges of contractor-provided equipment for paratransit and fixed route services; and (4) \$217,450 in charges that exceeded the amounts authorized in purchase orders (POs).

Procurement of Public Transit Services

In January 2017, GRTA began a three-year agreement with the vendor for the management and operations of Guam's public transit system. GRTA negotiated hourly rates of \$50.93 for fixed route services and \$51.42 for paratransit services with the use of GRTA-provided equipment. This contract ended a more than decade-long month-to-month service contract for public transit service operations. However, we found the procurement record to be incomplete and insufficient to support the sole-source contract awarded to the vendor. The files did not include any record of meetings that related to the procurement, any sound recordings of any meetings to discuss the procurement, or any written justification for transitioning from a multi-step bid to a sole-source.

No Formal Contract for Public Transit Services

Contracts represent a tool that parties use to safeguard their resources. There was no formal contract for the management and operations of public transit services between GRTA and the vendor. Instead, GRTA relied on three POs issued by the General Services Agency (GSA) to carry out the services. For a public service costing substantial annual amounts (\$4.0 million (M) in FY 2017, \$3.5M in FY 2016, and \$3.9M in FY 2015), a formal contract with the Office of Attorney General's (OAG) guidance, is necessary to establish rates for services, state expectations of parties, and resolve any negative situations.

Insufficient Information to Support Fixed Route Billing

There was no time-related information in the fixed route daily manifests to support hours charged for fixed route billings. For example, a semimonthly invoice for fixed route services indicated 1,652.5 hours, or \$102,485; however, the daily manifests had no indication of actual start and end times to support exactly how many hours were provided for bus services.

Overbilling for Paratransit Services

Our testing of two semimonthly invoices (October 1-15, 2016 and July 1-15, 2017) found that the vendor overbilled GRTA by 374 hours or \$23,246 for paratransit services. Before GRTA submitted the invoices to the Department of Administration for payment processing, GRTA merely matched the invoices to attached summary sheets. Our testing included comparing these invoices and summary sheets to the daily manifests.

The invoices were not regularly reviewed between August 2015 and March 2017. GRTA officials explained that they resumed invoice verification against the daily manifests in March 2017. Since resuming verification, GRTA has not identified any billing errors. In addition, GRTA did not find the overbilled hours that we identified in this audit.

Unauthorized Charges for Public Transit Services

The FY 2017 POs for specified hourly rates of \$50.93 for fixed route services and \$51.42 for paratransit services. We noted the invoices from January 2017 through September 2017 included hourly charges for contractor-provided equipment for fixed route services at \$73.33 and paratransit services at \$73.74. Although these contractor-provided equipment hourly rates were part of the vendor's price proposal sheet from their bid submission, these rates were not specified in the purchase orders. Therefore, we questioned \$350,260 in unauthorized charges.

We also compared the vendor invoices against the three POs and supplemental POs issued and found \$217,450 in charges that exceeded the authorized PO amounts. This occurred because GRTA did not monitor the balances as invoices were received.

Conclusion and Recommendations

The procurement record for the management and operations of the public transit services was incomplete and could not support the sole-source awarding to the vendor, and a formal contract was not issued. In addition, GRTA management did not perform its due diligence when reviewing and approving. As a result, GRTA was overbilled and overcharged.

We recommend the GRTA Executive Manager: (1) work with the Attorney General's (AG) office to formalize a contract with the vendor; (2) formalize a review process for contractor-provided invoices to ensure accuracy of hours charged; and (3) seek clarification from the AG's office on the appropriateness of charges for contractor-provided equipment. We also recommend the GSA Chief Procurement Officer to direct staff to prepare the necessary documentation to complete the procurement record, including the justification of the sole-source award.

GRTA management disagreed with our findings on the incomplete procurement file, overbilling for paratransit services, and unauthorized charges. GSA also disagreed with our finding on the incomplete procurement file. Due to reasons stated in the report, these findings remain.



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