Audit of Regional Transit System Farebox and Bus Pass Revenues

September 28, 2017

A Report to the City Commission

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City of Gainesville Office of the City Auditor

Carlos L. Holt – City Auditor

EXECUTIVE SUMMARY
September 28, 2017

Why We Did This Audit

The audit was included in the City Auditor's 2017 Fiscal Year Audit Plan due to the inherent risk of cash transactions.

What We Recommend

Key actions City Management should take:

- Implement procedures to fully account for bus pass sales at Rosa Parks station
- Assign cashiers a unique log-on and daily cash drawer
- Reconcile farebox and bus pass sales reports to cash deposits.
- Work with Finance to ensure adequate controls, supervisory reviews, and training take place over cash receipts
- Train and assign a Genfare database manager
- Restrict software and facility access
- Maintain video equipment and improve camera placement
- Conduct periodic background checks
- Increase protection over employee safety and revenue deposits

BACKGROUND

The City's Regional Transit System provides bus services to Gainesville area citizens and visitors. The Regional Transit System maintains a fleet of over 120 busses to provide transit services 363 days a year. Riders may pay bus fares during the ride or purchase bus passes from the Rosa Parks Downtown Station. A new Butler Plaza Transfer Station opened in August 2017.

OBJECTIVES

The objectives of the audit were to determine the following:

- Were information system controls over RTS bus pass revenue collection processes adequate?
- Were fares collected for the correct amounts, recorded, deposited and reported accurately?
- Were monitoring controls effective to ensure that bus pass revenues were correct?

WHAT WE FOUND

- Significant variances between the number of passes sold at Rosa Parks Downtown Station and revenues reported on daily cash reports were noted. Note: There was no assurance that all revenues received for bus pass sales were deposited and reported.
- Rosa Parks Downtown Station clerks used the same cash drawer and computer log-on credentials to process bus pass sales.
- Reported bus farebox revenues were not reconciled to revenues monies deposited into the City's bank account.
- The system has the ability to print passes good for extended periods as evidenced by one found for a six-year period and seven others found for periods over 30 days.
- No database administrator is assigned to manage the Genfare Fare Management System. Former City employees had assigned access to secure areas.
- Regional Transit System video equipment was not maintained or monitored so that it could be used in a valuable way. Footage was not available for review in the revenue room due to malfunctioned equipment.
- Periodic background checks were not done for cash-handling employees.
- Daily cash reports were reconciled and submitted several days after the actual transaction date.
- A sample of 305 buses indicated 10 were not scanned at the end of their routes to capture daily revenues.
- Four percent of all passes were *courtesy passes*, issued without charge.

GOVERNANCE

The Regional Transit System (RTS) is a division of the City of Gainesville's Public Works Department that provides transit services with a fleet of fixed-route buses for the general public and destination-specific vans for ADA-approved citizens. The RTS Director reports to the Public Works Director. While a significant portion of RTS operating revenues comes from federal and state grants, the majority of revenues result from contract services, primarily the University of Florida. Additional revenue sources include the local option gas tax, bus wrap advertising, Gator Aider (game-day shuttles), bus fares, and other sources.

RELATED FACTS AND FIGURES

Reported annual bus ridership exceeded 9.7 million in 2016. The number of RTS riders is captured using the Genfare Fare Management System. Reported ridership fluctuated over the last five years with a slight uptick in 2013 and 2014 followed by significant drops in 2015 and 2016 (Figure 1).

Figure 1: RTS Ridership Trend
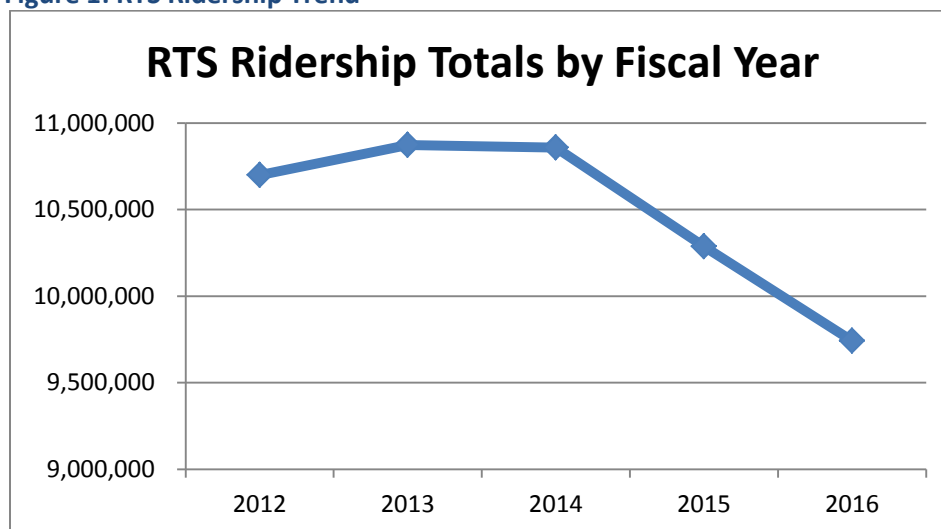
Source: RTS Genfare Farebox Management System

SCOPE AND METHODOLOGY

This engagement concentrated on RTS processes for collecting, recording, depositing, and reporting revenues received through bus fareboxes and at the Rosa Parks Downtown Station. Our review did not include most contracted transit services or grants. Our engagement covered January 1, 2015 through December 31, 2016.

