

PERFORMANCE AUDIT REPORT

Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

October 2023



Commonwealth of Pennsylvania
Department of the Auditor General

Timothy L. DeFoor • Auditor General

This page left blank intentionally



Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018
Facebook: Pennsylvania Auditor General
Twitter: @PAAuditorGen
www.PaAuditor.gov

TIMOTHY L. DEFOOR
AUDITOR GENERAL

October 13, 2023

Mr. Jeffrey W. Letwin, Esq.
Board Chairperson
Port Authority of Allegheny County
d/b/a Pittsburgh Regional Transit
Heinz 57 Center
345 Sixth Avenue, Third Floor
Pittsburgh, PA 15222

Ms. Katharine Kelleman
Chief Executive Officer
Port Authority of Allegheny County
d/b/a Pittsburgh Regional Transit
Heinz 57 Center
345 Sixth Avenue, Third Floor
Pittsburgh, PA 15222

Dear Chairperson Letwin and CEO Kelleman:

This report contains the results of the Department of the Auditor General’s performance audit of the Port Authority of Allegheny County d/b/a Pittsburgh Regional Transit (PRT). Our audit period was July 1, 2019, through June 30, 2022, unless otherwise noted, with updates where applicable through the report date. This performance audit was conducted pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act, which states that “[i]n addition to any audits or financial statements required by the county, State or Federal Government, the authority shall be subject to...[a] performance audit...at least once every four years ...[by the Department to]...review the procedures and audit, settle and adjust the accounts of the authority.” See 55 P.S. § 553.2(a)(1) (added by Act 76 of 1986). To fulfill the financial aspects of this mandate, we relied on the work of PRT’s independent external accounting firm and reviewed the firm’s working papers for the three-year period July 1, 2019, through June 30, 2022.

The audit was performed in accordance with generally accepted *Government Auditing Standards*, issued by the Comptroller General of the United States.¹ Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision Technical Update April 2021.

Our audit included the following two objectives:

- Determine the financial impact of the COVID-19 pandemic on PRT's revenues and expenditures.
- Evaluate PRT's strategies and efforts to sustain operations through for example, effective planning, as well as updating or adding new directives, policies, and procedures to meet its needs.

Our methodology to satisfy these audit objectives, along with our evaluation of management's internal controls significant to these audit objectives, is included in *Appendix A* of this report. This report presents **two findings** and nine recommendations.

As discussed in *Finding 1*, we found that the pandemic did not notably impact PRT's expenditures; however, it resulted in significantly reduced ridership and passenger revenue forcing PRT to rely on federal stimulus funds to sustain its operations. PRT projects that it will have exhausted federal stimulus funds by fiscal year end June 30, 2024, and deferred revenue funds planned to close any budget gaps after the stimulus funds run out will be depleted by fiscal year end June 30, 2028. Unless ridership and passenger revenue rebound, PRT will not be able to sustain its current operations as of fiscal year end June 30, 2028, which will result in PRT needing to make service decisions. We also found PRT is facing challenges in recruiting and retaining operators, which negatively impacts bus route availability and on-time performance.

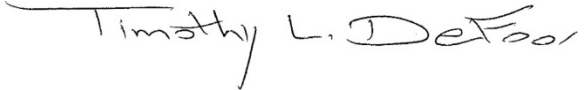
In *Finding 2*, we found that although PRT has implemented strategies to sustain its operations and meet rider needs, challenges remain because of evolving ridership trends. PRT developed short-term and long-term plans that contained key components which aligned with peer transit agencies and industry standards; however, PRT did not have formalized monitoring procedures in place for these newly developed plans. We also found PRT prioritized completing a bus network redesign to align its services to meet the current needs of the community. However, since the bus network redesign will not be completed until 2025 and implementation of those results could take additional years, PRT should continue to make necessary changes to its services to ensure future sustainability.

We also conducted procedures to determine the status of the prior audit findings and implementation of the related recommendations contained in the audit report released in December of 2018. Based on the results of our procedures, PRT provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider all three prior audit findings to be resolved.

Mr. Jeffrey W. Letwin, Esq.
Ms. Katharine Kelleman
October 13, 2023
Page 3

In closing, we thank PRT for its cooperation and assistance during the audit. PRT is in agreement with the findings and has indicated it is working on implementing our recommendations. Additional follow up will occur during the next mandated audit of PRT to determine whether and to what extent the recommendations have been implemented.

Sincerely,

A handwritten signature in black ink that reads "Timothy L. DeFoor". The signature is written in a cursive style with a horizontal line extending to the left of the first letter.

Timothy L. DeFoor
Auditor General

A Performance Audit

**Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit**

TABLE OF CONTENTS

Executive Summary..... 1

Introduction and Background..... 4

Finding One: The COVID-19 pandemic had adverse impacts on operations, and unless ridership rebounds, Pittsburgh Regional Transit may face difficulty when its federal stimulus funds and deferred revenue are depleted.....14

Recommendations.....21

Finding Two: Pittsburgh Regional Transit has implemented strategies to continue current operations, but future sustainability challenges remain because of evolving ridership trends.....23

Recommendations.....29

Financial-Related Mandate, Procedures, and Results 31

Status of Prior Audit Findings 33

Pittsburgh Regional Transit’s Response and Auditor’s Conclusion38

Appendix A – Objectives, Scope, Methodology, and Data Reliability46

Appendix B – Pittsburgh Regional Transit’s Detailed Revenues and Expenditures.....56

Appendix C – NEXTransit Plan Projects and Policies and Programs58

Appendix D – Distribution List.....61

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Executive Summary

This report presents the results of our performance audit of the Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit (PRT), which is the second largest public transportation system in Pennsylvania. Our performance audit included the following two objectives:

Objective 1: Determine the financial impact of the COVID-19 pandemic on PRT's revenues and expenditures.

Objective 2: Evaluate PRT's strategies and efforts to sustain operations through for example, effective planning, as well as updating or adding new directives, policies, and procedures to meet its needs.

The audit period was July 1, 2019, through June 30, 2022, unless otherwise noted, with updates where applicable through the report date. We also conducted procedures to determine whether PRT implemented recommendations from our prior performance audit report dated December 6, 2018.

Our audit results are contained in two findings with nine recommendations. PRT agreed with our recommendations, as further elaborated in the *PRT's Response and Auditor's Conclusion* section of this report.

Finding 1 – The COVID-19 pandemic had adverse impacts on operations, and unless ridership rebounds, Pittsburgh Regional Transit may face difficulty when its federal stimulus funds and deferred revenue are depleted.

We reviewed PRT's revenues and expenditures during the audit period to measure the impact of the pandemic on PRT's financial position. We found that PRT's second largest source of revenue, ridership revenue, significantly declined during the audit period due to the pandemic, which forced PRT to rely on temporary stimulus funds to subsidize the loss of ridership revenue.

- Ridership decreased by 31.7 million rides, or nearly 50 percent, during the audit period.
- Passenger revenue decreased \$45 million, or 45 percent, during the audit period.
- PRT projects it will exhaust the \$502.5 million received in combined federal stimulus funds by fiscal year end June 30, 2024.
- PRT will use approximately \$350 million of deferred revenue to close any budget gaps after the stimulus funds run out, but PRT projects that this money will be depleted during the fiscal year end June 30, 2028, leaving PRT with a deficit at that time.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

We also found that PRT's expenses remained consistent during the audit period and were not notably affected by the pandemic. Finally, operator staffing challenges have resulted in PRT reducing its service as issues arose with cancelled service hours. Specifically, we found the following:

- PRT's operator shortage of combined bus and rail vacancies is approximately 18 percent below its budgeted complement as of June 30, 2023.
- From January 2022 through June 2022, PRT averaged approximately 5,500 hours of cancelled services per month, as opposed to just 250 hours per month from January 2019 to June 2019.

Overall, PRT will have to make decisions on how to increase ridership and/or adjust service levels to align with post-pandemic ridership demands, while simultaneously dealing with staffing shortages. Our recommendations are aimed at PRT's need to increase ridership, maintain financial sustainability, and continue recruitment and retention efforts.

Finding 2 – Pittsburgh Regional Transit has implemented strategies to continue current operations, but future sustainability challenges remain because of evolving ridership trends.

We reviewed PRT's planning efforts and strategic plans aimed at helping PRT to sustain operations. We found that PRT has implemented certain strategies to continue current operations, but future challenges remain because of evolving ridership trends. PRT's strategies include a name rebranding project, creating a short-term 5-year strategic plan and a 25-year long-range transportation plan, and investing approximately \$1.5 million for a bus network redesign project that began in June 2023. While the short and long-term plans are still in their infancy stages, we believe that PRT should develop formal monitoring procedures for reviewing and evaluating if the plans are meeting their goals. Additionally, PRT should continue to re-prioritize projects to align its resources to meet the needs of the community and to make all necessary changes to its services to ensure future sustainability. Our recommendations focused on monitoring procedures, the development of policies and procedures specific to the Strategic Planning Department, and service changes to reduce costs.

Financial-Related Mandate, Procedures, and Results

PRT contracts with an independent external Certified Public Accounting (CPA) firm for an annual audit of PRT's financial statements. After reviewing the CPA firm's working papers and financial audit reports, we determined that we could place adequate reliance on the scope, quality, and timing of the audit work performed by the CPA firm to collectively satisfy our

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

mandated responsibilities prescribed in Section 553.2(a)(1) of the Second Class County Port Authority Act.²

Status of Prior Audit Findings

Our prior audit of PRT dated December 6, 2018, covered the period January 1, 2016, through December 31, 2017, and contained three findings related to hiring processes, monitoring performance of routes, and service request evaluation. These three findings offered a total of 14 recommendations. We conducted limited procedures to determine the status of the implementation of those recommendations and found that all of the prior audit recommendations were adequately implemented, and the prior audit findings have been resolved.

² 55 P.S. § 553.2(a)(1).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Introduction and Background

The Department of the Auditor General (Department) conducted this performance audit of the Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit (PRT), pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act (Act). Section 553.2(a)(1) of the Act requires the Department to conduct a performance audit of PRT at least once every four years to “review the procedures and audit, settle and adjust the accounts of the authority.”³

Our audit of PRT consisted of two objectives. The **first objective** was to determine the financial impact of the COVID-19 pandemic (pandemic) on PRT’s revenues and expenditures. The **second objective** was to evaluate PRT’s strategies and efforts to sustain operations through for example, effective planning, as well as updating or adding new directives, policies, and procedures to meet its needs. The Department also reviewed PRT’s independent Certified Public Accounting (CPA) firm’s working papers and financial audit reports to determine if the financial-related mandate has been met or whether additional procedures were needed. The audit covered the period July 1, 2019, through June 30, 2022, unless otherwise noted, with updates where applicable through the report date. Refer to *Appendix A* of this report for a detailed description of the audit objectives, scope, methodology, data reliability, and our evaluation of management’s internal controls related to the audit objectives.

In the sections that follow, we present background information related to PRT’s organizational structure, ridership, operating revenues and expenditures, and strategies for operational sustainability.

Overview of Pittsburgh Regional Transit

In 1956, the Act required the establishment of port authorities for each second-class county.⁴ The Port Authority of Allegheny County was created in 1959 when the Pennsylvania General Assembly authorized the consolidation of 33 private transit carriers, many of which were financially failing. The consolidation included the Pittsburgh Railways Company along with 33 independent bus and inclined plane companies. The Port Authority began its mass transit

³ 55 P.S. § 553.2(a)(1). Section 553.2(d) of the Act notes that this “section shall not be construed to prohibit more frequent reviews of the books and accounts of the authority.” See 55 P.S. § 553.2(d).

⁴ 55 P.S. § 551 *et seq.* as enacted by Act 61 of 2012, as amended. Please note that the Port Authority is “a single body corporate and politic” that “shall exercise the public powers of the Commonwealth as an agency thereof. An authority...shall be for the purpose of planning, acquiring, holding, constructing, improving, maintaining and operating, owning, leasing, either as lessor or lessee, port facilities within the port district of the county...” See 55 P.S. § 553(a).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

operations on March 1, 1964.⁵ On July 1, 2022, the Port Authority of Allegheny County began operating as Pittsburgh Regional Transit (PRT).⁶

PRT, the second largest public transportation system in Pennsylvania, provides public transportation services within the City of Pittsburgh, all of Allegheny County, and into portions of neighboring Beaver and Westmoreland counties. Approximately 1.4 million residents live in PRT's roughly 745-square mile service area. The services provided include a fixed route bus service, a light rail system, the Monongahela Incline, and ACCESS paratransit. ACCESS is a coordinated, shared-ride system offering door-to-door, advanced reservation transportation for seniors and individuals with disabilities.⁷

PRT's fleet consists of approximately 731 buses and 81 light rail vehicles. PRT provides various services, including 96 bus routes, 3 light rail routes, and 2 inclined planes. These services are supported by:⁸

- Approximately 7,000 transit stops and stations
- More than 700 shelters
- 49 Park and Ride lots
- 123 locations where customers can purchase fare cards and tickets
- 3 busways (designated bus-only roads)
- Various operational centers (including a light rail center, bus garages, and maintenance facilities)

Organizational Structure

PRT is governed by an 11-member Board of Directors (Board).⁹ Six members are appointed by the County Executive of Allegheny County.¹⁰ The Governor and legislative leaders from each of

⁵ <https://www.rideprt.org/inside-Pittsburgh-Regional-Transit/about-us/> (accessed September 29, 2022).

⁶ The Port Authority of Allegheny County began doing business as "Pittsburgh Regional Transit" pursuant to a Board of Directors resolution formally authorizing the public entity to operate and conduct business under its new fictitious trade name, dated June 24, 2022, effective July 1, 2022. PRT's rebranding was aimed at making the brand more representative of the city of Pittsburgh, its customers' needs, and the modes of transit offered. The PRT and its board believed that the previously utilized public name, Port Authority of Allegheny County, falsely suggested that a port was operated or managed.

⁷ PRT Operating and Capital Improvement Budget Fiscal Year 2023.

⁸ PRT's fleet and service details mentioned in this paragraph were obtained from Pittsburgh Regional Transit Annual Service Report 2022.

⁹ 55 P.S. § 556(a) as last substantially amended by Act 72 of 2013.

¹⁰ This includes four appointees by the county executive and two appointees who are recommended by the various relevant county organizations subject to confirmation by a majority vote of the members of the county council. *See* 55 P.S. § 556(c)(3).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

the four caucuses appoint the remaining five board members.¹¹ The Governor’s appointee must be a Pennsylvania resident, while the remaining appointees must be residents of Allegheny County.¹² Board members serve a four-year term, and no member may serve more than three consecutive terms.¹³

The Board is responsible for directing and managing the business and property of PRT. The Board may delegate these duties to one or more of its agents or employees as it deems necessary, subject to the supervision and control of the Board.¹⁴ The Board is also responsible for appointing a Chief Executive Officer (CEO) who manages the daily operations of the PRT.¹⁵ The CEO reports to the Board and has responsibility for the general supervision and management of the business affairs of PRT.¹⁶ On May 27, 2022, the Board voted to extend the current CEO’s contract through December 31, 2025.¹⁷

The CEO is aided by the following Senior Staff:¹⁸

- Chief Legal Officer
- Chief Human Resource Officer
- Chief Information Officer
- Chief Strategy Officer
- Chief Operating Officer Transportation
- Chief Development Officer
- Chief Communications Officer
- Chief Operating Officer Maintenance

PRT has approximately 2,500 employees as of June 30, 2023, at various locations throughout Allegheny County, with approximately 1,200 being transit operators. The number of employees as of June 30, 2020, 2021, 2022, and 2023 are shown in the following table:

¹¹ The President Pro Tempore of the Pennsylvania Senate, Minority Leader of the Senate, the Speaker of the House of Representatives, and the Minority Leader of the House of Representatives each appoint a member to the board. See 55 P.S. § 556(c) and (e)(1).

