

AUDIT TEAM

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**CENTRAL OKLAHOMA
TRANSPORTATION & PARKING AUTHORITY
BUS FARE AND TICKET REVENUES**

**FOR THE 12 MONTHS ENDED
MARCH 31, 2009**

MAYOR AND CITY COUNCIL

<i>Mick Cornett</i>	<i>Audit Committee, Mayor</i>
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<i>Sam Bowman</i>	<i>Ward 2</i>
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<i>Patrick Ryan</i>	<i>Audit Committee, Ward 8</i>



October 20, 2009

The Mayor and City Council:

The Office of the City Auditor has completed an audit of Central Oklahoma Transportation and Parking Authority (COTPA) bus fare and ticket revenues during the twelve months ended March 31, 2009.

COTPA relies significantly on federal and local subsidies, totaling \$21.2 million during the audit period, for funding in addition to bus fare and ticket revenues. Bus fare and ticket revenues for the audit period totaled approximately \$1.2 million and \$860,000, respectively, for the audit period. Fare revenues are collected on the buses using an automated revenue collection system, while ticket revenues are collected at two customer service locations.

AUDIT RESULTS AND RECOMMENDATIONS

Based upon the results of our audit, we believe that during the twelve months ended March 31, 2009, COTPA bus fare and ticket revenues were materially accurate and complete during the twelve months ended March 31, 2009. We also believe that related controls were adequate except for controls reasonably ensuring the accuracy and completeness of bus fare revenue bank deposits.

- ◆ **Malfunctions in the automated bus fare revenue collection system should be repaired and a preventive maintenance program should be developed to ensure system reliability.** Discrepancies within the system between collections recorded by bus cash boxes and amounts electronically transmitted to the vault totaled approximately \$50,000 or 4% of total bus fare revenues during the audit period. See Recommendations 1 and 2.
- ◆ **Bus fare revenue bank deposits should be reconciled to the revenue collection system.** In addition to the revenue discrepancies discussed above, 10 delayed deposits totaling approximately \$72,000 were not documented and investigated by COTPA. See Recommendation 3.
- ◆ **COTPA should consider continuously monitoring the vault using a security camera.** The vault typically contains an average of \$8,000 but contained as much as \$15,000 during the audit period. The vault is located outside (similar to an ATM machine) where with some effort it could be physically removed. See Recommendation 4.

- ◆ **Driver fare collection reports should be produced from the revenue collection system and reviewed by management.** Routine monitoring of driver fare collection data (e.g. fare boxes set up with appropriate fares for routes, partial fare collections, and complimentary tickets issued) could help ensure the accuracy and completeness of fares and limit risks of potential driver abuse. See Recommendation 5.
- ◆ **Policies addressing authorization, purpose and accounting for complimentary bus tickets should be developed.** Approximately 16,000 complimentary tickets with an estimated value of \$18,000 were issued during the audit period. See Recommendation 6.
- ◆ **Bus tickets at both customer service locations should be physically inventoried at the end of each month and certain bus ticket revenue duties should be segregated at the Transit Services Center.** See Recommendations 7 and 8.
- ◆ **Written agreements clearly defining ongoing rights and obligations should be put in place for significant services provided or received.** COTPA provides shared bus service with Cleveland Area Rapid Transit between the OU Health Sciences Center and the OU Norman Campus without an agreement. Additionally, COTPA used a courier service to deliver bus fare and ticket revenue bank deposits totaling approximately \$1.2 million during the audit period without an agreement. See Recommendation 9.

The content and emphasis of the items in this report have been discussed in detail with appropriate representatives from management. These discussions were held to assure a complete understanding of the recommendations and observations arising from our audit. Management's responses are included with this report.

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City Auditor

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Assistant City Auditor

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**CENTRAL OKLAHOMA TRANSPORTATION AND PARKING AUTHORITY
BUS FARE AND TICKET REVENUES**

AUDIT OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this audit was to evaluate the adequacy and determine the effectiveness of controls reasonably ensuring Central Oklahoma Transportation and Parking Authority (COTPA) bus fare and ticket revenues were materially accurate and complete during the twelve months ended March 31, 2009.