RTS ADMINISTRATION AND OPERATIONS

RTS Revenues

In fiscal year 2016, RTS operating and non-operating revenues were $30,965,379. In 2017, RTS bus fares are projected to account for $672,994 of department revenue. Under current contracts, RTS provides bus services to the University of Florida, Santa Fe College, and other local schools. In 2017, the

University of Florida contract is projected to account for 41 percent of all RTS non-grant revenues. The University of Florida and Santa Fe College both add transit fees to student credit-hour enrollment to provide these services (Figure 2).
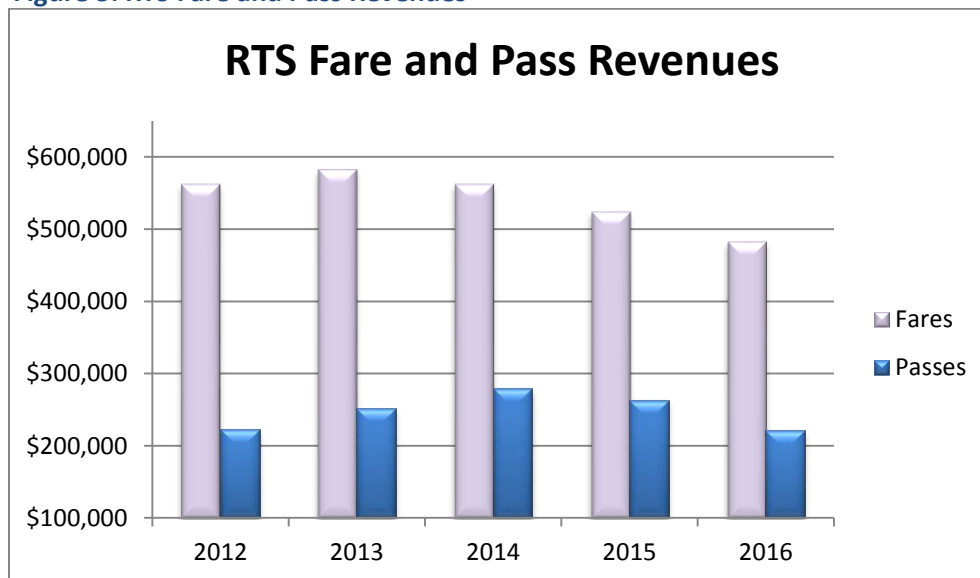
Figure 2: RTS Revenue Sources 2016
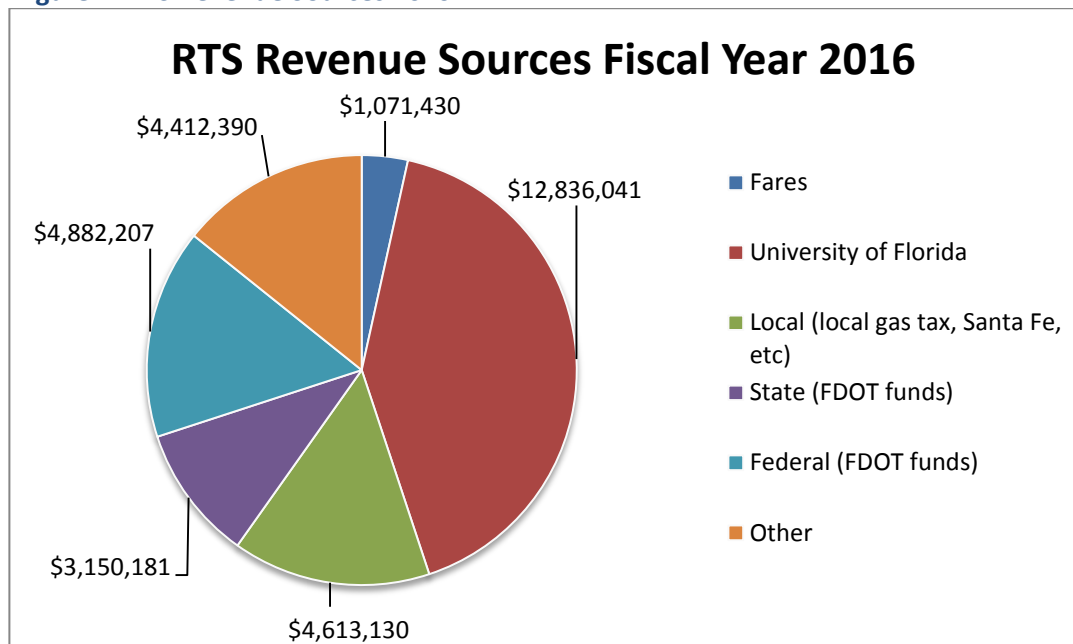
Source: General Government Accounting System

In 2016, RTS farebox revenues were $483,093 (a 14% drop since 2014) and bus pass revenues were $221,654 (a 20% drop since 2014). The fiscal year 2016 total is $704,747 (Figure 3).
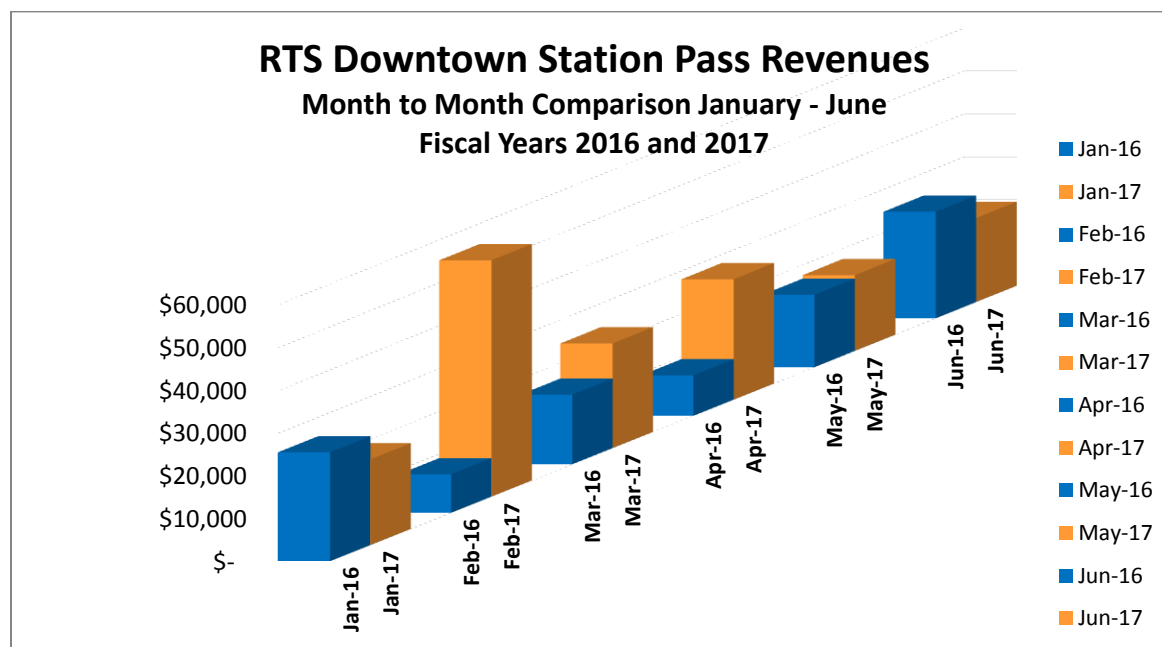
Figure 3: RTS Fare and Pass Revenues