¹² 55 P.S. § 556(h). All of the Allegheny County’s appointees must have “expertise or substantial experience in budgeting, finance, economic development, transportation or mass transit operations.” See also <http://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=72> (accessed November 16, 2022).

¹³ 55 P.S. § 556(d), (e)(2)-(3), (f), and (k).

¹⁴ 55 P.S. § 556(l)(6). See also By-Laws of Port Authority of Allegheny County, Article II, Section 1.

¹⁵ 55 P.S. § 556(l)(4.2)(ii).

¹⁶ By-Laws of Port Authority of Allegheny County, Article IV, Section 2.

¹⁷ <https://www.rideprt.org/contentassets/7c8e0b5e43ff4e999a68968c9b906aad/kekemploymentagreementredacted.pdf> (accessed September 29, 2022).

¹⁸ PRT Organizational Chart, effective April 2022.

A Performance Audit

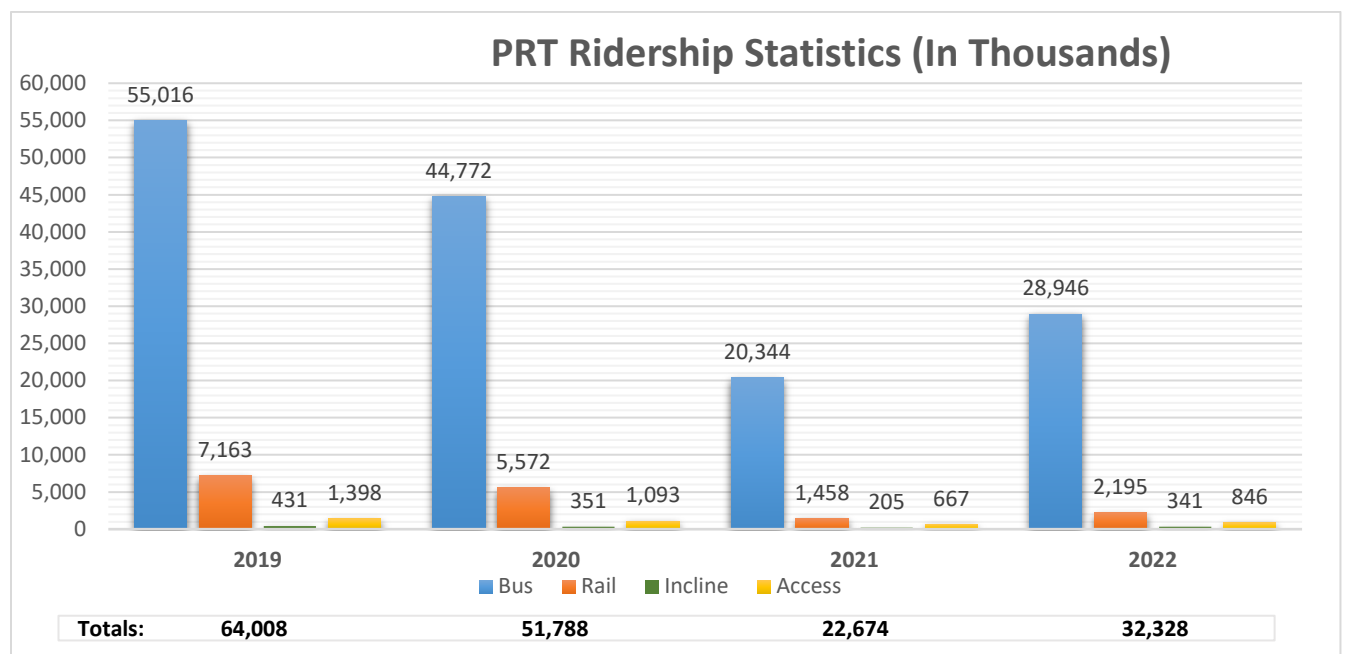
Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

As of June 30,	Employees ¹⁹
2023	2,522
2022	2,521
2021	2,587
2020	2,520

Source: Developed by Department of the Auditor General Staff from the PRT Operating and Capital Improvement Budget for Fiscal Year 2023 and information provided by PRT management.

PRT Ridership, Operating Revenues and Expenditures

In March 2020, Pennsylvania’s Governor declared a disaster emergency related to the pandemic and ordered many businesses to close. Public transportation was permitted to continue to operate, and certain safety protocols were implemented including increased disinfecting of buses, masking requirements, and passenger limits, among others. Like transit systems nationwide, PRT experienced a steep decline in ridership. As shown in the table below, PRT’s ridership numbers have decreased nearly 50 percent from fiscal year 2018-19, the year prior to the pandemic, as compared to the most recent fiscal year 2021-22.²⁰



¹⁹ Approximately 85 percent of employees are in transit operations.

²⁰ While we cannot speculate on this decrease by almost 50 percent in PRT ridership, post-COVID-19 employer work from home policies may be at least one factor impacting this decrease.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Source: Developed by Department of the Auditor General staff from the PRT Operating and Capital Improvement Budget for Fiscal Year 2022 and Fiscal Year 2023.²¹

PRT Revenue Sources

PRT receives revenue from operating and non-operating sources. Operating revenue is mainly from passenger fares. The bulk of PRT's non-operating revenue is obtained in the form of operating assistance allocated by the Commonwealth. PRT also uses some capital grant funds as operating assistance. During our audit period, PRT also received federal stimulus funds due to the pandemic. These revenue sources are discussed in more detail below.

Operating Revenue

PRT's operating revenues are primarily generated by passenger fares from the bus, rail, and incline programs and the ACCESS program. Other sources of operating revenue are revenues generated from advertising and miscellaneous income. As the ridership statistics in the chart above demonstrate, ridership dropped dramatically (almost 50 percent) due to the pandemic, which resulted in reduced passenger revenue. For example, PRT's revenue from passenger fares and ACCESS program dropped sharply from approximately \$99.4 million in fiscal year 2018-19 to approximately \$54.6 million in 2021-22, a nearly 45 percent decline in passenger revenue.²²

State and Local Operating Assistance

PRT's largest source of non-operating revenue is in the form of operating assistance allocated by the Commonwealth of Pennsylvania. Act 44 of 2007 was enacted to provide a source of operating and capital assistance to PRT and other transit agencies within the state. The Public Transportation Trust Fund was primarily financed by a \$450 million annual payment made by the Pennsylvania Turnpike Commission (PTC) to the Pennsylvania Department of Transportation (PennDOT), with PRT receiving a percentage of those funds.²³

²¹ Note: To show the total ridership by modes of transportation, ridership numbers are presented from PRT's Operating and Capital Improvement Budget for Fiscal Year 2022. However, **total** ridership numbers are used in *Finding 1* based on PRT's Single Audits during the audit period, which were aggregated differently (Note: The Single Audits are completed by PRT's independent CPA firm and include a financial audit of federal, state, and local funds. While there is a slight difference of less than one percent for the FYE 2021 numbers, we determined it is immaterial to the information provided.

²² Operating revenues consisting of passenger fares and the state shared ride program (ACCESS) were obtained from PRT's Single Audits for fiscal years ended June 30, 2020, 2021, and 2022.

²³ [https:// Act 44 Plan | PA](https://Act44Plan|PA)

Turnpike/www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=89 (last accessed August 25, 2023).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

In November of 2013, Act 89 was enacted to create a new statewide multimodal fund to help to rebuild transportation infrastructure.²⁴ Act 89 of 2013 alleviated some of the financial burdens that arose with Act 44 by reducing the annual payment PTC makes to PennDOT from \$450 million to \$50 million beginning in July of 2022.²⁵ However, the \$400 million loss in PTC funding was replaced with a new funding source through a transfer tax on motor vehicles that included a minimum amount of assistance of \$450 million annually. The state operating assistance provided to PRT for fiscal year 2022-23 as a result of these changes increased by approximately \$19.5 million or 7.8 percent.²⁶

In addition to the state operating assistance, Allegheny County is required to provide a 15 percent match to the operating assistance provided by the state.²⁷

Capital Grants for Operating Assistance

Federal, state, and local capital grant funds also provide operating assistance to PRT. Uses of these funds include labor, material, and overhead costs associated with PRT's bus and light rail vehicle overhaul program and preventive maintenance performed to extend the service life of PRT vehicles.

The below chart shows the state operating assistance, local match, and capital grants received for operating assistance by PRT for FYE June 30, 2019, through 2022.²⁸

²⁴ <https://www.legis.state.pa.us/cfdocs/legis/li/uconsCheck.cfm?yr=2013&sessInd=0&act=89> (last accessed August 31, 2023).

²⁵ Ibid.

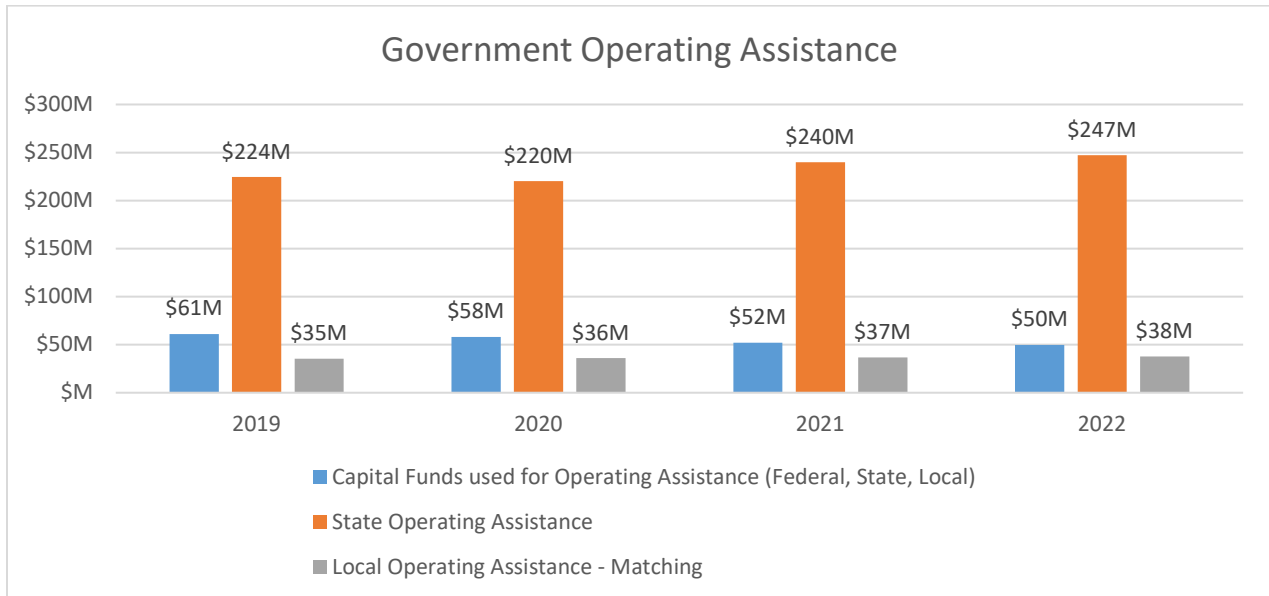
²⁶ Fiscal Year 2022-23 PennDOT State Operating Assistance Letter to PRT.

²⁷ The County subsidy originates from a county drink tax and contribution from the Allegheny County Regional Asset District.

²⁸ The state operating grant data was obtained from the financial statements and is the amount spent during that fiscal year and not necessarily the amount provided by the state. Amounts received from the state and not spent are considered deferred revenue and can be used in subsequent fiscal years. PRT received \$235.6 million in operating assistance from the state during the FYE June 30, 2019, and recognized \$224.4 million and deferred \$11.2 million for future years. PRT received \$239.5 million in operating assistance from the state during the FYE June 30, 2020, and recognized \$220.2 million and deferred \$19.3 million for future years. There were no deferred revenues for FYEs June 30, 2021, and June 30, 2022, so the amounts received and spent for those years were the same.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit



Source: Chart developed by Department of the Auditor General Staff from PRT's Single Audits for fiscal years ended June 30, 2019, 2020, 2021, and 2022.

Federal Stimulus Grants

In order to reduce the operational impact on PRT's finances due to the pandemic, PRT received approximately \$502.5 million in federal stimulus funds from the Coronavirus Aid, Relief, and Economic Security Act²⁹ (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act³⁰ (CRRSA), and the American Rescue Plan Act³¹ (ARPA) from June 2020 through September 2021 as shown in the table below. For FYE June 30, 2020 through 2022, PRT used over \$164 million of the funding from the CARES and ARPA Acts and is expected to use the remaining balance of the federal stimulus grants as of FYE June 30, 2024 (See *Finding 1* for more details):

PRT Federal Stimulus Grants	
Stimulus Source	Total Received
CARES	\$141,720,013
CRRSA	\$143,786,423
ARPA	\$216,984,893
Totals	\$502,491,329

Source: Developed by Department of the Auditor General staff from the U.S. Department of Transportation, Federal Transit Administration grant agreements.

²⁹ Public Law No: 116-136 enacted on March 27, 2020.

³⁰ Public Law No. 116-260 enacted on December 27, 2020.

³¹ Public Law No. 117-2 enacted on March 11, 2021.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Deferred Revenue

PennDOT requires transit organizations to end the fiscal year with revenues and subsidies equal to expenses.³² Therefore, if revenues and subsidies exceed expenses, the difference is recorded as deferred revenue that can be used in the future. There is no time limitation on how long the revenue can remain deferred. PRT indicated that, if budget deficits were to continue, it would use deferred revenues for its operating budget after the federal stimulus funds are exhausted. PRT had \$157.8 million in deferred revenue available as of June 30, 2022.³³

Expenses

PRT's operating expenses are categorized according to the uniform system of accounts required by the National Transit Database. The expense categories include salaries and wages, pension and employee benefits, materials and supplies, provision for injuries and damages, purchased services, utilities, other expenses, and ACCESS contracted services. Additionally, PRT's audited financial statements also include other non-cash expenditure categories including Other Post-Employment Retirement Benefits (OPEB), net pension expense, and depreciation expense.³⁴ Expenses, not including the non-cash categories increased from approximately \$426.1 million to \$449.3 million, or roughly 5.4 percent, from fiscal year end June 30, 2019, to June 30, 2022.³⁵

The impact of the pandemic on PRT's revenues and expenditures is discussed in more detail in *Finding 1* of this audit report.

Strategies for Operational Sustainability

After a new CEO was hired in January 2018, PRT determined that it needed to focus its efforts on short- and long-term goals and strategies aimed at operational and financial sustainability, particularly since the transit industry can be unpredictable. Prior to that time, PRT did not have a formalized, strategic plan. Consequently, PRT focused its efforts on strategic planning, developing short- and long-term goals, and identifying data factors that it could use to improve service. Part of PRT's efforts included a rebranding to adopt a public identity and name that better reflects the services it provides and core service area. The pandemic struck about a year

³² *Pennsylvania Public Transportation Audit Requirements For Fixed Route, Specialized and Intercity Bus Transportation Providers* issued by the Pennsylvania Department of Transportation, Bureau of Public Transportation, July 2017, page 14. https://www.penndot.pa.gov/Doing-Business/Transit/InformationandReports/Documents/Audit%20Requirements_FINAL_07192017.pdf.

