



R. B. "Chips" Shore

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MEMORANDUM

TO: Ron Schulhofer, Public Works Department Director

FROM: R. B. "Chips" Shore, Clerk of the Circuit Court and Comptroller

DATE: October 30, 2014

RE: Transit Division Cash Controls Audit Report

Enclosed is the Internal Audit Report for the Public Works Department's Transit Division Cash Controls as of December 31, 2013. I wish to thank you and your staff for their courteous and professional cooperation with our Internal Auditors throughout the audit. If you have any further questions regarding this report, please feel free to contact Lori Stephens at 749-1800, extension 4170.

RBS/LJS/MEG

Enclosure

"Pride in Service with a Vision to the Future"

Clerk of the Circuit Court – Clerk of Board of County Commissioners – County Comptroller – Auditor and Recorder



R. B. "Chips" Shore

CLERK OF THE CIRCUIT COURT AND COMPTROLLER OF MANATEE COUNTY

Internal Audit Department

Audit Report

Public Works Department Transit Division Cash Controls Audit

As of December 31, 2013

October 30, 2014

Audit No. 21410100

MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

PUBLIC WORKS DEPARTMENT
TRANSIT DIVISION CASH CONTROLS AUDIT

A U D I T R E P O R T

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MANATEE COUNTY CLERK OF THE CIRCUIT COURT
INTERNAL AUDIT DEPARTMENT

PUBLIC WORKS DEPARTMENT
TRANSIT DIVISION CASH CONTROLS AUDIT

A U D I T R E P O R T

The Internal Audit Department conducted an audit of the cash controls for the Transit Division of the Public Works Department for the period of January 1, 2013 through December 31, 2013. The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

BACKGROUND:

The Transit Division provides daily fixed route bus, trolley, and paratransit service throughout the cities and unincorporated areas in Manatee County. Currently, Manatee County Area Transit (MCAT) serves Bradenton, Ellenton, Palmetto, the Gulf Beach communities, and downtown Sarasota through ten fixed bus routes and three trolley routes. MCAT also provides paratransit bus service, by appointment only, to individuals who are transportation disadvantaged, disabled, or veterans. The fee schedule for the bus and trolley fares has been approved by the Board of County Commissioners through a resolution. Currently, money is collected at sales offices, on buses and trolleys, through the mail, and at ticket vending machines.

PURPOSE/OBJECTIVES:

The main audit purpose/objectives included, but were not limited to, the following:

- Verifying that the Transit Division is in compliance with local ordinances and resolutions governing cash collections.
- Verifying that cash is being handled properly to safeguard against loss or misappropriation.

SCOPE:

The scope of the audit was limited to cash handling procedures and collections for the period January 1, 2013 through December 31, 2013.

METHODOLOGY:

Internal control evaluations and tests of compliance were accomplished through discussions with management and staff, as well as substantive testing of individual controls. Risk analysis was used to establish the priorities of the audit objectives.

IRREGULARITIES, ABUSE, OR ILLEGAL ACTS:

No indications of irregularities, abuse, or illegal acts were discovered during the audit of the Transit Division's cash controls for the period ending December 31, 2013.

TEST OF COMPLIANCE:

Internal Audit tested compliance with certain laws, regulations, and the Department's policies and procedures. Tests performed were limited to the specific areas included in the Purpose/Objective section of this report and appeared to provide sufficient evidence to support an opinion on compliance and internal controls for the areas tested. The results of these tests are included in this audit report.

STATEMENT ON INTERNAL CONTROL STRUCTURE:

In planning and performing the audit of the Transit Division's cash controls for the period ended December 31, 2013, the internal control structure was considered in order to determine the auditing procedures for the purpose of this report. Internal control weaknesses involve matters relating to deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize and report on data consistent with management's intentions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions. In addition, because of the inherent limitations in any internal control structure, deficiencies in the design or operation of the internal control structure may exist and not be detected. In this report, we identified one matter (see Area for Improvement #3) involving an internal control weakness.

MANAGEMENT TEAM AND MANAGEMENT ACTION PLAN:

A Management Action Plan has been provided for each Area for Improvement identified. Management Action Plans are corrective actions with implementation dates developed in cooperation with the Public Works Department's management team and the Internal Audit Department. The Public Works Department management team included: Ron Schulhofer, Public Works Director; Chad Butzow, Deputy Director of Field Operations; William Steele, Transit Division Manager; and Edrick Sweeting, Fiscal Division Grants Administrator.

MANAGEMENT SUMMARY:

The Transit Division is managed by dedicated individuals whose priority is to provide quality transportation service to the public. Based on the audit, the Transit Division appears to recognize the inherent risks associated with handling cash and has implemented procedures to address some of these risks, such as requiring two people to be present during all cash counts and maintaining an extensive system of security cameras. However, the audit did identify several areas where controls over cash handling could be improved, as detailed below:

- An adequate segregation of duties does not exist for some Transit activities and processes related to cash handling and bus pass inventory custody. The Management Team through its Management Action Plan will segregate the cash handling and inventory responsibilities to ensure that one employee is not performing incompatible functions.

(See Area for Improvement #1 on page 5.)

- Monitoring controls are lacking for the activities and collections of the fixed route buses. The Management Team through its Management Action Plan will provide more training to the bus drivers, as well as re-evaluate the monitoring policies and procedures. In addition, management will consider conducting more regular reviews of the fixed routes.

(See Area for Improvement #2 on page 5.)