Source: General Government Accounting System

Passes sold at Rosa Parks Downtown Station increased from fiscal year 2016 to fiscal year 2017 for selected months (Figure 4).

Figure 4: Revenue comparison of Fiscal Year 2016 to 2017

Source: General Government Accounting System

Bus Farebox System and Cash Fares

In 2014, RTS upgraded the bus fleet to the *Genfare Odyssey Electronic Validating Farebox System* to improve fare collection accuracy and reliability (Figure 5). Individuals boarding buses at one of the many RTS bus stops may pay cash fares using the installed fareboxes. Riders may purchase one-way or daily fares. Riders insert currency into the farebox upon boarding the bus, and the Transit Operator asks for the fare type and presses the farebox key corresponding with that fare type. The farebox recognizes the type of currency inserted, processes the sale, and prints a ticket/pass valid for 24 hours after validation. If the rider inserted too much currency, the farebox prints a change card good for the amount of currency over paid. Transit Operators are trained to not handle cash, but instead direct the rider to utilize the farebox system.

Figure 5: RTS' Genfare Odyssey Electronic Validating Farebox

Source: SPX Genfare website

At the end of each bus's final daily route, the Transit Operator returns the bus to RTS headquarters and parks it in the bus staging area. The Vehicle Service Attendant transfers the bus to the probing lanes and scans the farebox using electronic wands called probes. Once probed[1], fare transactions are electronically transferred to the Genfare software system, and the cashbox portion of the farebox is released. The Vehicle Service Attendant removes the cashbox, places it into the receiver located on top of a vault, and cranks the receiver releasing the contents into the vault without having physical access to the money. Supervisors then unlock the vault, remove the money bin, and store it in the revenue room. Soon after, clerks collect the money from the vault and place it into a bank deposit bag for pick-up by a contracted courier and depositing into the bank.

Regional Transit System staff does not physically count the farebox money. The Genfare System was designed to record the amount of money collected during three stages of revenue collection. Recording occurs when the customer inserts fares into the farebox machine, when staff probes the farebox, and when staff vaults the cashbox. Bank staff subsequently counts the deposited fare money and record the amount of actual funds deposited.

Rosa Parks Downtown Station Revenue Process

Riders may purchase one way day passes up to semester-long passes from the Rosa Parks Downtown Station. The Customer Service Specialist assists the riders to determine the type of pass requested. Clerks use the Genfare Printing and Encoding Machine (PEM) to print requested passes. All day passes and one-way passes are printed on paper, while passes valid for a greater time period are printed on a more durable material. The PEM machine encodes passes with sequential serial numbers and designates the pass type. Riders may pay with cash, check or credit card, and the Customer Service Specialist processes the transaction using a stand-alone cash register and credit card machine, if applicable.

Bus passes purchased through the Employee Bus Pass Program and the Discount Bus Pass Program are often printed at Downtown Station. The Customer Service Specialists often print the passes in advance so that they may be quickly disseminated. The entity often pays for these passes upon pick-up requiring that they be cashiered at Downtown Station.

The Customer Service Specialist manually records the pass numbers on a Daily Sheet (paper) to track tickets sold. The Customer Service Specialist compares the number of passes claimed as sold on the manual, handwritten Daily Sheets to the amount of money in the cash drawer at the end of the day. Monies are deposited into the City's bank account using a contracted courier. Accounting records are sent to RTS Support Services for processing. The Genfare information system is not used to determine the type and number of passes printed and assumed sold or the amounts due. Sequential numbers are not accounted for or reconciled with passes entered on the manual list.

Fare and Pass Structure

Regional Transit System individual fare amounts have remained constant for a number of years. Riders paying fares via the bus farebox system have an option of purchasing all day or one-way fares. Those purchasing passes from Rosa Parks Downtown Station have several pass options. Fare and pass costs are based on fare type and rider status (Figure 6).

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[1] Probed – RTS Vehicle Service Attendants insert a wand (probe) into the bus farebox at the end of the transit day to transfer fare data to the Genfare mainframe, which also releases the farebox for currency extraction.