³³ PRT's Single Audit for the fiscal year end June 30, 2022.

³⁴ OPEB refers to the medical, hospital, prescription, dental, and vision coverage, and Medicare Part B reimbursement provided to retirees on a pay as you go basis.

³⁵ PRT's Single Audits for the fiscal years ended June 30, 2020, 2021, and 2022. Information for fiscal year end June 30, 2019, was included in the June 30, 2020 Single Audit.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

and a half into these efforts, which forced PRT to shift much of its focus to sustaining day-to-day operations and implementing pandemic-related measures to promote public health and safety. PRT also experienced staffing challenges due to the pandemic. Although the pandemic created long-lasting challenges for the entire transit industry, PRT used lessons learned during the pandemic to both refocus and reprioritize its larger planning efforts. PRT's planning efforts are provided below.

Tactical Plan (2018)

After identifying organizational challenges, PRT developed a tactical plan in June 2018, to address its immediate needs. PRT management indicated the tactical plan focused on PRT's short-term goals for a 12-month period, while a more formal strategic plan was being developed. The five main goals of the tactical plan were to develop a financial sustainability plan, develop an agency-wide safety program, deliver an excellent customer experience, develop an employee engagement program, and improve customer and public communications and better engage communities.³⁶ These goals allowed PRT to better identify organizational challenges and prepare for the development of and pivot to its 25-Year Long Range Transportation Plan, called NEXTransit, and its 5-Year Strategic Plan.

NEXTransit Plan (2021)

NEXTransit, a 25-year, long-range plan, was adopted in September 2021. NEXTransit provides a roadmap for the policies, programs, and projects that are needed to move PRT toward a future that is accessible, efficient, environmentally sustainable, and equitable. The plan details how PRT will strive for a more connected transit system that increases the quality of its services and the reach of its network by strategically investing in new infrastructure and adapting existing assets. The plan was developed with input from community surveys, through which respondents indicated their five most important values were transit that is accessible, affordable, efficient, equitable, and sustainable. This input informed the development of policy and program ideas which were ranked by community input and included sidewalk quality to access transportation, affordable fares, ADA system access, bus network redesign, and clear and consistent signage. PRT also obtained community input regarding projects that could be completed within the next 1-5 years, 6-15 years, and 16-25 years.

Five-Year Strategic Plan (2022)

In 2022, PRT pivoted from its Tactical Plan to the current 2023-28 Strategic Plan.³⁷ The five-year Strategic Plan was developed through a six-month, comprehensive process, intended to

³⁶ Port Authority of Allegheny County's Tactical Plan, June 2018.

³⁷ <https://www.rideprt.org/siteassets/inside-the-pa/transparency/strategic-plan/prt-strategic-plan-final.pdf> (accessed November 3, 2022).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

convey strategic direction, communicate goals and objectives, and guide the organization into the future. The plan establishes the framework for the agency to proactively plan and respond to the needs of employees, riders, and stakeholders. The Strategic Plan identifies the organization's vision, mission, values, and goals for the next five years and directly supports implementation of initiatives included in the long-range NEXTransit Plan. The four major goals contained in the Strategic Plan include accountability, customer service, organizational resilience, and sustainability.

Strong strategic planning is necessary to make changes to the bus and rail system to meet user's needs as a result of changing trends in ridership. PRT's strategies for operational sustainability are discussed in more detail in *Finding 2* of this audit report.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Finding 1 – The COVID-19 pandemic had adverse impacts on operations, and unless ridership rebounds, Pittsburgh Regional Transit may face difficulty when its federal stimulus funds and deferred revenue are depleted.

We reviewed Pittsburgh Regional Transit’s (PRT) finances for the three-year period July 1, 2019 through June 30, 2022, to determine the impact of the COVID-19 pandemic (pandemic) on its operating revenues and expenditures.³⁸ We found that PRT’s primary source of revenue is from state operating assistance, which is statutorily and formula driven and was not impacted by the pandemic.³⁹ However, PRT’s second largest source of revenue pre-pandemic was passenger revenue, which decreased approximately 45 percent from fiscal year ended (FYE) June 30, 2019 to FYE June 30, 2022.⁴⁰ PRT received a total of \$502.5 million in federal stimulus funding from June 2020 through September 2021, which was and will continue to be used to sustain operations and replace lost passenger revenue.⁴¹

We also found PRT’s overall expenses did not decrease as a result of the pandemic. Finally, we found that PRT faces recruitment and retention challenges which continue to be problematic despite PRT’s many initiatives to attract new employees. If ridership does not rebound and PRT cannot maintain a full complement of operators, there could be a need to cut expenses and/or adjust services.

The pandemic severely impacted transit agencies nationwide as passenger revenue fell sharply because of changing commuter patterns and operator challenges increased. Since transportation was an essential service, PRT was tasked with providing safe and reliable transit services to its customers, as well as a safe work environment for employees. PRT management indicated that it took an “all hands-on deck” approach to continue serving the community during the pandemic while following both state and federal safety protocols.

In March 2020, as many businesses were shut down, PRT continued to operate but passenger revenue dramatically decreased. From March 2020 to September 2020, PRT reduced its service by 25 percent as a result of substantial decreases in ridership and operational challenges related to staffing. PRT did not reduce the number of routes but reduced how often the buses ran on some routes. Additionally, from April 2020 to June 2021, PRT implemented internal safety protocols, such as daily disinfection of transit vehicles and work areas, masking requirements for staff and patrons, employee temperature screening processes, and vehicle capacity limitations.

³⁸ This was our stated audit period; however, our review included prior years for analytical data and financial projections for future periods.

³⁹ See “State and Local Operating Assistance” in the *Introduction and Background* section of the audit report for details on state and local funding and changes resulting from Act 89 of 2013.

⁴⁰ Fiscal years refer to the period July 1 to June 30 of any year. For example, FYE 2022 refers to July 1, 2021, to June 30, 2022.

⁴¹ See *Introduction and Background* section for a breakdown of the types of stimulus funding and amounts received.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

PRT management stated that it is still assessing the long-term impact of the pandemic on its finances and services. In addition to reduced passengers, PRT experienced hiring challenges that required it to reduce service levels by eight percent throughout 2022. Changing commuting patterns for riders who have altered their travel patterns since the pandemic also create a challenge for PRT in bringing back ridership to pre-pandemic levels.

PRT management indicated that at the beginning of the pandemic, it was made aware it would receive \$141.7 million from the Coronavirus Aid, Relief, and Economic Security Act⁴² (CARES), allowing staff to focus on safely running the system without having the added pressure of reduced funding. PRT also received additional funding of \$360.8 million from the Coronavirus Response and Relief Supplemental Appropriations Act⁴³ (CRRSA), and the American Rescue Plan Act⁴⁴ (ARPA) allowing PRT to sustain operations in the face of decreased ridership. Since the beginning of the pandemic, PRT relied on this stimulus money to balance its budget and sustain operations. Below we discuss these issues in greater detail.

Decreased ridership resulting from the pandemic has led to a decrease in passenger revenue.

Passenger revenue is crucial because it represents PRT's second largest source for operating revenue related to its main objective of providing transportation services to its ridership behind state operating assistance. Ridership decreased by nearly 50 percent during the audit period, falling from approximately 64 million rides during the FYE June 30, 2019, to 32.3 million during the FYE June 30, 2022. During the same period, passenger revenue decreased from \$99.4 million to \$54.6 million – a decrease of almost \$45 million, or 45 percent. The following charts illustrate the year-by-year changes of ridership and passenger revenue.

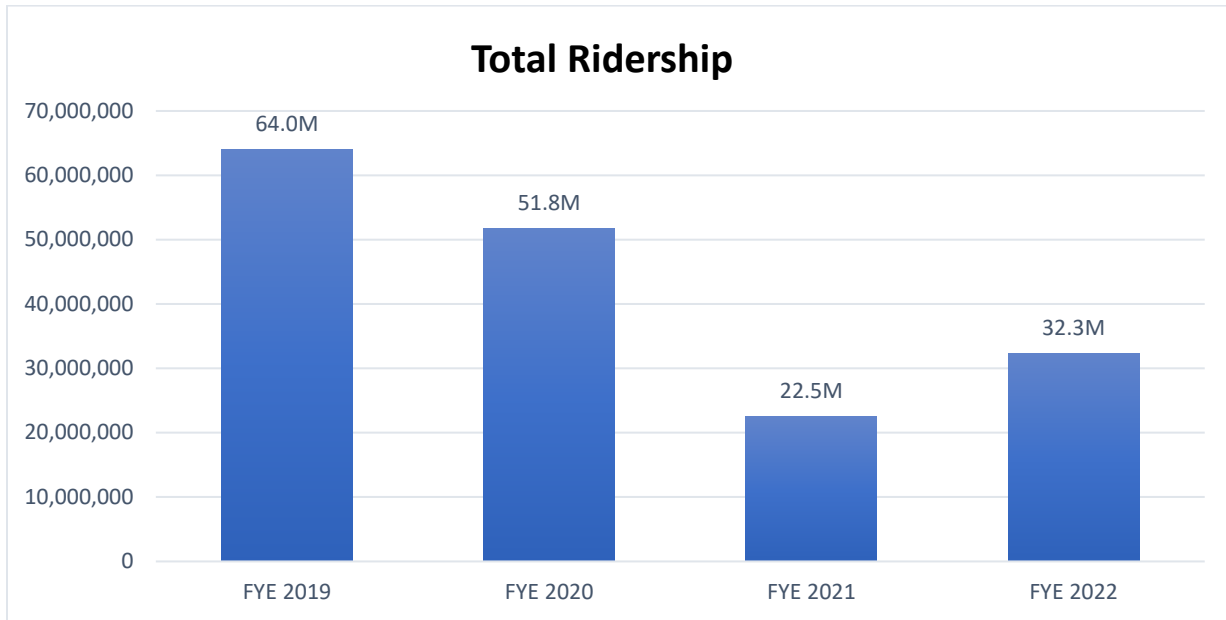
⁴² Public Law No: 116-136 enacted on March 27, 2020.

⁴³ Public Law No. 116-260 enacted on December 27, 2020.

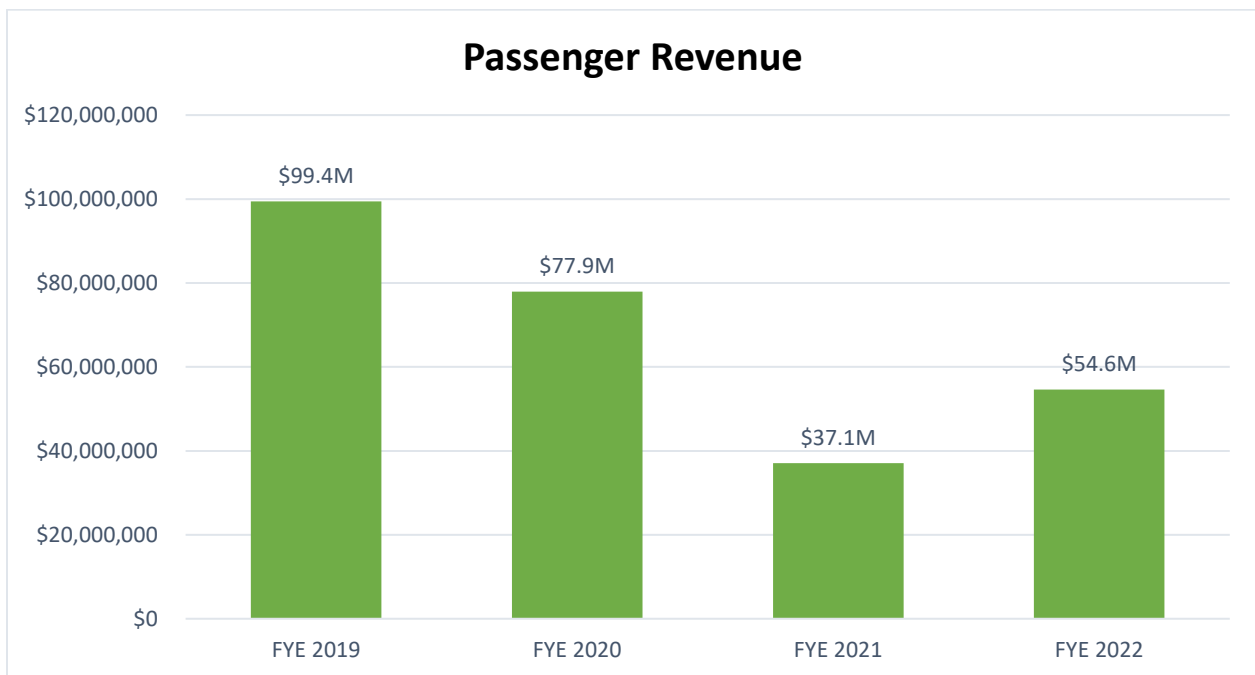
⁴⁴ Public Law No. 117-2 enacted on March 11, 2021.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit



Source: Chart developed by Department of the Auditor General staff from PRT Ridership Statistics, which were obtained from PRT's Single Audits for the FYE June 30, 2020, 2021, and 2022.



Source: Chart developed by Department of the Auditor General staff from ridership revenues consisting of passenger fares and the state shared ride program (ACCESS), which were obtained from PRT's Single Audits for the FYEs June 30, 2020, 2021, and 2022.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

As the charts above show, there was a sharp decline in total ridership and passenger revenue compared to the pre-pandemic numbers for the FYE June 30, 2019. The steepest drop in ridership and revenue due to pandemic-related passenger limits and service adjustments occurred during the FYE June 30, 2021. While ridership rebounded by approximately 44 percent during the FYE June 30, 2022, it was still approximately 50 percent below pre-pandemic ridership levels.

The easing of public health restrictions on mass transit in June 2021 corresponded with an increase in ridership for the FYE June 30, 2022. PRT expects post-pandemic ridership to continue to increase, but PRT recognizes that the pandemic created new travel patterns due to telework, ride sharing services, telemedicine visits, etc. PRT projects that ridership will increase by 17 percent during the FYE June 30, 2023, but that level would still be 41 percent below pre-pandemic ridership.

PRT is using federal stimulus funds, a temporary source of revenue, to reduce the financial impact created by a loss in ridership.

The federal government provided stimulus funds to transit agencies in 2020 and 2021 to help sustain operations. PRT received federal stimulus funding totaling \$502.5 million from the CARES, CRRSA, and ARPA.⁴⁵ PRT management indicated that it would need to rely heavily on the stimulus funds to continue operations because of decreased passenger revenue. PRT largely uses its stimulus money to cover employee-related costs, such as wages, and is using stimulus funds to reduce the financial strain on PRT's budget created by reduced ridership.

PRT projects it will exhaust its federal stimulus funds by the FYE June 30, 2024, as shown in the table below. It is important to note that PennDOT requires transit agencies in the state, including PRT, to have a balanced budget each year. PRT can carry over unused state assistance as deferred revenue.⁴⁶ PRT had a deferred revenue balance of \$157.8 million as of June 30, 2022, which it intends to use to close any budget gaps after the stimulus funds run out.⁴⁷ However, PRT projects that its deferred revenue reserves will be depleted during the FYE June 30, 2028, leaving PRT with a deficit at that time.

