



CATS Bus Operations Management Contract



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CATS MANAGEMENT CONTRACT AUDIT REPORT SUMMARY

Objective

This audit was conducted to determine whether adequate performance metrics have been established for the CATS Bus Operations Management Contract.

Background

Federal law requires public transit systems that receive federal funds to allow collective bargaining rights to employees necessary for the operations of transit systems. Due to state law prohibiting negotiating with labor unions, CATS must use a contractor to oversee the administration and management of the day-to-day bus operations and maintenance.

CATS sent out a "Request for Proposals for Transit Management Services" 269-2023-1363, dated April 18, 2023, requesting proposals from qualified vendors to provide the City with transit management services for its Bus Operations and Maintenance services. National Express Transit (now called WeDriveU) best met the city's needs in terms of qualifications, experience, cost, and responsiveness to RFP requirements and commenced operations in February 2024.

Conclusion

Adequate performance measures have been established for the CATS Bus Operations Management contract; active management of the performance measures will help to ensure the contractor adheres to the applicable service level standards.

1. CATS should complete its efforts to evaluate, adjust (as necessary) and enforce the performance measures in accordance with contract provisions.

- Current performance measures are reasonable and adequate data exists to calculate performance for most of the metrics.
- Contract allows for incentives and disincentives for meeting goals in the following categories:
 - Operations
 - Complaints
 - Maintenance
 - Recordkeeping/Data Management
- CATS and WeDriveU agreed to waive incentives/disincentives for the first year of the contract to analyze and adjust the performance measures.

Actions Planned

CATS has agreed to the recommendation in this report and corrective actions were implemented in August 2025.

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Objective

This audit was conducted to determine whether adequate performance metrics have been established and implemented for the CATS Bus Operations Management Contract.

Background

Federal law requires public transit systems that receive federal funds to allow collective bargaining rights to employees necessary for the operations of transit systems. Due to state law prohibiting negotiating with labor unions, CATS must use a contractor to oversee the administration and management of the day-to-day bus operations and maintenance, as well as to conduct negotiations with the labor unions for bus operators and mechanics of the Bus Operations Division (BOD).

CATS sent out a “Request for Proposals for Transit Management Services” 269-2023-1363, dated April 18, 2023, requesting proposals from qualified vendors to provide the City with transit management services for its Bus Operations and Maintenance services. National Express Transit (WeDriveU) best met the city’s needs in terms of qualifications, experience, cost, and responsiveness to RFP requirements.

WeDriveU acquired Transit Management of Charlotte (TMOC) and assigned three managers to supervise and manage TMOC employees, including bus operators, mechanics, and administrative personnel. In addition, WeDriveU provides corporate resources for labor negotiations, service optimization, policies and procedures, and system performance audits as requested and/or needed. At time of contract award, annual expenditures were estimated to be \$1,578,082 for the three WeDriveU management employees and other administrative and corporate oversight costs. WeDriveU assumed management of TMOC in February 2024.

Findings and Recommendations

1. CATS should complete its efforts to evaluate, adjust (if necessary) and enforce performance measures in accordance with contract provisions.

Section 16.4 of the agreement between CATS and WeDriveU states:

“Performance measures are included in this Contract to provide the highest level of service possible. CATS will monitor the Contractor in the performance of the Contract to ensure adherence to all performance specifications. The Contractor is expected to continually meet or exceed the performance metrics as outlined in this Contract. Should the Contractor exceed or fall short of acceptable standards, payments to the Contractor shall be adjusted from the total fixed and variable costs of the original invoice (not including other reimbursements, fees, etc.). Adjustments are based on the incentive or Performance Deficiency Credit (PDC) percentage indicated in the Contract. The Contractor shall be required to submit detailed Action Plans to address any performance indicators that fall short of the standard.”

Although Section 16.6 of the contract noted that “contractor incentives and disincentives imposed by CATS will be applied to measures pertaining to operations, complaints, maintenance, personnel, and record keeping/data management”, the two parties agreed to use the first year of the contract to analyze and adjust the contractual performance measures without assessing incentives/disincentives. Section 16.7 states that CATS will periodically meet with the contractor to consider its input on performance goal adjustments although CATS shall have the final say in the setting of the performance indicator goals.

Internal Audit engaged Forvis Marzars LLP (Forvis) to review the key operating metrics for the management contract by selecting a sample of records, and obtaining and inspecting supporting evidence for compliance in the following categories:

- Operations (On-time performance, missed last trips)
- Complaints (Operator performance, customer complaint response/resolution)
- Maintenance (Preventive intervals, fleet availability)
- Record Keeping/Data Management (Data and information timeliness/accuracy)

According to Forvis, the performance measures are reasonable, and sufficient data was available to calculate most of the metrics. However, Forvis noted that they were provided raw data for most of the metrics, indicating that reporting systems are not fully established.