- Fiscal records related to Transit operations were not properly retained for the 2013 fiscal year, as required by record retention laws. The Management Team through its Management Action Plan will ensure that written procedures include the correct retention information and that staff is informed of the requirements.

(See Area for Improvement #3 on page 6.)

Other minor audit findings, not included in this report, have been communicated to management or corrected during the audit. We would like to thank the Public Works Department's staff and management for the cooperation and courtesy afforded to our auditors throughout the audit. We appreciate the efforts and timeliness in addressing the issues raised during the audit and aggressively seeking solutions to these matters.

AUDIT REPORT AUTHORIZATION:

This audit report has been reviewed and authorized by:



Lori Stephens, CPA, CFE
Director of Internal Audit



R. B. "Chips" Shore
Clerk of the Circuit Court & Comptroller

AREA FOR IMPROVEMENT #1SEGREGATION OF DUTIES

There is not always an adequate segregation of duties for several cash handling and/or inventory processes including the ticket booths, ticket vending machines, fixed route buses, mail orders, and ticket outlet agencies. The Fiscal employee, who maintains the entire bus pass inventory, has also been involved in counting/receiving the cash, preparing the cash receipts, and reconciling the expected to actual cash collections, as well as invoicing customers and receiving the payments. In addition, for the mail orders and ticket outlet agency sales, one Fiscal employee handles the entire process without any checks or monitoring. Without an adequate segregation of duties, the Transit Division is vulnerable to unintentional errors and/or possible misappropriation of assets.

Management Action Plan: Management has already begun to divide the fiscal responsibilities among several employees so the same person is not counting cash, preparing the cash receipt, and reconciling expected to actual collections. Also, the same employee will not invoice customers and handle the related payments. In addition, management has already implemented procedures for Transit Administration staff to receive and open all mail. They will log all payments received, as well as stamp the checks "for deposit only," before giving them to Fiscal staff. Management has also started requiring a monthly reconciliation of the bus pass inventory to be performed by a Fiscal employee independent of handling bus passes.

Management is still in the process of reassigning these fiscal responsibilities and anticipates written procedures to be completed by August 1, 2015.

AREA FOR IMPROVEMENT #2FIXED ROUTE MONITORING CONTROLS

Footage from the bus security cameras was obtained and reviewed for a sample of 6 of the 16 fixed bus routes. This footage was compared to the information captured by the fare box system (GFI) in order to ascertain whether the bus drivers were correctly collecting fares and coding the passengers into GFI. No significant discrepancies were noted; however, the following issues were identified:

- Drivers have not always requested the required identification for passengers requesting a discount fare.
- Passengers have been permitted on the bus without any information entered into the fare box (GFI). Instances were noted where the driver took a pass/ticket without swiping it, and other instances were noted where the driver either did not appear to notice a passenger or simply failed to select the designated fare box key.
- Drivers have not correctly coded passengers or fares in the fare box; for example, a senior fare of \$0.60 was coded as two transfers (\$0.25 each) and unclassified revenue (\$0.10).
- Passengers have been permitted to ride when the swiped pass was identified as "invalid".
- Drivers have been able to force print day passes for which passengers have not paid the proper fare.

Based on video observations, a review of documentation, and discussions with

management, it appears that fare discrepancies are not being adequately captured. It was noted that the drivers are not using the required Fare Discrepancy Log to record instances when passengers do not pay the proper fare. Currently, GFI does not distinguish between overpayments or underpayments deposited into the fare box, as they are both coded as "unclassified revenue." In addition, for the underpayments, the driver cannot enter information into the fare box indicating the type of passenger for which the fare was shorted and whether the person was permitted to ride the bus.

A GFI report, which shows expected collections based on inputs for the bus fare boxes, is not being run on a timely basis to compare to the actual daily cash collections. Transit's written policies and procedures state that the GFI report is to be run daily to perform the comparison; however, based on test work, it appears that the report is generated, on average, almost 25 days after collections.

In addition, it was noted that management has not been periodically riding the buses or selecting and reviewing video from the bus camera systems to monitor the Transit drivers.

Management Action Plan: Management intends to provide more training for the drivers on using the fare box system. In addition, they will review the policies and procedures regarding when and how the GFI reports are to be used for monitoring the cash collections. Management will also consider viewing the bus security camera footage twice a year for each of the fixed routes.

Management has already met with the drivers and discussed using the required Fare Discrepancy Log. They will research whether the GFI system can sufficiently capture the information for fare discrepancies rather than using the manual log. The anticipated completion date is August 1, 2015.

AREA FOR IMPROVEMENT #3RECORD RETENTION

During test work, it was discovered that some financial records relating to Transit operations for the 2013 fiscal year were not properly maintained by the Public Works Fiscal Division. These documents, which included printed cash tapes from the counting machines, copies of checks, and bus pass mail order forms, had been disposed of prior to the required retention periods as mandated by the General Records Schedules issued by the Florida Department of State's Division of Library and Information Services. Additionally, these documents were destroyed without obtaining approval from Public Works management or the County's Records Management Division.

It appears that the destruction of these records prior to the required retention periods was due to a lack of understanding by Fiscal staff of document retention requirements and destruction procedures. In order to ensure there was no misappropriation of funds associated with the missing documents, an additional analytical review of Transit's revenue accounts was performed for the relevant time period. No exceptions were identified.

Management Action Plan: Management will include the retention requirements from the State's record retention schedule, as well as the appropriate County Records Management procedures, in the Division's written policies and procedures. These policies and procedures will be reviewed with all personnel handling and maintaining documents relating to Transit operations. The anticipated completion date is August 1, 2015.