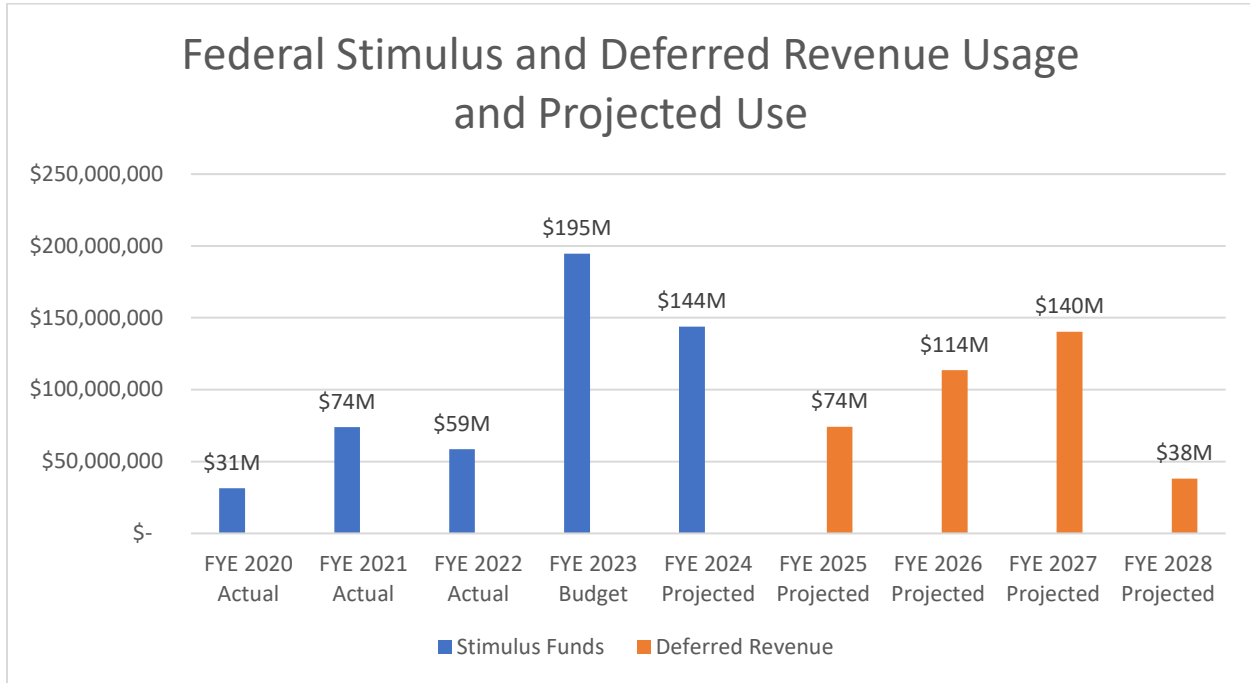
⁴⁵ See *Introduction and Background* section of the audit report for further information on federal stimulus funds.

⁴⁶ See *Introduction and Background* section of the audit report for further discussion on PRT's revenue sources and deferred revenue.

⁴⁷ PRT projects its deferred revenue will increase by approximately \$200 million by June 30, 2024, due to using all of its federal stimulus funds during those years.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit



Source: Developed by Department of the Auditor General staff based on stimulus funds used obtained from PRT's Single Audits for the FYEs June 30, 2020, 2021, and 2022, and projections of stimulus funds and deferred revenue that will be used in the future from PRT management. For the projected amounts for the FYEs June 30, 2023, through June 30, 2028, the data is of undetermined reliability, as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

The projections from the table above show PRT will be unable to sustain its current operations and service levels once the federal stimulus funds and deferred revenue are depleted if there is no increase in passenger revenue or other funding sources. Consequently, PRT will have to make difficult decisions regarding the services provided, including the possibility of reducing available times and routes. In *Finding 2*, we discuss some of the strategies PRT is implementing, including its bus network redesign study, to help sustain its operations post-pandemic.

While PRT's forecasts indicate it has four years until it will have a deficit, forecasts can sometimes be unpredictable due to unforeseen circumstances. After examining PRT's five-year forecast, it appeared PRT uses a basic forecasting method projecting flat increases for important line items, such as passenger and shared ride revenue, as well as some expense categories.⁴⁸ Flat forecasting can increase the risk that actual results could vary significantly from projections.

⁴⁸ For example, PRT projects revenues to increase five percent each year from the FYE June 30, 2024, budget through the FYE June 30, 2028. Additionally, several expense categories also increase by the same percentage from FYE 2024 budget through FYE 2028. Flat forecasting is often used when there is no detectable trend or seasonality associated with the demand history, or something has disrupted the trend and/or seasonality.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

PRT management indicated that the projections are completed by in-house staff using a relatively flat forecasting method for some revenue and expense categories, particularly given the uncertainty and difficulty in projecting ridership revenue due to changing commuter patterns with public transportation, but it is looking into obtaining forecasting software in the future.

PRT's total expenditures rose slightly during the pandemic.

Overall, PRT's expenses increased from \$426.1 million during the FYE June 30, 2019 (pre-pandemic) to \$449.3 million during the FYE June 30, 2022, representing a 5.4 percent increase over three years.⁴⁹

While PRT never shut down during the pandemic or laid off employees, it was forced to reduce service for a short period of time and limit passenger capacity to comply with public health directives. Operator shortages arising from illness and exposure/quarantine guidelines also caused last-minute service adjustments, cancellations, or delays. Service changes such as running two car trains instead of four on the light rail system and other factors resulted in decreased fuel and vehicle maintenance costs, while staffing shortages resulted in PRT spending less than what it would have if fully staffed. Staffing challenges are discussed in more detail in the next section. While some expenses related to sanitizing measures increased, the savings from staffing shortages and reduced fuel usage offset those expenditures. PRT management also indicated that it refinanced bonds in 2020, due to low interest rates which allowed it to save \$3 million annually in debt service payments.

PRT's challenges in recruiting and retaining transit operators has adversely impacted services.

Recruiting and retaining employees has become a problem for transit agencies across the nation, including PRT. As shown in the table below, as of June 30, 2023, PRT was functioning with a bus operator shortage of approximately 18 percent below its budgeted complement due to 205 vacancies. The rail system was operating approximately 23 percent below its staffing complement due to 20 vacancies. Overall, PRT's combined operator shortage of 225 bus and rail vacancies highlights the serious need to strengthen employee attraction and retention.

⁴⁹ Expenses exclude non-cash items like OPEB, net pension, and depreciation. See *Appendix B* for a detailed revenue and expenditure chart.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Operator Shortage at PRT as of June 30, 2023			
Operators	Budget	Actual	Vacancies
Bus	1,144	939	205
Rail	88	68	20
Total	1,232	1,007	225

Prepared by Department of the Auditor General staff from information provided by PRT management. The data is of undetermined reliability, as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

PRT management indicated the operator shortage has had an adverse impact on services resulting in a reduction of available route times and on on-time service reliability. From January 2022 through June 2022, PRT averaged approximately 5,500 hours of cancelled services per month, as opposed to just 250 hours per month from January 2019 to June 2019.⁵⁰ Incremental service cuts made in response to worker shortages resulted in an approximately eight percent reduction in service hours throughout 2022. PRT management indicated the service cut decisions were due to staff shortages and not made because of the loss of ridership.

The primary factors contributing to the operator shortage are the tight regional and national labor markets resulting in greater competition to hire from a limited candidate pool, as well as an aging workforce that is becoming retirement eligible. PRT management indicated its difficulties attracting employees is also related to candidates that cannot pass the mandatory pre-employment medical exam for commercial driver's license (CDL) eligibility. In addition, candidates have had trouble passing the established minimum training requirements for entry-level drivers needed prior to being eligible to take CDL-specific skills or knowledge tests. PRT also implemented a mandatory COVID-19 vaccination policy in March 2022, which further contributed to challenges with staff shortages when 48 operators separated from service due to the policy.⁵¹ However, according to PRT management, PRT is rescinding the COVID-19 vaccination policy effective August 31, 2023.⁵²

⁵⁰ The data is of undetermined reliability, as noted in Appendix A. However, this data appears to be the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

⁵¹ Per PRT management, 43 operators were terminated due to non-compliance with the policy, and 5 operators retired in lieu of compliance.

⁵² See PRT's "News Release" announcing that it is ending the COVID-19 vaccine requirements for employees effective August 31, 2023 and that the 43 operators terminated from employment will be offered an opportunity to return to work at: <https://www.rideprt.org/inside-Pittsburgh-Regional-Transit/News/News-Releases/> (accessed August 30, 2023).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

To attract new operators and retain current employees, PRT had to adapt its recruitment strategies and procedures to remain competitive with other employers. These strategies included offering competitive compensation, various cash incentives, reimbursement of payments to obtain commercial driver licenses, and reducing the waiting period for re-taking the validated operator test from one year to six months. PRT has also expanded advertising platforms and locations where employment opportunities are presented to broaden its applicant pool. Although PRT has attempted to attract and retain employees, the number of operator vacancies actually increased from 161 vacancies on June 30, 2022, to 205 vacancies on June 30, 2023, indicating continued employment challenges. However, PRT management advised that a class of 22 student operators began in June 2023.

Conclusion

While the pandemic did not significantly impact PRT's expenses, it dramatically decreased PRT's passenger revenue and forced PRT to be dependent on temporary stimulus funds during the height of the pandemic. Despite a slow rebound in ridership from the FYE June 30, 2021 to FYE June 30, 2022, and an anticipated increase from the FYE June 30, 2022 to the FYE June 30, 2023, partly due to evolving commuter patterns, PRT has continued to rely on temporary federal stimulus funds to maintain operations and cover the operating deficit. PRT has forecasted that its federal stimulus funding and deferred revenues will be depleted by the FYE June 30, 2028, resulting in an operating deficit. Therefore, PRT will have to make decisions on how to increase ridership and/or adjust service levels to align with post-pandemic ridership demands.

Additionally, PRT continues to be challenged with staffing shortages despite several initiatives at recruiting and retaining operators, which can negatively impact both route availability and on-time performance if not corrected. In *Finding 2*, we discuss some of the strategies PRT is implementing to help sustain its operations post-pandemic.

Recommendations for Finding 1

We recommend that Pittsburgh Regional Transit:

1. Continue to employ strategies aimed at restoring ridership to pre-pandemic levels, to the extent such growth is achievable in a dramatically changed economic environment.
2. Focus on maintaining financial sustainability since stimulus money used to replace lost passenger revenue was temporary and will be exhausted in the near future.
3. Explore improved forecasting methods based on multiple factors instead of an arbitrarily chosen flat rate to more accurately project revenue and expenditures, particularly given

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

challenges experienced by the transportation industry since the pandemic. For example, PRT should consider ridership data analytics, anticipated service changes, and contractual wage increases in its forecasting efforts, as well as using budgeting software with a forecasting component.

4. Review existing hiring policies and procedures to determine if there are necessary changes that would assist with employee recruitment and retention.
5. Continue efforts to recruit and retain employees, with the goal of meeting its full staffing complement, and providing reliable and equitable transportation to the community.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Finding 2 – Pittsburgh Regional Transit has implemented strategies to continue current operations, but future sustainability challenges remain because of evolving ridership trends.

As discussed in *Finding 1*, Pittsburgh Regional Transit's (PRT) decreased ridership and resulting decline in revenue due to the COVID-19 pandemic (pandemic), as well as reliance on temporary federal stimulus funds to sustain operations, demonstrates the need to have a strong strategic planning process in place. Changing commuting trends due in part to increased telework, combined with a tight labor market resulting in operator shortages, have created a challenging landscape for public transit. Accordingly, we evaluated PRT's strategies and efforts to sustain operations through effective planning, as well as updating or adding new directives, policies, and procedures to meet its rapidly changing needs.⁵³

In order to evaluate PRT's operational strategies and planning efforts, we conducted interviews with PRT management to determine what planning strategies PRT has implemented. We also reviewed PRT's newly implemented short-term and long-term plans and compared them to the plans of peer transit agencies. We found that PRT used the following strategies and efforts aimed at re-identifying its transit community and ridership needs to sustain operations during the audit period July 1, 2019, through June 30, 2022, and beyond:

- ✓ Roll-out of a rebranding project.
- ✓ Implementation of short- and long-term strategic plans.
- ✓ Heightened prioritization of a bus network redesign.

Our review of PRT's strategies and efforts concluded that:

- PRT's rebranding allowed the agency to adopt a public identity and name that better reflects the services provided and its core service area.
- PRT developed short- and long-term strategic plans that align with peer agencies and industry standards, but PRT lacks formal finalized monitoring procedures for its plans.
- The pandemic's negative impact on ridership resulted in PRT prioritizing its bus network redesign to focus on the critical need to pivot offered services based on community needs.

⁵³ PRT management indicated that it implemented various safety policies and directives during the pandemic to allow it to operate within the federal, state, and county safety guidelines. From March 2020 through June 2021, PRT issued directives requiring masking, social distancing, and capacity limits on its vehicles. Additionally, there were quarantine guidelines for employees and enhanced vehicle cleaning procedures. While these various policies and directives allowed PRT to maintain operations during the pandemic, the purpose of our objective focused on the short and long-term planning efforts by PRT to sustain operations going forward as discussed in more detail in this finding.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

PRT’s strategies and efforts are discussed in detail below.

PRT’s rebranding allowed the agency to adopt a public identity and name that better reflects the services provided and core service area.

A rebranding project launched in 2019 was paused during the pandemic, but resumed in 2022, when the Port Authority of Allegheny County changed its “doing business as” (d/b/a) name⁵⁴ to Pittsburgh Regional Transit (PRT).⁵⁵ This change was aimed at making the agency’s brand more uniform and better reflect the community it serves and the services it offers. According to PRT management, the previously utilized public name, Port Authority of Allegheny County, falsely suggested that a port was operated or managed.⁵⁶ In addition, PRT management also believed that the previous name did not reflect the fact that the core service area is in the City of Pittsburgh and its adjacent suburbs, although its service is provided throughout Allegheny County. The total cost of the rebranding project was \$673,667.

PRT developed short- and long-term strategic plans that align with peer agencies and industry standards, but PRT lacks formal finalized monitoring procedures for its plans.

PRT implemented a 5-Year Strategic Plan and 25-Year Long-Range Transportation Plan.

As discussed in the *Introduction and Background* section, PRT did not have a short- or long-term strategic plan prior to 2018. That year, PRT began development of a tactical plan designed to address immediate needs, such as internal communications, managing safety programs, scheduling, financial stability, and on-time performance. This process identified the need for heightened agency planning efforts, including the development of a long-range plan and comprehensive strategic plan.

PRT developed NEXTransit, a 25-year long-range plan, which was approved by PRT’s Board in September 2021. NEXTransit provides a roadmap for the policies, programs, and projects that are needed to move PRT forward, including a focus on transit corridors. PRT also developed a short-term, five-year Strategic Plan covering the period 2023-2028. PRT’s five-year Strategic Plan was adopted by the board in July 2022, and the agency began the implementation process in

⁵⁴ PRT filed a fictitious name with the Pennsylvania Department of State on May 26, 2022.

⁵⁵ Port Authority of Allegheny County is still the agency’s legal name, but it is operating and conducting business as “Pittsburgh Regional Transit” and the abbreviation “PRT” effective as of July 1, 2022, pursuant to a Board resolution approved June 24, 2022.