Figure 6: RTS Fare and Pass Rate Structure

Fare/Pass Type	One Way Fare	All Day Pass	Monthly Pass	Semester Pass
Adult	$1.50	$3.00	$35.00	N/A
Children (shorter than 45" accompanied by adult)	Free	N/A	N/A	N/A
Senior Citizen 65+[2]	$0.75	$3.00	$17.50	N/A
Medicaid & Medicare Recipients[3]	$0.75	$3.00	$17.50	N/A
Veterans & Active Duty Military[4]	$0.75	$3.00	$17.50	N/A
ADA Certified[5]	Free	$3.00	$17.50	N/A
City College Students[6]	$0.75	$3.00	$17.50	$60.00
Students Grade K-12	$0.75	$3.00	$17.50	$60.00
Students - UF & SFC Online Only[7]	$0.75	$3.00	$17.50	$60.00

Source: RTS Website and Genfare Fare Management System

OBJECTIVES AND CONCLUSIONS

1. *Were information system controls over RTS bus pass revenue collection processes adequate?*

   No. Downtown Station cashiers all shared the same employee log-on credentials to sell bus passes (see Observation A). The Genfare system, used to print passes, was not linked to the stand-alone cash register so the cash and pass inventory controls were not conjoined (see Observation A). There was no assigned database administrator to continually manage RTS' Genfare computerized information system (see Observation C). The bus farebox system vaulting function malfunctioned and was not detected through reconciling Genfare system reports (see Observation B). The lack of controls over key card access to the revenue room and server room resulted in 15 non-RTS employees having access to the server room and seven non-RTS employees having access to the revenue room. The identity of one user profile in the Genfare farebox system was not determined. Also, two *former* RTS employees still had active Genfare user accounts and five system accounts created by Genfare were still active with generic passwords (see Observation D).

2. *Were fares collected for the correct amounts, recorded, deposited and reported accurately?*

   No. Bus pass revenues at downtown station did not account for all passes printed. Controls were not in place to adequately account for passes and cash. Since there was no defined process to track passes printed by sequential number, faulty, damaged, or skipped passes could not be reconciled and were not retained and accounted for. Replacement passes were distributed without a defined process. All staff used the same employee log-on and cash drawer (see Observation A). Ten of 305

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[2] Valid photo ID with age required.
[3] Valid photo ID and Medicare/Medicaid card required.
[4] Valid veteran/military photo ID required.
[5] ADA photo ID required.
[6] Valid City College student photo ID required.
[7] Valid University of Florida or Santa Fe student photo ID required.

buses that were used in transit over a span of three days were not probed[8] on the same transit day (see Observation H). Daily deposit reports were submitted an average of 12 days late in 2016 (see Observation G).

3. *Were monitoring controls effective to ensure that bus pass revenues were correct?*

   No. Staff with access to cash or other revenue systems were not subject to periodic background checks although a former employee was known to have had a cash handling issue (see Observation F). Daily bus farebox deposits reports were not reconciled to the City's bank account to ensure accuracy (see Observation B). Video equipment installed to monitor RTS revenue activities was not functioning properly. Camera placement did not capture all cash handling areas (see Observation E). Management did not effectively monitor and verify cash receipting processes (see Observations A and B).

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (COSO)*, Internal Control – Integrated Framework (2013 Framework),* enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environments, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to help management fulfill their internal control responsibilities.

Observation A: Controls over Rosa Parks Downtown Station Bus Passes

The bus pass sales process at Rosa Parks Downtown Station lacked controls to ensure that revenues were accurately collected, recorded, deposited, and reported. Passes printed and sold were not reconciled with revenues received.

Note: Significant control weaknesses exist, and we have no assurance that all revenues were deposited.

- The Genfare[9] system, designed to process bus passes, assigns a sequential serial number to each buss pass that is printed. Rather than utilize Genfare reports for the number and value of bus passes printed and sold, while accounting for each and every sequentially numbered transaction, RTS staff manually logged transactions on paper lists to record revenue, leading to obvious issues with completeness since many sequential numbers were unaccounted for.

- Established processes did not provide adequate accountability over bus passes and revenues received. Estimated variances were calculated by using GenFare system data to compute the expected revenue from printed passes, taking into consideration each type of pass, its cost, and passes that should not be charged for and comparing this amount to the revenues reported on the daily cash reports. The results of this estimation analysis :

  - $15,944 estimated variance in the first quarter of fiscal year 2017, when Genfare calculated revenue for passes printed exceeded reported revenues
  - $84,740 estimated variance in fiscal year 2016, when Genfare calculated revenue for passes printed exceeded reported revenues

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[8] Probed – RTS Vehicle Service Attendants insert a wand (probe) into the bus farebox at the end of the transit day to transfer fare data to the Genfare mainframe, which also releases the farebox for currency extraction.
[9] Genfare is a registered trademark of SPX Corporation.

- $47,560 estimated variance in the last three quarters of fiscal year 2015, when Genfare calculated revenue for passes printed were exceeded by reported revenues

    Note: The amounts above are calculated estimated variances and do not necessarily indicate similar monetary amounts are missing. They do indicate that internal controls are significantly deficient.

- Other Anomalies:

    o Staff pre-printed stacks of bus passes, rung them up as $0 "internal account", and placed them in a drawer for easy access during customer sales. Genfare system sales displayed $0 received for these printed passes thereby removing any ability to track payments, if entered
    o The system contains the ability to process passes outside of approved parameters; for example, we found seven passes were printed to periods greater than 30 days, one pass was printed for a period over six years, and one pass's serial number was used 19 times
    o Courtesy passes, at no charge, accounted for on average four percent of all passes printed over a 24-month period. Only supervisors are authorized to provide courtesy passes to customers who had unpleasant experiences or were issued faulty passes

- Control weaknesses noted:

    o All Downtown Station cashiers share the same Genfare employee log-on to print bus passes
    o All Downtown Station cashiers share the same cash drawer for bus pass sales
    o Genfare software reports were not utilized for reconciliations
    o According to management and staff, the Genfare machines experienced significant malfunctions resulting in jammed, skipped, and damaged bus passes. However, staff did not retain and document these pass numbers and had no approximation for the total number of tickets affected
    o Lack of management oversight over cashiering activities
    o Procedures over receipting pass change cards used to purchase passes from Rosa Parks Downtown Station were not sufficient to ensure accountability.