COTPA's Public Transportation Division operates a fleet of buses to provide public transportation to citizens within the greater Oklahoma City metropolitan area. While bus fare and ticket revenues are funding sources, COTPA relies significantly on federal and local subsidies for funding. Federal and local subsidies received during the audit period totaled \$21.2 million. Bus fare and ticket revenues for the audit period totaled approximately \$1.2 million and \$860,000, respectively. Fare revenues are collected on the buses, while ticket revenues are collected at customer service locations.

Procedures performed during our audit included management interviews; review of system and manual sales records; review of internal control procedures; analysis of collected and uncollected bus fare and ticket sale revenues; and examination of deposit receipts.

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. Each recommendation included in this report is immediately followed by management's response. Management's responses are attached to this report in their entirety.

BUS FARE REVENUES

Results of our audit indicate that bus fare revenues were materially accurate and complete; however, related controls should be improved.

Bus fare revenues are collected, counted, and secured using an automated revenue collection system. The revenue collection system includes electronic fare boxes that count collected fares and record related transactions as they occur, a vault for securing the fares after removal from the buses, and a database where transaction details are stored.

Each bus is equipped with an electronic fare box containing a secure cash box. Transaction details are electronically transmitted to the database when cash boxes are removed from the buses and when fares are placed in the vault. The system produces cash box and vault fare totals. Vault fare totals are emailed to the bank in lieu of a deposit ticket. A courier collects and transports the fares from the vault to the bank. Upon receipt, the bank counts and deposits the fares and emails the deposit amount to COTPA.

Comment 1

A routine preventive maintenance program for the automated revenue collection system has not been developed. The system manufacturer recommends preventive maintenance of all system equipment. Optimal performance of the revenue collection system is critical to accurate and complete collection of fare revenues. See related Comment 2.

Recommendation 1

A preventive maintenance program that meets manufacturer's specifications should be developed and implemented for all revenue collection system equipment.

COTPA Response 1

Agree with recommendation. A revenue collection system maintenance program, based on manufacturer's recommendations, started September 15, 2009.

Comment 2

Electronic cash box fare totals are reasonably accurate, while electronic vault fare totals submitted to the bank are consistently inaccurate. Cumulatively, cash box fare totals exceeded vault fare totals by approximately \$50,000 or 4% for the audit period. The differences between cash box and vault fare totals appear to be a result of malfunctions in the electronic transmission of transaction details during the vaulting process. Reliable accounting systems are important to ensuring complete and accurate revenues. The submission of understated deposit totals to the bank increases the risk of inaccurate or incomplete bank deposits going undetected.

Recommendation 2

Repair of the revenue collection system function providing electronic transmission of transaction details during the vaulting process should be pursued with the manufacturer. Until the differences between vault and cash box fare totals are addressed, cash box fare totals should be used to provide deposit amounts to the bank.

COTPA Response 2

Agree with recommendation. In September, COTPA purchased a rebuilt cashbox receiver to replace the original unit that was not properly recording the cashboxes being emptied. Two reports are now being used to provide deposit amounts to the bank. These reports are the Bin Removal Summary and the Cash Box Audit.

Comment 3

Bank deposits are not reconciled to revenue collection system totals. Bank deposits were materially accurate and complete. However, we noted 10 deposits totaling approximately \$72,000 for which delayed deliveries to the bank by the courier were not documented and investigated by COTPA (in addition to the differences noted in Comment 2). Reconciliation of bank deposits to system totals is important to ensuring accuracy and completeness of fare revenues.

Recommendation 3

Each bank deposit amount should be reconciled to totals from the revenue collection system. Significant variances between bank deposit amounts and revenue collection system totals¹ should be investigated, evaluated over time and resolved.

COTPA Response 3

Agree with recommendation. Procedures have been developed to insure deposits from the revenue collection system are being monitored and discrepancies are being investigated. Delays of more than three days between vault pick up and bank deposit are also investigated and documented.