⁵⁶ The Port of Pittsburgh Commission has oversight of the region’s port facilities. <https://www.portpitt.com/pages/the-port-district> (accessed November 9, 2022).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

September 2022. Additionally, the Strategic Plan incorporates the values and themes of the NEXTransit Plan as it redefined its mission, vision, and values. Previously, PRT’s mission was “to connect people to life” and its vision was “to become America’s premier public transportation company.” PRT leadership believed a new mission and vision were necessary to reflect the direction of the organization as shown below:

Mission statement:

“Advance our region by investing in our communities and connecting people in a safe, equitable, and reliable manner”

Vision statement:

“Be our region’s transportation mode of choice by delivering an innovative network that is clean, sustainable, and equitable; a network that enables individuals, businesses, and economies to thrive”

The Strategic Plan also listed PRT’s values which are the convictions, priorities and underlying assumptions that influence the attitudes and behaviors of an organization. PRT’s values are: collaboration internally as well as with external stakeholders and customers; safety and health and well-being of riders and employees; customer service that is courteous, reliable, and transparent; equitable decisions founded in diversity and inclusion; flexibility to adapt to and implement a responsible, sustainable transit network; and integrity to operate in an ethical, trustworthy, and reliable manner for the public, stakeholders, and employees.

The Strategic Plan sets certain goals or actions to be completed within a three-to-five-year period, ultimately helping PRT achieve the goals within the long-range plan. The short-term goals of the Strategic Plan are intended to be interwoven with the long-range transportation plan. Finally, the initial investments and projects/programs identified and prioritized in the long-range plan were included in the Strategic Plan so that there would be a strong focus over the first 5-year period of long-range plan implementation.⁵⁷

PRT created a Strategic Planning Department.

As part of its planning efforts, PRT established a Strategic Planning Department on July 1, 2021, and appointed its first Chief Strategy Officer, effective August 2, 2021. PRT recognized the need to have focused efforts aimed at adapting to a changing transportation environment and pivoting for the future. This organizational change provided a dedicated unit to manage planning, monitor performance, and provide support for other departments within the agency. This department was

⁵⁷ See *Appendix C* for a list of proposed projects from the NEXTransit Plan.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

still solidifying monitoring procedures at the conclusion of our audit (discussed later in the finding).

PRT's planning efforts contained key components that aligned with peer transit agencies and industry standards.

PRT's Strategic Plan was formed through a six-month process which included research of multiple existing strategic plans completed by other peer transit agencies and communications with those transit agencies that had recently developed strategic plans. Additionally, PRT engaged outside consultants to identify industry trends and best approaches for PRT in developing its Strategic Plan. PRT's Strategic Planning Department also worked with PRT leadership and staff to collect necessary agency data and information. PRT's NEXTransit Plan was the result of a 16-month outreach effort and public engagement to various transit stakeholders, including but not limited to residents, transit riders and non-riders, elected officials, PRT staff and unions, and representatives of major employers and institutions.

Since PRT's short- and long-term plans were newly implemented, we were unable to evaluate whether PRT is meeting the plans' goals. However, we performed a comparative analysis of the plans against those of peer transit agencies to determine if PRT's planning efforts contained key planning components and were aligned with the industry standard.⁵⁸

We reviewed publicly available strategic and long-term plans of peer transit agencies and found that PRT's plans contained key planning components, such as strategic themes, objectives, goals, and action items that are consistent with the peer agencies' plans and overall best practices and industry standards. PRT's Strategic Plan includes four strategic goals that support its five-year vision of maintaining safe and reliable transit, while expanding its investment in people and the communities in which PRT operates. The four strategic goals are:

1. Accountability – Institute key operational processes that produce exceptional service to customers in a transparent, equitable manner that aligns with Pittsburgh Regional Transit's mission and goals.

⁵⁸ According to PRT's 2022 Annual Service Report, PRT compares itself to nine peer transit agencies across the nation with which it has some combination of similar city/metropolitan area population, similar transit service levels, or similar modes of service provided. The peer transit agencies included in our comparative analysis were: (1) Maryland Transit Administration (MTA) operating in Baltimore, Maryland, (2) Greater Cleveland Regional Transit Authority (GCRTA) operating in Cleveland, Ohio, (3) Metro Transit operating in Minneapolis, Minnesota, (4) Bi-State Development Agency of the Missouri-Illinois District, dba St. Louis Metro, operating in St. Louis, Missouri, (5) King County Metro, operating in Seattle, Washington, (6) Milwaukee County Transit Authority, operating in Milwaukee, Wisconsin, (7) Niagara Frontier Transit Authority (NFTA) operating in Buffalo, New York, (8) TriMet operating in Portland, Oregon, and (9) Denver Regional Transportation District (RTD) operating in Denver, Colorado.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

2. Customer Experience – Provide an exceptional customer experience by providing safe, equitable, and reliable service.
3. Organizational Resilience – Adapt and respond to new and changing conditions through proactively implementing policies, processes, and initiatives.
4. Sustainability – Be a positive impact on Allegheny County and the region through intentional and innovative environmental and climate initiatives.

Each goal is accompanied with supporting strategies and objectives to ensure the goals are being met. Organizational Resilience is the goal most aligned with our audit objective of strategies to sustain operations. As part of organizational resilience, PRT developed the following four objectives:

- Create long-term financial stability through diversification of additional revenue sources.
- Implement a risk management program to evaluate, leverage, and respond to organizational risks and opportunities.
- Develop and maintain a culture that supports innovation through data-driven decisions.
- Attract, develop, and retain an agile workforce.

PRT's long-range transportation plan focuses on creating transit that is sustainable, accessible, equitable, affordable, and efficient. The plan includes an overview of PRT's current market climate and a market/travel demand analysis summary that provides the needs and significance of strategic policy and program recommendations and project recommendations.

We also found that soliciting community input was a common and crucial component to PRT's plans, as well as extensive research of industry standards. Overall, we concluded that PRT's 2023-28 Strategic Plan and the NEXTransit 25-Year Long-Range Plan were comparable to the plans from other agencies that we reviewed and contained key planning components consistent with industry standards.

PRT lacks formal finalized monitoring procedures for its plans.

During the audit period, PRT did not have procedures developed for how it will monitor the goals in its plans and how often the plans will be updated. PRT management indicated its Strategic Plan was adopted and issued in July 2022, shortly after our audit period ended. Management reported that it continues to develop full implementation plans, procedures, and tracking mechanisms, which will include maintaining ongoing interaction between the

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

NEXTransit Plan and relevant goals and objectives within the Strategic Plan. For example, PRT management indicated it did the following:

- In January 2023, the strategy team prepared a Strategic Plan workbook to help guide implementation activities.
- In February 2023, the strategy team conducted a work session with senior management and department leaders to establish the timeline for completing the strategies (those already completed or nearly completed; those to be completed over the next year to 24 months; and those to be completed in the next 36 to 48 months).
- In March 2023, the strategy team began conducting meetings with those responsible for implementing strategies to outline necessary action items, resources and skills, budget, and key performance indicators for completion of each remaining open strategy.

Since these activities occurred subsequent to our audit period, we did not verify and evaluate management's completion of the activities.

Because PRT was in the process of developing monitoring activities during the time of our audit procedures, it is critical that management complete the development and documentation of a strong monitoring process. Observing, evaluating results, and remediating deficiencies are important components of a strong monitoring system. It is important that PRT management routinely monitors the plans to check progress and evaluate results to ensure goals and outcomes are being met and plans are adjusted as needed. Monitoring also allows PRT management to remediate any new issues or deficiencies that may affect its goals on a timely basis.

The pandemic's negative impact on ridership resulted in PRT prioritizing its bus network redesign to focus on the critical need to pivot offered services based on community needs.

The bus network redesign became a high priority because of loss in ridership and staff shortages related to the pandemic.⁵⁹ The network redesign is necessary to address changing ridership needs that were rapidly accelerated by the pandemic's impacts. The full analysis and redesign are intended to align resources based on community priorities, such as network coverage, frequency, and access distance to and from transit, origins, and destinations. The goal is to increase ridership so that long-term financial sustainability can be achieved without requiring cuts to services. Transit systems normally undergo this redesign every one to two decades, and PRT last undertook a redesign in 2009, which was not fully implemented due to service cuts.

⁵⁹ The bus network redesign was one of the top ranked policies and programs from the NEXTransit plan. See *Appendix C* for a list of those policies and programs along with the costs to implement them.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

PRT received a \$780,100 Route Restoration Planning Grant from the Federal Transit Administration (FTA) in the spring of 2022, which it matched with \$750,000 of its own funds for funding of transit network planning efforts related to the pandemic. The grant will be used to undertake a full bus network redesign, which has been contracted out to an engineering and consulting company specializing in solving complex infrastructure challenges. PRT management indicated the project began in June 2023 and is projected to be completed by March 2025.

Because of evolving ridership needs coming out of the pandemic, the bus network redesign is occurring during a time that will allow PRT to change its service to better align with the needs of its customers. However, the redesign will not be completed until 2025 and implementation of any service changes will take additional time. As discussed in *Finding 1*, PRT's ridership and passenger revenue have been significantly reduced since the pandemic, and PRT is relying on federal stimulus funds and deferred revenue to maintain service. Given that PRT forecasts a deficit by the FYE 2028, continued and immediate efforts aimed at future sustainability are critical.

Conclusion

PRT's need for strong strategic planning is imperative due to the inherent challenges of the public transportation industry, which were further complicated by the loss of passenger revenue because of the pandemic and evolving commuter patterns. PRT demonstrated that it implemented several strategies and efforts to sustain operations and meet rider needs, however challenges remain. PRT dedicated time and resources to create comprehensive and interwoven short- and long-term plans. Although we recognize that PRT's plans were newly developed, PRT did not have formalized monitoring procedures in place for its plans, including the frequency of updates and monitoring of plan goals. Additionally, because of loss of ridership and changing commuting trends, PRT recognized the important need to re-prioritize projects in order to conduct a bus network redesign to align its resources to meet the needs of the community. Since the bus network redesign will not be completed until 2025 and implementation of those results could take additional years, PRT should continue to make all necessary changes to its service to ensure future sustainability of the important services it provides.

Recommendations for Finding 2

We recommend that Pittsburgh Regional Transit:

1. Establish and document monitoring procedures regarding the strategic plan and long-range transportation plan, including the frequency in which monitoring occurs, the benchmarks used to monitor progress and results, and a documented supervisory review process for monitoring and updating the plans.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

2. Establish a baseline and utilize available data metrics to monitor performance and results of the goals in its strategic plan and to adjust the plan accordingly.
3. Consider documenting in policies the responsibilities of its Strategic Planning Department.
4. Consider making changes to service to reduce costs based on ridership prior to the completion of the bus network redesign.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Financial-Related Mandate, Procedures, and Results

This report addresses the financial-related mandate in Section 553.2(a)(1) of the Second Class County Port Authority Act, which requires the Department of the Auditor General to conduct a performance audit of the Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit (PRT), at least once every four years to “review the procedures and audit, settle and adjust the accounts of the authority.”⁶⁰

An independent Certified Public Accounting (CPA) firm is hired by PRT to conduct an annual audit of its financial statements. The Department of the Auditor General reviewed the CPA firm’s working papers and financial audit reports to determine if the financial-related mandate has been met or whether additional procedures were needed.

Specifically, we performed the following procedures to determine whether the audit work performed by the CPA firm for PRT’s financial statement audits contained in its Single Audits for the fiscal years ended June 30, 2020, 2021, and 2022 adequately addressed the mandated financial review:

- Verified that the CPA firm auditors were independent to conduct these financial audits of PRT.
- Verified the CPA firm auditors possessed the technical knowledge, skills, and experience necessary to perform and report on the financial audits of PRT.
- Obtained a copy of the most recent peer review report of the CPA firm which included a rating of *Pass* for the year ended May 31, 2022.⁶¹
- Reviewed the CPA firm’s audit planning documentation, including internal control assessments and test work papers with conclusions related to these financial statement audits.
- Reviewed these financial statement audit reports and noted that the CPA firm issued unmodified opinions for each fiscal year.⁶²

⁶⁰ 55 P.S. § 553.2(a)(1).

⁶¹ External peer reviews are required to be conducted at least once every three years by reviewers independent of the audit organization, per the Government Auditing Standards, 2011 Revision, paragraph 3.82 b. Paragraph 3.101 indicates that the best peer review rating is *Pass*.

⁶² The most recent audit of the Port Authority (for the fiscal year ended June 30, 2022) can be found at <https://www.ridprt.org/siteassets/inside-the-pa/audits/independent-audits/afs2022.pdf> (accessed March 9, 2023).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Based on these procedures, nothing came to our attention that would warrant additional audit procedures. It appears we can place adequate reliance on the scope, quality, and timing of the audit work performed by the CPA firm to collectively satisfy our mandated responsibilities prescribed by the statute.

A Performance Audit

Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

Status of Prior Audit Findings

Prior Audit Finding 1 – The Port Authority designed and adequately implemented a comprehensive hiring process and maintained sufficient documentation in its employee files to support most of its decision-making; however, it failed to document the process in formal policies and procedures and had inadequate documentation for certain applicant driver and criminal history offenses. (Resolved)

During our prior audit released December 2018, we found that the Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit (PRT), designed a comprehensive hiring process but failed to document this process in formal policies and procedures. Additionally, we found that PRT generally followed its routine hiring practices and maintained supporting documentation to evidence that each step in the process was performed, as well as that any job-specific requirements were adequately completed, documented, and maintained in PRT's employment files. However, we found one situation where an employee was improperly hired based on a previous driver license suspension error and two instances of inadequate documentation regarding decision-making over hiring employees with criminal history offenses.

We recommended that PRT: (1) Develop and implement an official, comprehensive hiring policy and written procedures to include, at a minimum: (a) description of each step in the process, including how the procedures should be performed and by whom, (b) description of how each procedure should be documented including any required forms, (c) supervisory review procedures, and (d) training requirements for new employees; (2) Ensure that the Chief Executive Officer, Board of Directors, and the PRT Legal Department approve the official hiring policy and procedures and regularly review/update the procedures; (3) Comply with its disqualification guidelines and not hire individuals with a driver history that would disqualify them from consideration; (4) In close consultation with its Legal Department, conduct periodic training of staff responsible for checking drivers' histories so they fully understand how to read and interpret Pennsylvania Department of Transportation driver history reports; (5) Document all correspondence between the Employment and Development and Legal Departments regarding justification for hiring decisions regarding previous criminal convictions that need special attention pursuant to its policy; and (6) Formalize a supervisory review process to ensure the driver and criminal history checks were adequately performed and any consultations with its Legal Department are adequately documented.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Status as of this audit

During our current audit, we found that PRT developed an Employment Process Policy which includes a description of each step in the employment process, description of how the procedures are documented, supervisory review procedures, and training requirements for new employees. The policy was administratively issued by the Human Resources Division effective January 1, 2019, and distributed by PRT's Chief Legal Counsel to the PRT Board of Directors, Chief Executive Officer, and senior management for review. The policy was subsequently revised October 1, 2019, and July 14, 2021, demonstrating PRT's regular review of the policy and updates when needed.

As part of our procedures to ensure PRT implemented its Employment Process Policy and followed its Disqualification Criteria for Employment, we interviewed PRT management responsible for the hiring process and reviewed the documentation of three applicants, including two that were denied employment and one that was hired with past driving offenses. In all three instances, we found PRT followed its hiring policy and disqualification guidelines. We also found that PRT followed its policy requiring supervisory review of the hiring process.

PRT also conducted bi-annual training for recruiters and management staff, who are part of the Employment team responsible for checking driving records, in January 2020 and 2022 as required by the Employment Process Policy. The training is conducted by a PRT transit police officer who reviews the driver's license guidelines with staff.