Risks:

- Loss of revenue
- Inability to assign accountability for revenues and bus passes
- Federal and state grant compliance issues

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 10 – "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels."

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 – "The organization selects and develops general control activities over technology to support the achievement of objectives."

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 13 – "The organization

obtains or generates and uses relevant, quality information to support the functioning of internal control."

Recommendations for City Management:

1) Implement procedures to utilize Genfare's pass management feature to fully account for pass sales. This could be accomplished by removing the independent cash drawer and installing cash drawers for each Genfare machine. Discontinue pre-printing passes. Pass sales printed must be reconciled to each transaction and cash on hand. All unusable passes must be voided immediately and retained with daily cash reports.

2) Assign each cashier a unique Genfare log-on, so that printed bus passes may be tracked.

3) Assign daily cash drawers to each cashier on duty. Conduct beginning and ending cash counts and compare to Genfare software reports.

4) Reconcile Rosa Parks Downtown Station Genfare system revenue reports to cash deposited into the bank account.

5) Implement supervisory reviews and reconciliations over daily activities.

6) Work with the Finance Department to ensure that cash receipting processes include sufficient controls and staff training in the cash receipting processes.

7) Develop procedures to adequately account for change cards during the cash receipting process.

Observation B: Reconciling Bus Farebox Deposits

Deposited Genfare farebox revenues were not reconciled to system reports to ensure that bus revenues were accurately collected, recorded, deposited, and reported. Riders deposit fares into bus fareboxes which were systematically tracked. Genfare then detects the amount of coin and currency vaulted and provides daily deposit data via Genfare farebox reports. However, no subsequent reconciliations were conducted to ensure that system reported revenues matched the amounts actually deposited into the City's bank account. There were no supervisory reviews of this process. Management stated that they believed that those in the Finance Department conducted a monitoring process to verify revenues although Finance staff deferred the internal system report reconciliation to the user department.

Note: Since reconciliations were not conducted, there was no assurance that revenue amounts collected from Genfare fareboxes were deposited.

Risks:

- Diverted revenues
- Federal and state grant compliance issues
- Inaccurate reports

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 - "The organization

selects and develops general control activities over technology to support the achievement of objectives."

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 13 - "The organization obtains or generates and uses relevant, quality information to support the functioning of internal control."

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 16 - "The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning."

Recommendations for City Management:

1) Implement procedures to reconcile bus farebox reported revenues to revenues deposited into the City bank account.

2) Implement supervisory reviews and verifications.

Observation C: Database Administration

There was no database administrator assigned to manage Genfare computerized information system. System settings, configuration, and maintenance were not properly supervised or managed. The Genfare Management System is comprised of equipment and software designed to manage the fare collection process from payments, pass distribution and tracking.

When properly configured, Genfare tracks farebox and downtown station pass revenue, as well as daily ridership tracking. Database management is essential to ensure data accuracy. Staff stated that a former RTS Planning employee previously maintained Genfare, but no further staff was assigned after his departure in 2016. As a result, Genfare system settings and accesses were not properly maintained.

Risks:

- Failure to detect if data is inconsistent or unreliable
- Failure to collect detailed audit records of database activity
- RTS is unaware of input injection, malware
- Sensitive data is not secured
- Increased chance of exploitation of unmanaged databases
- No backups or backups unprotected from security breaches

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 - "The organization selects and develops general control activities over technology to support the achievement of objectives."

Recommendation for City Management:

Train and assign qualified personnel to effectively manage the Genfare System.

Observation D: Physical Security and Access

Physical security controls over Genfare access, the revenue room, and Fare Management Systems were not capably deployed to prevent unauthorized access.

- Downtown Station Genfare Fare Management System: staff used the same user ID to print bus passes
- Genfare Bus Farebox System: two former City employees still had active user accounts; five accounts had generic passwords, and the identity of one account could not be determined.
- Revenue Room: seven individuals no longer employed had access; card swipe logs shows three employees without access need were granted access and did access the revenue room.
- Server Room: fifteen individuals with access were not current employees (none were shown to have entered).

Risks:

- Loss of revenues
- Unauthorized changes to system settings

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 11 - "The organization selects and develops general control activities over technology to support the achievement of objectives."

Recommendation for City Management:

Update security and access controls to ensure that only authorized employees access software systems and facilities.

Observation E: Video Equipment and Surveillance

Video footage was not available in a timely and complete manner upon request. Video footage capturing activities in the farebox room and probing lanes could not be retrieved due to malfunctioned equipment. It is unknown exactly how long video footage was lost, corrupted, or not recorded since there were no procedures in place to perform daily checks of the video equipment to ensure it was functioning. Requests for viewing video camera footage at the RTS facility were not answered, and while various reasons were provided, no video footage was obtained. RTS staff determined that a malfunction existed and the video server required repair. At least 44 days of video requested was never provided and assumed lost.

Video footage of the downtown station was poor, because camera placement prohibited the ability to monitor the entire staff cash handling process. Further, it took several weeks to transfer video files to the City Auditor's hard drive due to the poor performance of the system purchased.

Risks:

- Asset diversions will go undetected
- Video footage not available when requested
- Resources wasted on poor performing systems

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 10 - "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels."

Recommendations for City Management:

1) Maintain video equipment in working order.

2) Ensure that video equipment placement allows the ability to monitor cash handling processes.

Observation F: Periodic Background Checks

Although some staff had a history of cash handling problems, staff handling cash or other revenues were not subject to periodic background checks, a best practice. The RTS Director communicated that he was unable to conduct additional background checks under Human Resources direction.