**CATS Bus Operations Management Contract
Select Performance Metrics
February-December 2024**

Metric	Incentive Goal	Liquidated Damages
On-time Performance	< 1% Early Departs	> 2.8% Early Departs > 1 preventable accident per
Accidents/Safety Records	0 preventable accidents	100,000 miles
Miles Between Road Calls	> 15,000 miles	< 12,000 miles
Missed Last Trips	0	> 0
Incident Reporting	0 > 24 hours	> 0 occurrences
Operator Performance Complaints	< 10 per 100,000 boardings	> 23 per 100,000 boardings
Customer Complaint Response	< 2 days after notice	> 2 days after notice
Customer Complaint Resolution	<= 5 days after notice	> 5 days after notice
Maintenance - Preventative Intervals	> 98% on-time	< 98% on-time
Maintenance - Fleet Availability	< 15% out of service	> 15% out of service

As of June 2025, CATS continues working to formalize a contract amendment with updated performance measures that will be assessed back to February 2025. The updated performance measures will be adjusted based on this audit effort, which identified data not available to support the calculation of certain metrics. For example, it was noted that the date of initial customer contact is not readily available in a data set to determine whether customers were contacted within two days of complaint.

Evaluating and adjusting the contractual performance measures will allow CATS to appropriately assess disincentives or grant incentive payments where applicable.

Recommendation 1: CATS should evaluate, adjust and enforce contractual performance measures.

Value Added: Risk Reduction, Effectiveness

CATS Response: CATS agrees that the contractual performance measures should be evaluated and adjusted in accordance with Section 16.7 of the contract. CATS will complete the evaluation and reach agreement with the contractor by August 31, 2025.

Conclusion

Adequate performance measures have been established for the CATS Bus Operations Management contract; active management of the performance measures will help to ensure the contractor adheres to the applicable service level standards.

Distribution of Report

This report is intended for the use of the City Manager's Office, City Council, and CATS. Following issuance, audit reports are sent to City Council and subsequently posted to the [Internal Audit website](#).

Scope, Methodology, and Compliance

Scope

The objective of this audit was to determine whether adequate performance metrics have been established for the CATS Bus Operations Management Contract. The audit covers the period February 2024 to March 2025.

Methodology

To achieve the audit objectives, auditors performed the following:

- Interviewed CATS and WeDriveU management and staff.
- Engaged Forvis to review performance metrics outlined in the CATS Bus Operations Management contract.
- Compared calculated metrics to contract performance measures.

Compliance

We conducted this performance audit in accordance with generally accepted government auditing standards. 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.

Government auditing standards require that we determine which internal controls are material to the audit objective(s) and obtain an understanding of those controls. To evaluate internal controls, the City Auditor's Office follows the Committee of Sponsoring Organizations of the Treadway Commission's Internal Control – Integrated Framework (COSO Framework) as included in Standards for Internal Control in the Federal Government (GAO Green Book).

In planning and performing the audit, auditors obtained an understanding of the contract management processes and the associated internal controls, assessed the internal control risks, and determined the following internal control components were significant:

- **Control Environment** – The set of standards, processes, and structures that provide the basis for carrying out internal control across the organization.
- **Control Activities** – The actions management establishes through policies and procedures to achieve objectives and respond to risks.
- **Monitoring** – The activities management uses to assess the quality of performance over time.

Internal control deficiencies that are significant within the context of this audit's objective(s) are stated in the Findings and Recommendations section of this report. For additional information regarding internal control components and the related principles of internal control, please see [Appendix A](#).

Appendix A

The Five Components and 17 Principles of Internal Control

Control Environment

1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
2. The oversight body should oversee the entity's internal control system.
3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

Risk Assessment

6. Management should define objectives clearly to enable the identification of risks and define risk tolerances.
7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
9. Management should identify, analyze, and respond to significant changes that could impact the internal control system.

Control Activities

10. Management should design control activities to achieve objectives and respond to risks.
11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
12. Management should implement control activities through policies.

Information & Communication

13. Management should use quality information to achieve the entity's objectives.
14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

Monitoring

16. Management should establish and operate a monitoring mechanism that monitors both internal and external activities that impact the control system and evaluate the results.
17. Management should remediate identified internal control deficiencies on a timely basis.