Based on the results of our procedures, PRT provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider the prior audit finding to be resolved.

Prior Audit Finding 2 – While the Port Authority monitored the performance of individual routes and attempted to improve operations, it failed to adequately address the underlying problems affecting the efficiency, effectiveness, and equity of its overall route performance. (Resolved)

During our prior audit released December 2018, we evaluated the effectiveness of the Port Authority of Allegheny County's, d/b/a Pittsburgh Regional Transit's (PRT), route management through the following three metrics for bus and light rail routes: on-time performance, percentage of time in service, and passengers per revenue hour. We evaluated the individual routes that did not meet the PRT's internal guidelines for these metrics and how the PRT addressed the underperforming routes. We also compared the PRT's performance for these three

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

metrics to that of four of its peer transit agencies in other states. We found that while the PRT was monitoring the performance metrics and implementing changes to improve its bus and light rail routes, certain enhancements should be made. Specifically, we found the PRT generally relied on adjusting bus schedules to improve on-time performance, which proved ineffective with buses not being on-time in one-third of cases, and its on-time performance remained poor as compared to its peers. Additionally, although the PRT improved its individual bus routes that had lower percentages of time spent in service, it had yet to address the overall problem of inconvenient garage locations which resulted in poor performance as compared to its peers.

We recommended that PRT: (1) Continue to monitor route performance on an individual basis and ensure all underperforming routes are addressed in a timely manner; (2) Implement procedures to evaluate overall route performance to assist in identifying and correcting the underlying problems; (3) Consider renegotiating the collective bargaining agreement at the end of the current term to revise its provisions that negatively affect the ability to adequately manage service routes; and (4) Pursue alternate suitable accommodations for vehicle operator meal periods, alternate garage locations, and/or other strategies that could increase percentage of time in service.

Status as of this audit

During our current audit, we found PRT continues to monitor individual route performance through monthly meetings by its On-Time Performance Committee, bi-weekly meetings by the Service Planning and Scheduling Committee, and quarterly meetings by the Schedule Committees for each bus/rail division. During these meetings, underperforming routes and problems are identified and analyzed, and PRT adjusts its bus and light rail schedules quarterly based on those reviews. We also found PRT proposed work changes to the collective bargaining agreement to improve management's ability to manage service routes in May 2020. PRT and its transit union agreed to some of the changes in November 2020. Further work rule changes aimed at improving service efficiency and reliability were ratified in November 2022. Additionally, prior to the COVID-19 pandemic (pandemic), PRT began initial testing and setup of scheduling software to provide for alternative accommodations and garage locations for driver meal periods to increase percentage of time in service. PRT management indicated that due to staffing changes and the pandemic, further testing was paused. However, PRT is now focusing on using a tool within the scheduling software in a more efficient manner to increase time in service. According to PRT's management, software changes have led to increased in-service time. For example, with the September 2022 service change, PRT reported approximately 80 percent in-service time as opposed to 75 percent before the change.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Based on the results of our procedures, PRT provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider the prior audit finding to be resolved.

Prior Year Finding 3 – The Port Authority’s service request evaluation process is flawed, inadequately documented, and ineffective. (Resolved)

During our prior audit released December 2018, we found that the Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit (PRT), developed a service request process in 2015 to allow the public to submit service request changes. The service request process was performed annually and included grouping like requests and scoring the requests based on reasonable efficiency, equity and effective factors and averaging the results. Of the 163 grouped requests evaluated for the 2016 and 2017 calendar years, 76 were recommended to be implemented, but only two were implemented due to budget constraints. Additionally, we found that the requests were not accumulated from year to year. This meant that if a customer’s service request was not implemented in the current year, the customer would need to resubmit the request. We also found that the service request process had insufficient policies and procedures and lacked adequate documentation to support evaluations and supervisory review procedures. We concluded the process appeared to be overly complex and time consuming with the results having little to no impact on operations.

We recommended that PRT: (1) Evaluate the design of the service request process to ensure the results are of benefit to operations and outweigh the costs; (2) Consider revising the timing of the service request process to ensure funds are available within the budget prior to conducting the evaluation and scoring of service requests; (3) Create formal policies and procedures for the service request process that are approved by the Board; and (4) Implement procedures for supervisory review throughout the service request evaluation process, including input and aggregation of the individual requests, evaluation and scoring of the aggregated request groups, ranking/prioritization to recommend changes, and presentation in the Annual Service Report.

Status as of this audit

During our current audit, we found that PRT revised the timing of its service request process to align with its fiscal year to ensure prioritized requests are known prior to budget development beginning with the fiscal year 2020 Annual Service Report. That report incorporated the prior year’s requests and included an evaluation of all major requests between the start of the process in 2015 and June 30, 2020. PRT also developed a Service Request Procedure Guide that details the timeline for service requests, the individuals who perform each step of the service,

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

instructions on how to score each request, and the supervisory review procedures. PRT provided documentation of meetings and emails demonstrating supervisory review and approval of the service request evaluation process for the time period requests were being considered in early 2020. Further, PRT's Board also approves the Transit Service Standards, which includes the timeline for service requests and indicates how the proposals are to be scored.

PRT management indicated that in Fall 2020, the service request process was paused due to the COVID-19 pandemic (pandemic). The 2021 Annual Service Report indicated that PRT did not evaluate any major requests in fiscal year 2021 so staff could focus on adjusting existing services in response to the changing pandemic conditions.⁶³

During our review, we noted that PRT was accepting service change requests from the public on its website with no apparent disclaimer that the review process was paused. When we brought this to PRT's attention, management indicated the lack of a disclaimer was an administrative oversight. PRT added a disclaimer to its website stating that service requests were not being immediately considered and any requests received in 2022 would instead be aggregated and reviewed as part of a bus network study in 2023.⁶⁴ PRT management also indicated that it would contact individuals who provided requests to inform them of the pause. Further, PRT management explained that service requests will now move to every 3-5 years to align with its transit development plan.

Based on the results of our procedures, PRT provided sufficient information and documentation to demonstrate the prior audit recommendations were implemented. Therefore, we consider the prior audit finding to be resolved.

⁶³ Port Authority of Allegheny County Annual Service Report 2021, page 30, https://www.rideprt.org/siteassets/inside-the-pa/surveys-and-reports/fy21_annual_service_report.pdf (accessed October 13, 2022).

⁶⁴ <https://www.rideprt.org/services/service-requests/service-requests/> (accessed October 13, 2022).

A Performance Audit

**Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit**

Pittsburgh Regional Transit's Response and Auditor's Conclusion

We provided copies of our draft audit findings and status of prior findings and related recommendations to Pittsburgh Regional Transit (PRT) for its review. On the pages that follow, we included PRT's response in its entirety. Following PRT's response is our auditor's conclusion.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Audit Response from Pittsburgh Regional Transit



Pittsburgh Regional Transit

Katharine Kelleman
Chief Executive Officer
Telephone No. 412-566-5186
E-mail kek@rideprt.org

SENT VIA E-MAIL ONLY, DELIVERY RECEIPT REQUESTED
(lconnor@paauditor.gov)

September 20, 2023

Ms. Lisa L. Connor, MPA
Assistant Director
Bureau of Performance Audits
Commonwealth of Pennsylvania
Department of the Auditor General
Harrisburg, PA 17120-0018

RE: Draft Audit Results

**Port Authority of Allegheny County d/b/a Pittsburgh Regional
Transit's Management Response**

Dear Assistant Director Connor:

Per your recent communications with Port Authority of Allegheny County d/b/a Pittsburgh Regional Transit ("PRT") staff representatives and in response to the Draft Audit Results provided to PRT via correspondence dated August 30, 2023 from Director King, please allow this correspondence to serve as PRT's management response to the Department of the Auditor General's ("AG") Draft Audit Results for PRT for the performance audit period July 1, 2019 through June 30, 2022.

Accordingly, please be advised as follows:

1. As PRT staff previously communicated, PRT is not requesting an exit conference as PRT believes the report was a fair and balanced assessment of PRT and the challenges that it faces in a post-COVID-19 pandemic world and that the findings and recommendations for each were similarly fair and reasonable;
2. PRT agrees with both findings and the recommendations for each, and the attached chart includes additional detail on PRT efforts already underway or otherwise in the planning stages to implement each of the recommendations; and

Heinz 57 Center 345 Sixth Avenue Floor 3 Pittsburgh PA 15222-2527 Phone 412.566.5500 rideprt.org

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

L. Connor, MPA
September 20, 2023
Page 2 of 2

3. As required by the AG, PRT has completed the Management Representation Letter, which has been signed by PRT's Chief Innovation Officer, Jeffrey Devlin, and is also attached to this PRT management response.

We hope that the AG finds PRT's management response to be fully responsive. However, should you have any remaining questions or concerns prior to issuing the Final Audit Report, please feel free to contact me, PRT Chief Legal Officer, Mike Cetra (mcetra@rideprt.org); or PRT Controller, Pete Schenk (pschenk@rideprt.org) at your convenience. Finally, in closing, PRT would like to thank the AG's personnel once again for your professionalism, diligence and collaborative approach throughout the performance audit process.

Sincerely,



Katharine Kelleman

Attachments –

1. Chart with PRT's Audit Recommendations Responses
2. Signed PRT Management Representation Letter

cc: Department of the Auditor General – Mark Wieczorek, Audit Manager
PRT – Jeffrey Letwin, Esquire, PRT Board Chairperson; PRT Senior Management Team, Pete Schenk, Controller
(all via e-mail only w/attachments)

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

DRAFT STATE AUDITOR GENERAL AUDIT RESULTS

PRT Responses

Finding 1 – The COVID-19 Pandemic had adverse impact on operations, and unless ridership rebounds, Pittsburgh Regional Transit may face difficulty when its federal stimulus funds and deferred revenues are completed.

AG Recommendations for Finding 1

Recommendation	Agree or Disagree?	Brief PRT narrative summary of PRT efforts/plans to implement subject recommendation
<p>1. Continue to employ strategies aimed at restoring ridership to pre-pandemic levels, to the extent such growth is achievable in a dramatically changed economic environment.</p>	<p>Agree</p>	<p>While PRT continues to make minor adjustments to improve service and attract riders back to the system, the main initiative to implement this recommendation is PRT’s Bus Network Redesign. Overall, PRT’s NEXTransit Network Plan provides an opportunity to more effectively:</p> <ul style="list-style-type: none"> • Increase geographic access to frequent transit. • Increase ridership and transit mode share. • Promote equity, access to opportunity, and a more inclusive region. • Ensure the network and service aligns with the adopted service guidelines and metrics. • Streamline route design to reflect customer and operator needs and promote efficient scheduling of vehicle types. • Simplify the bus network for customers. • Align service with land use and socio-economic changes. • Coordinate service with bus priority investments. • Improve safety for operators, customers and pedestrians including considerations for safer routing patterns. <p>All of these Plan goals are expected to better use PRT’s resources and drive ridership gains by providing more attractive service options for riders.</p>
<p>2. Focus on maintaining financial stability since stimulus money used to replace lost passenger revenue was temporary and will be exhausted in the near future.</p>	<p>Agree</p>	<p>PRT’s Senior Staff and Government Relations team has been coordinating with various stakeholder groups at both a local and Commonwealth level to discuss various strategies that potentially could provide long-term funding solutions beyond existing Act 89 funding mechanisms for PRT and other Pennsylvania transit agencies once federal stimulus dollars and operating reserves are</p>

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

		<p>projected to be exhausted. These efforts will undoubtedly continue as PRT looks for ways to enhance its financial stability and viability in a post-COVID world.</p> <p>PRT will continue to explore cost-saving initiatives in every facet of its business to increase financial stability.</p>
<p>3. Explore improved forecasting methods based on multiple factors instead of an arbitrarily chosen flat rate to more accurately project revenue and expenditures, particularly given challenges experienced by the transportation industry since the pandemic. For example, PRT should consider ridership data analytics, anticipated services changes, and contractual wage increases in forecasting efforts, as well as using budgeting software with a forecasting component.</p>	<p>Agree</p>	<p>PRT's Finance and Service Development teams will continue to work collaboratively on long-term ridership and revenue projections. The current projections do include known contractual Salary and Wage increases as well as actuarially developed Pension Expense. The Service Development team has developed a forecasting model that projects a 10% ridership increase for PRT FY 2024 over FY 2023, compared to the 15% increase that was projected from PRT FY 2022 to FY 2023. Finance will continue to work with Service Development to adjust these projections and work them into the budgeting process based upon the available ridership data, ridership trends and continued service analysis.</p> <p>PRT plans to develop and issue a Request for Proposal (RFP) for Budgeting Software that will enhance development of various revenue and expense scenarios that will aid in long-term projections.</p> <p>PRT also plans to fill a new (and budgeted) Data Analytics position over the next fiscal year that will be critical in helping further refine PRT's ridership and revenue forecasting methods.</p>
<p>4. Review existing hiring policies and procedures to determine if there are necessary changes that would assist with employee recruitment and retention.</p>	<p>Agree</p>	<p>The Employment and Development Department has reviewed its hiring policies in relation to peer transit agencies and made changes that have included to date:</p> <ul style="list-style-type: none"> Automating the Application of Employment and related documents, with most interaction with candidates now being done via email or text, some interviews are virtual, and conditional offers of employment occur after a successful interview. After reviewing peer agency practices, eliminating initial test for operator candidates.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

<p>5. Continue efforts to recruit and retain employees, with the goal of meeting its full staffing complement, and providing reliable and equitable transportation to the community.</p>	<p>Agree</p>	<p>In response to the competitive marketplace and after reviewing peer transit agencies practices and trends, PRT has increased its hourly training rate from \$15 to \$19 for Operator candidates and offers a Commercial Driver’s License (CDL) bonus of \$1,000 and a CDL with a Passenger Endorsement of \$1,500. There is no payment to obtain a commercial driver's license via PRT’s training and testing facilities, and the waiting period to re-apply for open position has been reduced from one year to six months. We have also expanded advertisement sourcing outlets, resulting in a candidate pool of 685 for the calendar year 2023 for operator positions. PRT has also implemented a work location (teleworking) policy for certain office and related administrative personnel that allows for hybrid work schedules, which have become critical to attract and retain candidates to white collar positions in a post-COVID world.</p>
--	--------------	---

Finding 2 – Pittsburgh Regional Transit has implemented strategies to continue current operations, but future sustainability challenges remain due to evolving ridership trends.