Risks:

- Diverted assets
- High-risk employees not identified

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 10 - "The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels."

Recommendations for City Management:

1) Implement procedures to conduct periodic background checks of cash-handling employees.

2) Take measures to remove cash-handling duties from employees with a history of cash handling problems.

Observation G: Daily Cash Reports

Daily cash reports were reconciled and submitted to the Finance Department several days after the actual transaction date. Daily cash reports are due the next business day, but during fiscal year 2016 reconciliations were delayed an average of 12 days. Chronic delays in daily cash report reconciliation and submission affect posting to general ledger and monthly bank reconciliations. According to

management and staff, clerk workload and challenges with obtaining reconciled downtown station daily deposit reports delayed the completion and submission of daily cash reports.

Risks:

- Diverted revenues
- Inaccurate transactions in General Ledger accounting records

Criteria:

- City Billing and Collections Division procedures for completing the daily cash report states, "All of the work should be recorded daily and forward within one business day."
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 5 – "The organization holds individuals accountable for their internal control responsibilities in pursuit of objectives."

Recommendation for City Management:

Ensure that daily cash reports are submitted to Billing and Collections within one business day.

Observation H: Recording Bus Revenues

At the end of the transit day, staff scans each farebox to transmit the amount of fares collected into the Genfare farebox system software. This process, called probing, provides RTS management and staff with a record of farebox revenues received during the transit day (4:00 a.m. – 3:59 a.m.). During our review, we found that over a three day period, 10 buses used in transit were not probed on the same transit day. Fares for the 10 buses were not reported on the correct transit day, and fare currencies remained in the farebox. There was no reconciliation of the bus numbers used for daily transit services to the number of buses probed to ensure that all buses were probed before end of transit day. RTS assignment sheets and other supporting documentation detail which buses were used in transit on any transit day. The Genfare probing reports provide lists of buses probed and not probed on a transit day, however, these reports were not used to prevent and detect buses not probed.

Genfare reports were not utilized to ensure that buses were probed. As a result, some buses were not probed timely.

Risks:

- Farebox revenues not recorded on correct transit day
- Fares remain in bus farebox

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 5 – "The organization holds individuals accountable for their internal control responsibilities in pursuit of objectives."
- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 16 - "The organization

selects, develops and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning."

Recommendation for City Management:

Utilize RTS assignment sheets and Genfare probing reports to ensure that all buses used in transit service were probed on the same transit day.

Observation I: Staff Safety and Security Measures

Several concerns were noted and communicated during our audit process related to security and safety of staff and assets. Due to the sensitive nature of security issues included in this audit report, which could detail vulnerabilities and weaknesses, the details of our observations were discussed with RTS management and remain confidential so as to not compromise security. The exemption is granted under Section 119.071(3)(a), Florida Statutes. As stated in the *Government in the Sunshine Manual, 2015 ed*., on pages 132-133 information related to "security system information and plans" for "property owned by or leased to the state or any of its political subdivisions is confidential and exempt from disclosure." Exempt information includes "all records, information, photographs….recommendations, or consultations or portions thereof relating directly to or revealing the security systems….."

Risks:

- Bodily harm of City employees
- Loss of daily revenues

Criteria:

- The Committee of Sponsoring Organizations of the Treadway Commission, *Internal Control – Integrated Framework (2013 Framework)*, Control Activities – Principle 7 – "The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed."

Recommendation for City Management:

Contract courier services to increase protection over employee safety and revenue deposits.

GOVERNMENT AUDITING STANDARDS 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 observations and conclusions based on our audit objectives.

AUDIT TEAM

Carlos L. Holt, CPA, CFF, CIA, CGAP, CFE, City Auditor
Eileen M. Marzak, CPA, CFE, Assistant City Auditor
Brecka Anderson, CIA, CFE, CGAP, Senior Auditor
Ronald Ison, IT Staff Auditor

Memo

CITY OF
GAINESVILLE
every path... starts with passion
FLORIDA

To: Carlos Holt, City Auditor
From: Anthony Lyons, City Manager
Date: September 27, 2017
Subject: RTS Farebox and Bus Pass Revenue Audit Response

Please see the attached response and corrective action plan in response to the aforementioned audit. If you have any questions or concerns regarding this issue, please do not hesitate to contact me.

Cc: Daniel Hoffman, Assistant City Manager
Phil Mann, Interim Public Works Director
Jesus Gomez, RTS Director

We believe that management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches, and we encourage them to do so when providing responses to our recommendations.

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
Recommendations for City Management:		
A. 1. Implement procedures to utilize Genfare's pass management feature to fully account for pass sales. This could be accomplished by removing the independent cash drawer and installing cash drawers for each Genfare machine. Discontinue pre-printing passes. Pass sales printed must be reconciled to each transaction and cash on hand. All unusable passes must be voided immediately and retained with daily cash reports.	Management concurs. Control over the bus pass sales process needs to be improved. As is typical with most new software installations or significant upgrades, deficiencies have been identified in this version of the Genfare system. One of these concerns is the fact that the system has not been able on a consistent basis to sequentially number passes issued. While we work with the vendor to remedy this shortcoming, RTS staff has developed a manual workaround to reconcile passes printed and distributed with revenues received. In order to properly service customers who arrive with little time to make their connections, we will continue to pre-print passes, but we will void, collect and retain any passes issued but not used on a daily basis.	9-1-2017
2. Assign each cashier a unique Genfare log-on, so that printed bus passes may be tracked.	Management concurs. Each cashier will be issued a unique Genfare log-on.	9-30-2017
3. Assign daily cash drawers to each cashier on duty. Conduct beginning and ending cash counts and compare to Genfare software reports.	Management concurs. A separate count will be performed for each cashier at the beginning and end of each shift.	Cash drawer: 10-1-2017 Cash counts: on-going now
4. Reconcile Downtown Station Genfare system revenue reports to cash deposited	Management concurs. GFI reports will be submitted with the revenue reports and verified prior to being deposited into the bank. Discrepancies will be accounted for	Completed