Comment 4

The vault where cash is temporarily stored is a stand-alone unit in the service bay area at the COTPA operations facility, which is not continuously monitored. Though bulky (similar to an ATM machine), given its outside location, the vault could be physically removed from the premises when COTPA personnel are not on site. Fares collected by the courier from the vault average \$8,000, but were as much as \$15,000 during the audit period.

Recommendation 4

COTPA should consider continuously monitoring the vault using a security camera and post a sign to that effect in the vault area. While a security camera will not prevent theft, it could serve as deterrent or provide valuable evidence if a theft does occur.

COTPA Response 4

Agree with recommendation. COTPA is currently in the process of procuring exterior security equipment for all facilities.

¹ The vendor represents that the automated revenue collection system is accurate to within 1%.

Comment 5

Management does not routinely monitor driver fare collection/performance data (e.g., fare boxes set up with appropriate fares for routes, partial fares collected, and complimentary tickets issued) recorded in the system database. Additionally, policies establishing performance standards for drivers in these areas have not been developed. Routine monitoring of driver fare collection data and establishing related performance standards could help ensure fares collected are complete and accurate and limit risks of potential driver abuse.

Recommendation 5

Driver fare collection data included in the revenue collection system database should be periodically compiled and reviewed by management. Related performance standards should be developed to communicate management expectations and provide a benchmark in assessing driver fare collections. See related Recommendation 6.

COTPA Response 5

Agree with recommendation. Policies and procedures to more closely monitor driver performance relating to fare collection will be established by January 15, 2010.

Comment 6

Complimentary bus tickets are provided primarily by drivers to resolve customer service issues and occasionally for local special events. Policies and procedures for authorizing, documenting, and monitoring issuance of complimentary bus tickets have not been developed. Approximately 16,500 complimentary tickets with an estimated value of \$18,000 were provided to resolve customer service issues, while 156 complimentary tickets with an estimated value of \$400 were provided for special events during the audit period. Policies and procedures are necessary to provide a framework for this practice and limit the risk for potential abuse.

Recommendation 6

Policies and procedures for the issuance of complimentary bus tickets should be developed and implemented. These policies and procedures should address required authorization, purpose, and accounting for all complimentary tickets issued and require documentation of monitoring procedures performed. See related Recommendation 5.

COTPA Response 6

Agree with recommendation. By December 4, 2009 written policies and procedures will be implemented regarding the issuance of courtesy passes.

BUS TICKET REVENUES

Results of our audit indicate that bus ticket revenues were materially accurate and complete; however, related controls should be improved.

Bus tickets are sold for cash and on credit, in bulk to local organizations, and individually to the general public at two customer service locations. Ticket stock is recorded in a ticket control log when issued from the COTPA Finance Department inventory for sale. Tickets sold at each location are recorded on ticket sales logs and separate daily deposits of related ticket revenue collections are made. Sales are recorded by the COTPA Finance Department using ticket sales logs and deposit receipts from each location.

Comment 7

A comprehensive physical count of tickets on hand at both customer service locations is not performed and reconciled to ticket sales logs and related ticket revenue deposits. Periodic physical inventories and reconciliations are necessary to safeguard the ticket inventory and ensure the accuracy and completeness of deposits and related accounting records.

Recommendation 7

A physical inventory of tickets on hand should be performed at the end of each month and reconciled to tickets sold and related ticket revenue deposits.

COTPA Response 7

Agree with recommendation. A physical inventory will begin November 2009 and reconciliation performed.

Comment 8

Customer service agents at the Transit Service Center record ticket sale transactions and prepare the ticket revenue deposits. Customer service agent access to ticket receipts and related ticket sale records creates the potential for undetected theft.

Recommendation 8

Ticket revenue record-keeping and custody duties should be segregated. Preparation of ticket revenue deposits should be assigned to personnel not responsible for recording or reconciling ticket sale transactions.

COTPA Response 8

Agree with modification to the recommendation. Management agrees with the separation of duties however current staffing levels limit a complete separation of duties. Controls have been implemented to reduce the risk of theft. The controls include the customer service supervisor performing daily review and sign off of the individual daily activity reports of each customer