AG Recommendations for Finding 2

Recommendation	Agree or Disagree?	Brief PRT narrative summary of PRT efforts/plans to implement subject recommendation
<p>1. Establish and document monitoring procedures regarding the strategic plan and long-range transportation plan, including the frequency in which monitoring occurs, the benchmarks used to monitor progress and results, and a documented supervisory review process for monitoring and updating the plans.</p>	<p>Agree</p>	<p>Senior management has appointed at least one Strategic Plan Division ambassador from each Division to promote, monitor, provide insights, and maintain Strategic Plan implementation momentum across the agency. These ambassadors will help achieve strategic goals by tracking progress, gathering feedback, and facilitating communication between their Divisions and other Strategic Plan ambassadors. The Strategy Office facilitates monthly meetings with the ambassadors to provide and receive information about the plan. The Strategy Office has scheduled quarterly update meetings with senior management to relay information provided by the ambassadors and progress monitoring of Strategic Plan Key Performance Indicators.</p> <p>PRT continually tracks and provides updates internally on the status of Strategic Plan implementation. The Plan includes an ordered set of priorities and these are</p>

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

		subject to review based on local needs and funding opportunities. PRT plans to formally update progress on the long-range plan every 2-3 years, and will develop a formal process document for these updates to be added to Strategic Plan policy and procedure.
2. Establish a baseline and utilize available data metrics to monitor performance and results of the goals in its strategic plan and to adjust the plan accordingly.	Agree	PRT's Strategy Office, with support from each Division, has established Key Performance Indicators (KPIs) for each strategy in the Strategic Plan. In addition to the Strategic Plan Division ambassadors, management has appointed a KPI ambassador from each division to help further develop and track the progress of the KPIs for which their respective Division is championing. Based on these KPIs, the Strategy Office has gathered benchmarks from other transit agencies and will be meeting with each Division's ambassadors to help them determine the best method for obtaining the appropriate reporting information to monitor their KPIs. PRT's Agency Innovative Services Division is also in the process of finalizing plans to hire a Performance Analytics Manager (position budgeted) whose role will include creating and managing a dashboard for more detailed monitoring of this progress. The Strategy Office is also planning to hire a Director of Strategic Planning (position budgeted and currently being advertised publicly) who will assist in procuring this information and will help each division adjust accordingly.
3. Consider documenting in policies the responsibility of its Strategic Planning Department	Agree	PRT is developing a Strategic Plan Charter for its Plan ambassadors and also intends to consolidate and further document the various Strategic Plan implementation efforts noted in response to other State AG recommendations under Finding No. 2.
4. Consider making changes to service to reduce costs based on ridership prior to the completion of the bus network redesign.	Agree	The Scheduling Department continues to focus on increasing efficiency while the Bus Network Study is underway. Key efforts in PRT FY2023 include beginning to roll out the Meals Away program for Operators not to have to return to their operating garage for their meal breaks and focusing on on-time performance and running time adjustments to improve reliability and decrease overtime. Trip adjustments based on annual reports for improved blocking and spreading out trips where ridership is low are always a key focus of PRT's Scheduling team.

A Performance Audit

**Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit**

Auditor's Conclusion to Pittsburgh Regional Transit's Response

Pittsburgh Regional Transit's (PRT) management agrees with our findings and states it will implement or is in the process of implementing our recommendations. PRT provided responses of how it is planning to attract riders back to the system, discussing long-term funding solutions with various stakeholder groups, exploring cost-saving initiatives, working collaboratively with internal departments to improve long-term ridership and budget forecasting, making changes to the hiring process to attract workers, and monitoring its strategic plans and goals to increase efficiency. We commend PRT for addressing these issues. Additional follow up will occur during the next mandated audit of PRT to determine whether and to what extent our recommendations have been implemented.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Appendix A

Objectives, Scope, Methodology, and Data Reliability

The Department of the Auditor General (Department) conducted a performance audit of the Port Authority of Allegheny County d/b/a Pittsburgh Regional Transit (PRT). This audit was authorized under the authority provided to the Department pursuant to Section 553.2(a)(1) of the Second Class County Port Authority Act, which states that “[i]n addition to any audits or financial statements required by the county, State or Federal Government, the authority shall be subject to...[a] performance audit...at least once every four years ...[by the Department to]...review the procedures and audit, settle and adjust the accounts of the authority.” See 55 P.S. § 553.2(a)(1) (added by Act 76 of 1986).⁶⁵

We conducted this audit in accordance with applicable *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives.⁶⁶ We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives

Our performance audit objectives were as follows:

1. Determine the financial impact of the COVID-19 pandemic on PRT’s revenues and expenditures.
2. Evaluate PRT’s strategies and efforts to sustain operations through for example, effective planning, as well as updating or adding new directives, policies, and procedures to meet its needs.

Regarding the financial aspects of the mandates noted above, we did not conduct our own financial statement audit. Instead, we continued our past practice of reviewing the financial audit reports and working papers of the independent Certified Public Accounting (CPA) firm that audited PRT’s financial statements.

We also conducted procedures to determine whether PRT implemented our prior performance audit’s findings and recommendations from the report dated December 2018 (*see* Status of Prior Audit Findings).

⁶⁵ Second Class County Port Authority Act. Act 465 of 1956.

⁶⁶ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Technical Update April 2021.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Scope

This performance audit covered the period July 1, 2019, through June 30, 2022, unless otherwise noted, with updates where applicable through the report date.

PRT management is responsible for establishing and maintaining effective internal controls, also referred to as management controls, to provide reasonable assurance of compliance with applicable laws and regulations, contracts, grant agreements, and administrative policies and procedures. In conducting our audit, we obtained an understanding of PRT's internal controls, including information systems controls.

Standards for Internal Control in the Federal Government (also known as and hereafter referred to as the Green Book), issued by the Comptroller General of the United States, provides a framework for management to establish and maintain an effective internal control system.⁶⁷ We used the framework included in the Green Book to assess PRT's internal control system.

The Green Book's standards are organized into five components of internal control. In an effective system of internal control, these five components work together in an integrated manner to help an entity achieve its objectives. The five components contain 17 related principles, listed in the table below, which are the requirements an entity should follow in establishing an effective system of internal control.

We determined that all internal control components were significant to both audit objectives, with the exception of Principle 11, which is not significant to Objective 2.⁶⁸ The table below represents a summary of the level of the internal control assessment for effectiveness of design (D); implementation (I); or operating effectiveness (OE) that we performed for each principle or an indication that reliance was placed on the internal control work performed by PRT's CPA firm and no further assessment was done (R) along with a conclusion regarding whether issues were found with the principles and if those issues are included in a finding.⁶⁹

⁶⁷ Even though the Green Book was written for the federal government, it explicitly states that it may also be adopted by state, local, and quasi-government entities, as well as not-for-profit organizations, as a framework for establishing and maintaining an effective internal control system.

⁶⁸ For Objective 2, we reviewed PRT's key elements and monitoring of its short-term and long-term plans. This review did not include computer processed data, and therefore, Principle 11 is not considered significant for purposes of our engagement.

⁶⁹ The Green Book, Sections OV3.05 and 3.06, states the following regarding the level of assessment of internal controls. Evaluating the design of internal control includes determining if controls individually and in combination with other controls are capable of achieving an objective and addressing related risks. Evaluating implementation includes determining if the control exists and if the entity has placed the control into operation. Evaluating operating effectiveness includes determining if controls were applied at relevant times during the audit period, the consistency with which they were applied, and by whom or by what means they were applied.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Component	Principle		Level of Assessment	Objective	Conclusion
Control Environment	1	The oversight body and management should demonstrate a commitment to integrity and ethical values.	R	1, 2	No issues noted
	2	The oversight body should oversee the entity's internal control system.	R	1,2	No issues noted
	3	Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.	R	1	No issues noted
			D	2	
	4	Management should demonstrate a commitment to recruit, develop, and retain competent individuals.	R	1	No issues noted
		D	2		
Risk Assessment	5	Management should evaluate performance and hold individuals accountable for their internal control responsibilities.	R	1	No issues noted
			D	2	
	6	Management should define objectives clearly to enable the identification of risks and define risk tolerances.	R	1, 2	No issues noted
	7	Management should identify, analyze, and respond to risks related to achieving the defined objectives.	R	1, 2	No issues noted
	8	Management should consider the potential for fraud when identifying, analyzing, and responding to risks.	R	1	No issues noted
D			2		
9	Management should identify, analyze, and respond to significant	R	1	No issues noted	
		D, I	2		

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Component	Principle	Level of Assessment	Objective	Conclusion
	changes that could impact the internal control system.			
Control Activities	10 Management should design control activities to achieve objectives and respond to risks.	R D, I, OE	1 2	No issues noted Finding 2
	11 Management should design the entity's information system and related control activities to achieve objectives and respond to risks.	R	1 2	No issues noted Not significant
	12 Management should implement control activities through policies.	R D, I, OE	1 2	No issues noted Finding 2
Information and Communication	13 Management should use quality information to achieve the entity's objectives.	R	1, 2	No issues found
	14 Management should internally communicate the necessary quality information to achieve the entity's objectives.	R D, I	1 2	No issues noted
	15 Management should externally communicate the necessary quality information to achieve the entity's objectives	R D	1 2	No issues noted
Monitoring	16 Management should establish and operate monitoring activities to monitor the internal control system and evaluate results.	R D, I, OE	1 2	No issues noted Finding 2
	17 Management should remediate identified internal control deficiencies on a timely basis.	R D	1 2	No issues noted

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Government Auditing Standards require that we consider information systems controls “...to obtain sufficient, appropriate evidence to support the audit findings and conclusions.”⁷⁰ This process further involves determining whether the data that supports the audit objectives is reliable. In addition, Publication GAO-20-283G, *Assessing Data Reliability*, provides guidance for evaluating data using various tests of sufficiency and appropriateness when the data is integral to the audit objective(s).⁷¹ See our assessment in the *Data Reliability* section that follows.

Our procedures to assess the design, implementation, and/or operating effectiveness are discussed in the *Methodology* section that follows. Deficiencies in internal controls we identified during the conduct of our audit and determined to be significant within the context of our audit objectives are summarized in the conclusion section below and described in detail within the respective audit findings in this report. See the table above for descriptions of each of the principle numbers included in the conclusions below.

Conclusion for Objective 1:

Our assessment of PRT’s management’s internal controls and reliance placed on the internal control work performed by PRT’s CPA firm did not find issues associated with the 17 Principles as to design, implementation, and/or operating effectiveness as noted in the table above.

Conclusion for Objective 2:

While our review of internal control work performed by the PRT’s CPA firm and our own assessments did not note any issues for Principles 1 to 9, 11,⁷² 13, 14, 15, and 17, our assessment of PRT’s management’s design of controls found issues regarding Principles 10, 12, and 16. This included the issue that PRT lacked formal finalized monitoring procedures for its short-term and long-term plans. This issue is described in detail in *Finding 2*.

Methodology

We performed the following procedures to address both audit objectives:

- Obtained an understanding of PRT’s overall organization structure and purpose from our review of PRT’s organizational chart, information published on its website, fraud

⁷⁰ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Paragraph 8.59 through 8.67.

⁷¹ U.S. Government Accountability Office. *Assessing Data Reliability*, December 2019.

⁷² Principle 11 is not significant to Objective 2.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

questionnaire, Understanding of the IT Environment forms, certain job descriptions, and from interviews with management. [All principles]

- Reviewed laws, regulations, and PRT written policies and procedures to determine legislative and regulatory requirements related to the audit objectives, including the following:
 - Second Class Port Authority Act⁷³
 - Act 89 of 2013⁷⁴
 - By-Laws of the Port Authority of Allegheny County
- Reviewed PRT's independent CPA firm's working papers regarding work performed to determine what controls were in place regarding each of the 17 principles within the five components of internal control in order to establish an effective system of internal control. [All Principles]

Objective 1:

- Interviewed PRT management to gain an understanding of how the COVID-19 pandemic (pandemic) impacted PRT's revenues and expenditures including the receipt and usage of federal stimulus funds.
- Obtained the federal stimulus fund grants awarded to PRT from the Coronavirus Aid, Relief, and Economic Security Act (CARES) of 2020, American Rescue Plan Act (ARPA) of 2021, and the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) of 2021.
- Determined the amount of federal stimulus funds PRT spent during the fiscal years ended (FYE) June 30, 2020, 2021, and 2022. We then determined the remaining balance of stimulus funds available as of June 30, 2022.
- Obtained PRT's financial statement audits contained in its Single Audits for the FYE June 30, 2019, 2020, 2021, and 2022, and completed a four-year analysis from July 1, 2018, through June 30, 2022, of revenues and expenditures to determine which revenues and expenditure classifications were affected by the COVID-19 pandemic.
- Analyzed PRT's ridership trends from prior to the pandemic (FYE June 30, 2019) through FYE June 30, 2022.

⁷³ 55 P.S. § 553.

⁷⁴ Amending Titles 74 (Transportation) and 75 (Vehicles) of the Pennsylvania Consolidated Statutes (Omnibus Amendments).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

- Reviewed PRT’s five-year financial forecast which included projected revenues, expenditures, and planned stimulus usage for the fiscal years ending June 30, 2023 through the fiscal years ending June 30, 2028.
- Obtained the number of transit operator vacancies at PRT as of June 30, 2022, and 2023, along with PRT management’s explanations for operator shortages. We also reviewed PRT’s strategies to attract new operators and retain current employees.

Objective 2:

- Interviewed PRT personnel to gain an understanding of the strategies implemented by PRT to meet its needs, including the adoption and implementation of its short-term and long-term plans, creation of its Strategic Planning Department, name rebranding project, and bus network redesign. [Principles 10, 12, 14, 16, 17]
- Obtained and reviewed PRT’s 25-year Long-Range Transportation Plan, NEXTransit, as well as its 2023-2028 Strategic Plan to determine agency goals and strategies. [Principles 9, 15]
- Performed an analysis of PRT’s long-range and strategic plan to similar plans of peer transit agencies to ensure that PRT’s plans aligned with the peer agencies and industry standards.⁷⁵

To address the financial-related mandate,⁷⁶ we performed the following procedures:

- Reviewed PRT’s independent CPA firm’s latest peer review report. We verified that the individuals who conducted the audit were independent of PRT and qualified to perform the audit.
- Reviewed the CPA firm’s audit planning documentation, including internal control assessments and test work papers with conclusions to gain assurance that the results of

⁷⁵ According to PRT’s 2022 Annual Service Report, PRT compares itself to nine peer transit agencies across the country with which it has some combination of similar city/metropolitan area population, similar transit service levels, or similar modes of service provided. The peer transit agencies included in our comparative analysis were (1) Maryland Transit Administration (MTA) operating in Baltimore, Maryland, (2) Greater Cleveland Regional Transit Authority (GCRTA) operating in Cleveland, Ohio, (3) Metro Transit operating in Minneapolis, Minnesota, (4) Bi-State Development Agency of the Missouri-Illinois District, d/b/a St. Louis Metro, operating in St’ Louis, Missouri, (5) King County Metro, operating in Seattle, Washington, (6) Milwaukee County Transit Authority, operating in Milwaukee, Wisconsin, (7) Niagara Frontier Transit Authority (NFTA) operating in Buffalo, New York, (8) TriMet operating in Portland, Oregon, and (9) Denver Regional Transportation District (RTD) operating in Denver, Colorado.

⁷⁶ 55 P.S. § 553.2(a)(1).

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

the audits could be relied upon, for the FYE June 30, 2020, 2021 and 2022. [All principles]

- Determined the external auditing firm issued unmodified opinions for the FYE June 30, 2020, 2021 and 2022.

To address the Status of the Prior Audit Findings, we performed the following procedures:

Prior Finding 1:

- Reviewed PRT's Employment Process Policy to ensure the policy contained a description of the employment process, documentation of procedures, supervisory review procedures, and new employee training requirements.⁷⁷ We also confirmed the policy is reviewed and updated regularly by PRT management.
- Obtained PRT's Disqualification Criteria for Employment Guidelines. We reviewed the documentation of three applicants, including two that were denied employment and one that was hired with past driving offenses, to ensure PRT complied with the disqualification guidelines and there was supervisory review of the employment process.
- Obtained and reviewed PRT's driver history training reports to determine training was held for staff that review driver's histories as part of the employment process on a bi-annual basis.