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
into the bank account.	and documented.	
5. Implement supervisory reviews and reconciliations over daily activities.	Management concurs. This recommendation has been implemented – the Transit Customer Advocate currently reviews the paperwork twice per week in addition to the verification of daily sales and deposits by the Account Clerk staff prior to bank deposits.	Completed
6. Work with the Finance Department to ensure that cash receipting processes include sufficient controls and staff training in the cash receipting processes.	Management concurs. RTS staff will work with Finance Department personnel to review and improve cash receipting processes. Training will be provided to instruct staff on new and/or improved procedures, and will be held on a recurring basis both to initiate new staff and update existing staff members on future changes.	9-30-2017
7. Develop procedures to adequately account for change cards during the cash receipting process.	Management concurs. A written procedure to account for the change card in transactions will be implemented, see Exhibit 2, RTS Administrative Policy and Procedure: Farebox Change Cards Transactions and Deposits.	9-30-2017
B. 1. Implement procedures to reconcile bus farebox reported revenues to revenues deposited into the City bank account.	A procedure is currently and has been in place. See Exhibit 1, RTS Revenue Collection Procedure Outline.	9-30-2017
2. Implement supervisory reviews and verifications	Management concurs. The RTS Accountant will produce a monthly reconciliation and submit to the Transit Director for review.	9-30-2017
C. 1. Train and assign qualified personnel to effectively manage the Genfare System.	Management concurs. Management is currently in the process of hiring an IT Support Technician who will be responsible for these duties.	9-30-2017

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
D. 1. Update security and access controls to ensure that only authorized employees can access software systems and facilities.	Management concurs. Physical security controls over access to Genfare, Fare Management Systems and the revenue room have been reviewed and updated, and will be monitored and controlled on an on-going basis.	Completed and on-going
E. 1. Maintain video equipment in working order.	Management concurs. One of the duties of the IT Support Technician will be to ensure that the video equipment is maintained in a proper working manner.	Completed and on-going
2. Ensure that video equipment placement allows the ability to monitor cash handling processes.	Management concurs. The original placement of the cameras has been reviewed. Additional equipment is being obtained and RTS is also repositioning existing equipment in order to better monitor the entire staff cash handling process.	11-1-2017
F. 1. Implement procedures to conduct periodic background checks of cash-handling employees.	RTS would have to work with HR to determine the viability of establishing these types of practices. To establish this type of policy will require extensive due diligence from HR and the City Attorney's office. In the absence of cause, and to avoid potential disparate/adverse impact, any periodic background check on current employees must be objective and consistently applied, in compliance with FCRA regulations and with employee consent. This process would also require additional HR resources.	Under Review
2. Take measures to remove cash-handling duties from employees with a history of cash handling problems.	RTS would have to work with HR to determine the viability of establishing these types of practices. This would require extensive due diligence and resources, as well as a consistently applied policy, to deal with a new criminal record that may be uncovered during a periodic background check, which may or may not relate to cash handling duties. The HR department is currently evaluating the overall new hire	Under Review

Recommendation	Concurrence and Corrective Action Plan	Proposed Completion Date
	background process, particularly as it applies to those jobs which handle cash or have high customer interaction. This project is to ensure there are consistent and proactive measures to ensure those with a history of cash handling issues, theft or fraud are not hired into jobs where they would be handling cash. Conducting periodic background checks post-hire would require additional resources.	
G. 1. Ensure that daily cash reports are submitted to City Billing and Collections within one business day.	Management concurs. We acknowledge that the efficacy of the controls offered by the procedure outlined in management's response under Observation B.1. is mitigated by failure to prepare and submit reports on a timely basis.	8-31-2017
H. 1. Utilize RTS assignment sheets and Genfare probing reports to ensure that all buses used in transit service were probed on the same transit day.	Management concurs that it would be ideal for each bus to be probed on a daily basis. However given the nature of RTS daily operations accomplishing this task is a challenging process. The City Auditor's review revealed that 97.5% of the buses sampled were probed on the same day; we will endeavor to do what we can to improve upon this performance.	On-going
I. 1. Contract courier services to increase protection over employee safety and revenue deposits.	Management concurs, and this recommendation has been implemented.	8-14-2017

EXHIBIT 1

RTS Farebox Revenue

Farebox
- Rider deposits fare into farebox.
- Cashbox is removed from bus, placed in receiver on vault, and money is released into the vault.

Revenue Collection
- An RTS account clerk obtains the Daily Summary Report from the Genfare software system. This report indicates the amount of coin and currency collected by the fareboxes.
- Two RTS account clerks work together to place the money from the vault into bank deposit bags.
- An RTS account clerk prepares the deposit slips according to the Daily Summary Report.
- On a daily basis, the contracted courier picks up the money and deposit slips and transports the money to the bank.

SunTrust Bank
- SunTrust receives the farebox revenue from the contracted courier.
- SunTrust records a deposit to the City's Master Treasury bank account based on the deposit slips included with the revenue.
- SunTrust counts the revenue.
- SunTrust adjusts the City's Master Treasury bank account for the difference between the deposit slips and the total provided by SunTrust's revenue count total.

RTS Transfer Station Revenue - Rosa Parks & Butler Plaza

Station

- Riders purchase passes at the station.
- Riders may use cash, check, RTS change card or credit card to pay for passes.

Revenue Collection

- Customer Service Specialists at the Station count the revenue collected, prepare a Reconciliation report and place the revenues, report and register tapes into a sealed bank bag.
- Twice weekly, the contracted courier picks up the revenue collected and delivers it to an RTS Account Clerk.
- The RTS Account Clerk recounts the revenues collected at the Station, prepares deposit report for this revenue, attaches Transfer Station Reconciliation report, and puts all items into a sealed bank bag.
- This sealed bank bag is placed in the vault, picked up by the contracted courier the following day, and delivered to Suntrust.

SunTrust Bank

- SunTrust receives the Station revenue from the contracted courier.
- SunTrust records a deposit to the City's Master Treasury bank account based on the deposit slips included with the revenue.
- SunTrust counts the revenue.
- SunTrust adjusts the City's Master Treasury bank account for the difference between the deposit slips and the total provided by SunTrust's revenue count total, but an adjustment is not typically needed for Station revenue.

RTS Reconciliation Process

RTS
- An RTS Customer Service Specialist prepares Transfer Station Reconciliation reports.
- An RTS Account Clerk prepares Daily Cash Reports.
- The RTS Daily Cash Reports are sent to Billing and Collections.

RTS
- The RTS Daily Cash Report for the Transfer Stations includes:
- A copy of the deposit slips sent to SunTrust
- Information on the number and type of passes sold
- The type of payment made
- A daily Reconciliation report prepared by a Customer Service Specialist.
- A Summary page with account numbers instructing Billing and Collections on where to post the revenues collected.

RTS
- The RTS Daily Cash Report for Farebox Revenue includes:
- A copy of the deposit slips sent to SunTrust
- The Genfare Daily Summary Report
- The Genfare Daily Route Summary Report
- An envelop with Bus Pass Ticket Stubs, Deposit Bag Tabs, and Register Tapes
- A daily revenue report
- A Summary page with account numbers instructing Billing and Collections on where to post the revenues collected.

RTS Reconciliation Process

Billing and Collections
- An Account Clerk with Billing and Collections receives the RTS Daily Cash Reports.

Billing and Collections
- The Billing and Collections Account Clerk verifies that the supporting documentation matches the summary page.
- If the supporting documentation matches the summary page, the revenues are recorded in the General Ledger according to the summary page.
- If the supporting documentation does not match the summary page, the RTS Daily Cash Report is returned to RTS for corrections.

Billing and Collections
- The RTS deposits are placed on the Billing and Collections Daily Cash Report according to the amounts on the deposit slips.

Billing and Collections
- Shortly after the end of the month, Billing and Collections gives Accounting the deposit slips received during the prior month and the Daily Cash Reports prepared by Billing and Collections for the prior month.

RTS Reconciliation Process

Accounting
- Accounting completes the monthly reconciliation of the City's Master Treasury bank account.
- During the bank reconciliation process, the accountant traces deposits reported on Billing and Collections' Daily Cash Report to deposits on the monthly bank statement. Any issues found during this process are discussed with Billing and Collections.
- The deposit corrections from the Farebox revenue are recorded in the General Ledger by a journal entry.

Accounting
- Accounting prepares the Monthly Deposit Analysis for RTS.
- The analysis compares the RTS Daily Cash Reports to deposits and deposit corrections recorded on the bank statement.
- A percent difference between the RTS Daily Cash Reports and deposits and deposit corrections on the bank statement is calculated.

Accounting
- The Monthly Deposit Analysis is sent to RTS and reviewed by the RTS Director.
- The industry standard for differences in the reported revenue (The Genfare Daily Summary) and the bank's count of farebox revenue is 3%.
- If the Monthly Deposit Analysis is at or below 3%, no further action is taken.
- If the Monthly Deposit Analysis is above 3%, an investigation into the cause of the difference will occur.

EXHIBIT 2

Regional Transit System   Administrative Policy and Procedure

	Administrative – Farebox Change Cards Transactions and Deposits
RTS City of Gainesville Florida — every path starts with passion	Number ADM-2017-05 New/Revised Date 09/22//2017 Effective Date New Approved by: Jesus Gomez, Transit Director

POLICY:

The City of Gainesville Regional Transit System (RTS) adopts this policy and procedure, ensuring its staff adheres to established City of Gainesville financial controls and record-keeping standards at all its cash collection points.

This policy addresses procedural requirements for Farebox Pass Change Cards. A change card is issued by the RTS fare box equipment when a passenger enters more money into the bus fare box than the fare they are purchasing costs.

PRACTICE:

RTS riders may use change cards toward the purchase of additional passes and fares with RTS. However, change cards cannot be exchanged for cash and are non-refundable.

PROCEDURE:

❖ Transactions using change cards are completed as follows:
  ● RTS staff collects the cash and change card from the rider after determining the type of pass the rider is requesting
  ● Prior to starting the transaction and providing the pass to the rider, RTS staff will validate that the combined totals of the change card and the cash received from the rider equals the total of the purchase price for the pass requested
  ● RTS staff selects the type of pass the rider is purchasing and selects that transaction key on the register
    ● First RTS staff enters the cash payment of the transaction onto the register
    ● To apply the change card to remaining transaction balance, RTS staff selects "other payment" method, use the CH1 (Billing) key on the register

❖ Deposit preparation:
  ● Change cards collected during daily transactions are kept in the envelope with checks until the close of the business day
    ▪ Change cards are included in the deposit under the change card section in the deposit report.
    ▪ When preparing the deposit report, RTS staff will separate out the billing from the change cards in the Charge 1 (Billing) based on the register tape information.

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RESOURCES:

Locations: Rosa Parks Transfer Station (700 SE 3rd St., Gainesville, FL)
              Butler Plaza Transfer Station (4231 SW 30th Avenue)
Equipment: Sharp XE-A407
Report: Daily Reconciliation Form
              Register tapes that have recorded the day's transactions

DISCIPLINARY ACTION:

Failure to comply with the procedure set forth within this policy shall result in progressive disciplinary action in accordance with City Personnel Policy E-3 Code of Conduct.

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