Prior Finding 2:

- Reviewed PRT's meeting minutes from the On-Time Performance Committee, Services Planning & Scheduling Committee, and the Schedule Committee meetings to determine PRT's monitoring of route performance.
- Obtained and reviewed PRT's proposed work changes and the updated agreement with Local 85 Amalgamated Transit Union ratified in November 2022 to determine if the collective bargaining agreement was updated to help PRT adequately manage service routes.
- Reviewed documentation of PRT's strategies that were implemented to increase the ratio of in-service hours to total vehicle hours and increase percentage of time in service.

⁷⁷ The Employment Process Policy was administratively issued by the Human Resources Division and Effective as of January 1, 2019; Revised October 1, 2019; Revised July 14, 2021.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Prior Finding 3:

- Obtained and reviewed PRT’s updated Transit Service Standards and Service Request Procedures showing PRT revised the timing of its service request process and developed procedures detailing the service request process.
- Reviewed documentation evidencing that PRT has a supervisory review process of the service request process.

Data Reliability

Government Auditing Standards require us to assess the sufficiency and appropriateness of computer-processed information that we used to support our conclusions and/or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes the considerations regarding the completeness and accuracy of the data for the intended purposes.⁷⁸

In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information and data files, we obtained a management representation letter from PRT. This letter, signed by PRT management, included a confirmation statement indicating the information and data provided to us had not been altered and was a complete and accurate duplication of the data from its original source.

Amounts such as annual ridership, passenger revenue, total expenditures, and federal stimulus funds spent, if applicable, during the FYE June 30, 2019, 2020, 2021, and 2022, were obtained from PRT’s financial statement audits contained in its Single Audits for the FYE June 30, 2020, 2021, and 2022. We confirmed that PRT’s audited financial statements received an unmodified opinion. Therefore, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that PRT’s annual ridership, passenger revenue, total expenditures and federal stimulus funds used were sufficiently reliable regarding completeness and accuracy for the purposes of this engagement.

While we gained an understanding of PRT’s relevant information systems and related general controls, we did not perform procedures to validate the completeness and accuracy of the below bulleted information because there was no independent source available. However, this is the best data available. As a result, we have deemed the information to be of undetermined reliability. Although this determination may affect the precision of the numbers we present, there

⁷⁸ U.S. Government Accountability Office. *Government Auditing Standards*. 2018 Revision. Paragraph 8.98.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

is sufficient evidence in total to support our findings, conclusions, and recommendations. The information provided by PRT management includes the following:

- Projections of federal stimulus funds and deferred revenue usage for the FYE June 30, 2024, through the FYE June 30, 2028.
- The budgeted, actual, and number of vacancies of PRT bus and rail operators as of June 30, 2022, and June 30, 2023.
- Average hours of cancelled service each month from January 2019 to June 2019, and January 2022 to June 2022.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Appendix B

Pittsburgh Regional Transit's Detailed Revenues and Expenditures

Pittsburgh Regional Transit's (PRT) revenues and expenditures from July 1, 2019, through June 30, 2022, are shown in the chart below. Revenues and expenditures are discussed in more detail in both the *Introduction and Background* section and *Finding 1* of the report.

Pittsburgh Regional Transit - Detailed Revenues and Expenditures				
OPERATING REVENUES	FYE 2019	FYE 2020	FYE 2021	FYE 2022
Passenger Fares	\$ 88,789,080	\$ 69,341,543	\$ 30,720,420	\$ 46,907,211
State Shared Ride Pogram	\$ 10,651,848	\$ 8,607,351	\$ 6,338,710	\$ 7,721,160
Advertising	\$ 2,839,281	\$ 3,089,427	\$ 1,600,184	\$ 2,317,917
Misc income	\$ 814,367	\$ 831,987	\$ 781,282	\$ 626,132
TOTAL OPERATING REVENUE	\$ 103,094,576	\$ 81,870,308	\$ 39,440,596	\$ 57,572,420
OPERATING EXPENSES				
Salaries/Wages	\$ 162,230,726	\$ 173,182,412	\$ 180,013,823	\$ 184,058,097
Fringe Benefits	\$ 159,198,686	\$ 161,585,200	\$ 165,638,872	\$ 163,349,951
Services	\$ 14,939,689	\$ 13,646,373	\$ 15,652,494	\$ 15,658,641
Fuel and Lubricant	\$ 17,008,201	\$ 15,248,757	\$ 11,980,515	\$ 14,944,692
Tires and tubes	\$ 2,011,784	\$ 1,516,886	\$ 1,535,744	\$ 1,724,404
Other materials/supplies	\$ 25,545,026	\$ 25,094,193	\$ 25,874,905	\$ 24,678,409
Utilities	\$ 7,681,199	\$ 7,753,214	\$ 7,204,632	\$ 6,982,354
Casualty/liability	\$ 2,853,242	\$ (439,809)	\$ 2,246,741	\$ 3,731,451
Purchased transportation	\$ 26,158,452	\$ 24,346,319	\$ 24,878,539	\$ 27,807,315
Leases/rentals	\$ 1,809,535	\$ 1,731,318	\$ 1,952,560	\$ 451,636
Misc expense	\$ 6,678,888	\$ 5,869,901	\$ 5,113,724	\$ 5,884,784
TOTAL OPERATING EXPENSES	\$ 426,115,428	\$ 429,534,764	\$ 442,092,549	\$ 449,271,734
OPERATING GAIN/(LOSS)	\$ (323,020,852)	\$ (347,664,456)	\$ (402,651,953)	\$ (391,699,314)
NONOPERATING REVENUE/(EXPENSE)				
Capital funds used for operating assistance				
Federal government	\$ 44,211,408	\$ 36,156,054	\$ 31,626,869	34,951,682
Commonwealth of PA	\$ 8,079,042	\$ 14,688,457	\$ 14,943,466	13,773,816
Local governments	\$ 8,866,008	\$ 7,184,610	\$ 5,574,096	992,300
Operating Grants				
Commonwealth of PA	\$ 224,432,393	\$ 220,212,945	\$ 239,720,391	247,067,592
Local governments-matching	\$ 35,264,780	\$ 35,900,235	\$ 36,727,514	37,716,078
Federal Stimulus Grants				
CARES		\$ 31,482,531	\$ 73,921,916	
ARPA				\$ 58,642,774
CRRSA				
TOTAL GOVERNMENT SUBSIDIES FOR OPERATIONS	\$ 320,853,631	\$ 345,624,832	\$ 402,514,252	\$ 393,144,242
Interest income	\$ 517,744	\$ 328,622	\$ 18,919	29,667
Interest expense	\$ (7,408,761)	\$ (6,891,643)	\$ (4,057,463)	(4,009,196)
Loss on sale of capital assets	\$ -	\$ -	\$ -	
Bond Issue Costs	\$ -	\$ -	\$ (651,252)	
TOTAL NONOPERATING REVENUES (EXPENSES)	\$ 313,962,614	\$ 339,061,811	\$ 397,824,456	\$ 389,164,713

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Source: Chart developed by Department of the Auditor General staff from revenue and expenditures (excluding non-cash line items) obtained from PRT's Single Audits for fiscal years ended June 30, 2020, 2021, and 2022.⁷⁹

⁷⁹ The state operating grant was obtained from the financial statements and is the amount spent for that fiscal year and not necessarily the amount provided by the state. Amounts received from the state and not spent are considered deferred revenue and can be used in subsequent fiscal years. PRT received \$235.6 million in operating assistance from the state in FYE 2019 and recognized \$224.4 million and deferred \$11.2 million for future years. PRT received \$239.5 million in operating assistance from the state in FYE 2020 and recognized \$220.2 million and deferred \$19.3 million for future years.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Appendix C

NEXTransit Plan Projects and Policies and Programs

Pittsburgh Regional Transit's (PRT) NEXTransit Plan contains prospective future endeavors that were broken into two categories, "projects" and "policies and programs." Projects are comprised of specific place-based planning projects that are easily mapped to a location or geographical area. Policies and programs are projects that do not have a specific location or route but could be applied throughout the transit system.

Projects

The NEXTransit Plan consists of individual projects with each having its own timeline and planning phase. To determine prioritization of the projects PRT utilized public input as well as other factors including demographics, projected growth, current ridership, employment areas, and the feasibility of the projects to help achieve its priority rankings. The projects are grouped into the following four different phases:

NEXT Projects

PRT planned to begin work on these projects immediately following the adoption of the NEXTransit plan. These highly ranked projects are intended to set the stage for future system growth. This group of projects has a main theme of efficiency.

1-5 Year Phase

This phase represents projects that are near-term but not feasible to begin before other changes are made as part of the NEXT projects mentioned above. This phase focuses on corridors with high levels of ridership where PRT can focus on providing better, more equitable access to opportunities. This group of projects has a main theme of essential expansion.

6-15 Year Phase

This group has projects that are intended to grow PRT's transit system and in turn help better serve the community. This group of projects has a main theme of opportunity expansion.

16-25 Year Phase

The final group of projects look further into the future and serve as targets for development, especially in suburban communities with growth. This group of projects also has a main theme of opportunity expansion.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

The following chart displays each of the 18 projects listed in the NEXTransit Plan, along with the project phase and estimated cost of each project:

NEXTransit Project List (Amounts in Millions)			
Project Name	Low Capital Cost Estimate	High Capital Cost Estimate	Estimated Local Capital Contribution⁸⁰
NEXT Projects			
Facilities Master Plan and Expansion of Bus Facilities	\$177	\$234	\$41
East/Central Pittsburgh River to River Connection	\$168	\$218	\$39
Downtown Transit Center	\$60	\$118	\$18
Library Line Best Use Study	TBD	TBD	TBD
Homestead to McKeesport Upgraded Transit	\$47	\$58	\$11
1-5 Year Phase			
East Busway Phased Extensions	\$121	\$151	\$27
Allentown/Downtown LRT Best Use Study	\$8	\$10	\$2
East Busway to Monroeville Rapid Transit	\$117	\$141	\$26
McKnight Road Upgraded Transit	\$57	\$68	\$12
6-15 Year Phase			
Allegheny Valley Rapid Transit	\$231	\$298	\$53
Airport Corridor Rapid Transit	\$274	\$325	\$60
Brownsville Road and Route 51 Upgraded Transit	\$39	\$49	\$9
Ohio River Light Rail Extension	\$688	\$826	\$151
Northside Light Rail Extension	\$710	\$852	\$156
16-25 Year Phase			
North Hills Rapid Transit	\$45	\$54	\$10
Mon Valley to South Hills Upgraded Transit	\$35	\$44	\$8
Freeport Road Corridor Upgraded Transit	\$44	\$54	\$10
West Busway Extension Bridgeville	\$176	\$210	\$39
Total:	\$2,997	\$3,710	\$672

Source: Chart developed by Department of the Auditor General staff from Pittsburgh Regional Transit's NEXTransit 25-year Long-Range Transportation Plan.

Policies and Programs

Policies and programs are projects that be applied throughout the transit system to reduce barriers to using public transit. PRT utilized the values from the NEXTransit Plan of accessibility, affordability, efficiency, equity, and sustainability to categorize policy and program

⁸⁰ The local contributions range from 18-22 percent, depending on whether a low or high-cost estimate is used. This is well above the current average local share, but below the national average of local funding for transit.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

ideas for public input and then rank those policies and programs. The following chart identifies the policies and programs, with the first five policies and programs listed with community support and being PRT's current priority, along with the potential costs. (Note: not all costs are currently known).⁸¹

NEXTransit Policies and Program List			
Policies and Programs	Annual Operating Costs	One-Time Capital Costs	Annual Capital Costs
Sidewalk Quality and Access Program	\$120,000	N/A	\$1,000,000
Affordable Fares Policy	\$0	\$50,000	\$1,000,000
ADA System Access Program	\$120,000	N/A	\$2,000,000
Bus Network Redesign	\$0	\$1,000,000	N/A
Community Circulators	\$5,000,000	\$2,500,000	Needs Further Study
System-Wide Signage & Wayfinding	\$120,000	N/A	\$100,000
Affordable Housing	\$120,000	N/A	N/A
Agency-Wide Sustainability Program	\$300,000	N/A	\$880,000
Transit Signal Priority	\$360,000	N/A	N/A
Pilot Projects (Tactical Urbanism)	\$120,000	N/A	\$1,000,000
Bottleneck Bypass Lanes	\$120,000	N/A	N/A
Vehicle Electrification / Fuel Diversification	\$120,000	\$80,000,000	\$11,250,000 (years 1-5)
HR Staffing Program	\$360,000	N/A	\$500,000
Mobility Technology Innovation	\$120,000	N/A	Need Further Study
Vehicle Design and Amenities	\$120,000	N/A	N/A
Parking Management	\$120,000	N/A	N/A
Bus Stop Balancing	\$120,000	N/A	Supported with Sidewalk Program
Total	\$7,340,000	\$83,550,000	\$17,730,000

Source: Chart developed by Department of Auditor General staff from Pittsburgh Regional Transit's NEXTransit, 25-year Long-Range Transportation Plan.

⁸¹ The other policies and programs listed after the first five in the chart are not listed in any particular order and could be prioritized as needed in the future by PRT.

A Performance Audit

Port Authority of Allegheny County, d/b/a Pittsburgh Regional Transit

Appendix D

Distribution List

This report was distributed to the following Commonwealth officials:

The Honorable Josh Shapiro
Governor

Mr. Jeffrey W. Letwin, Esq.
Board Chairperson
Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

Ms. Katharine Kelleman
Chief Executive Officer
Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

Mr. Peter K. Schenk
Controller
Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

Mr. Michael J. Cetra
Chief Legal Officer
Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit

The Honorable Scott Martin
Senate Majority Appropriations Chairman
Pennsylvania Senate

The Honorable Vincent Hughes
Senate Minority Appropriations Chairman
Pennsylvania Senate

The Honorable Jordan Harris
House Majority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Seth Grove
House Minority Appropriations Chairman
Pennsylvania House of Representatives

The Honorable Kim Ward
President Pro-Tempore
Pennsylvania Senate

The Honorable Joanna McClinton
Speaker of the House
Pennsylvania House of Representatives

The Honorable Matt Bradford
House Majority Leader
Pennsylvania House of Representatives

The Honorable Bryan Cutler
House Minority Leader
Pennsylvania House of Representatives

The Honorable Joe Pittman
Senate Majority Leader
Pennsylvania Senate

The Honorable Jay Costa
Senate Minority Leader
Pennsylvania Senate

The Honorable Ed Neilson
House Transportation Majority Chair
Pennsylvania House of Representatives

A Performance Audit

**Port Authority of Allegheny County,
d/b/a Pittsburgh Regional Transit**

The Honorable Kerry Benninghoff
House Transportation Minority Chair
Pennsylvania House of Representatives

The Honorable Wayne Langerholc
Senate Transportation Majority Chair
Pennsylvania Senate

The Honorable Marty Flynn
Senate Transportation Minority Chair
Pennsylvania Senate

The Honorable Nick Pisciotano
Representative
Pennsylvania House of Representatives

The Honorable Uri Monson
Secretary of the Budget
Office of the Budget

The Honorable Stacy Garrity
State Treasurer
Pennsylvania Treasury Department

The Honorable Michelle A. Henry
Attorney General
Office of the Attorney General

The Honorable Neil Weaver
Secretary of Administration
Office of Administration

Mr. William Canfield
Director
Bureau of Audits
Office of Comptroller Operations

Ms. Mary Spila
Collections/Cataloging
State Library of Pennsylvania

This report is a matter of public record and is available online at www.PaAuditor.gov. Media questions about the report can be directed to the Pennsylvania Department of the Auditor General, Office of Communications, 229 Finance Building, Harrisburg, PA 17120; via email to: News@PaAuditor.gov.