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HIGHLIGHTS

Highlights of City Auditor Report #1715, a report to the City Commission and City management

WHY THIS AUDIT WAS DONE

During a routine inquiry of StarMetro management and staff in early May 2017, we became aware of a potential internal control matter regarding general transit fare box collections. Further inquiry disclosed an additional matter of concern regarding an unauthorized imprest (petty cash) fund maintained at StarMetro. As a result, we conducted this audit, with a scope limited to the procedures used to process and account for general transit fare box collections and the maintenance of the noted petty cash fund.

WHAT WE CONCLUDED

Several issues were identified that indicate the need for significant enhancements to control processes; to include:

1. Reports generated from software applications that show the amounts of general transit fare box collections were not being reconciled to amounts deposited. Such reconciliations are critical to ensure collections are properly deposited. Our audit also raised concerns as to the reliability of the reports generated by the applications.
2. General transit fare box collections were not being deposited intact. Collections were being withheld and used to replenish an unauthorized petty cash fund maintained at StarMetro headquarters.
3. "Used" general transit fare tickets were being retained by StarMetro staff and reissued to certain citizens at no charge. That practice was implemented to allow citizens, without the ability to purchase tickets or pay fares, to use the StarMetro system for needed transportation. Records were not maintained to account for the "used" tickets. These circumstances increased the risk of unauthorized uses of general transit fare tickets.
4. An unauthorized \$800 petty cash fund was maintained at StarMetro headquarters. Related expenses and uses were not recorded in City accounting records or charged to budgeted appropriations.
5. Access to the secured collection room in which fare box collections are counted and processed for deposit was not adequately restricted.

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July 7, 2017

Internal Controls – StarMetro General Transit Fare Box Collections and Petty Cash Funds

Our audit procedures identified several issues that increase the risk that general transit fare box collections could be diverted without timely detection, and increase the risk those collections will not be properly accounted for in City records. We also identified an unauthorized petty cash fund that was timely eliminated in response to our recommendations.

WHAT WE RECOMMENDED

To enhance and strengthen existing procedures and practices, we made the following recommendations.

- Management should determine the reliability of the software applications used to record and report general transit fare box collections, and should ensure those applications are being properly used by StarMetro staff.
- Once reliable software applications are in use, management should require staff to reconcile general transit fare box collections reported by the software applications to amounts deposited. Such reconciliations should be performed by staff not having access to the collections, with reports of those reconciliations provided to management on an ongoing basis.
- Preferably, general transit fare box collections should be deposited intact. Accurate records should be maintained to document the use of general transit fare box collections to make change for the authorized petty cash fund at StarMetro headquarters.
- All general transit fare tickets deposited by riders in fare boxes should be destroyed by staff that process general transit fare box collections. Any authorized free bus tickets should be issued from the supply of unused fare tickets maintained at StarMetro headquarters. Accurate records should be maintained that account for the tickets provided and used for that purpose.
- The unauthorized \$800 petty cash fund should be eliminated and City P-Cards should be used to pay future miscellaneous expenses incurred in connection with authorized StarMetro operations.
- Access to the collection room, and to keys, swipe cards, and codes allowing the transfer of collected fares from fare boxes to the collection room, should be restricted to appropriate staff.

We would like to thank StarMetro management and staff, as well as other applicable City staff, for their assistance and cooperation during this audit.

Office of the City Auditor

Audit Report



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Internal Controls – StarMetro General Transit Fare Box Collections and Petty Cash Funds

Report #1715

July 7, 2017

Executive Summary

Overview. During a routine inquiry of StarMetro management and staff in early May 2017, we became aware of a potential internal control matter regarding general transit fare box collections. Further inquiry disclosed an additional matter of concern regarding an unauthorized imprest (petty cash) fund maintained at StarMetro. As a result, we conducted this audit, with a scope limited to the procedures used to process and account for general transit fare box collections and the maintenance of the noted petty cash fund.

Audit Objectives. The primary purpose of this audit was to determine the adequacy of internal controls implemented to ensure the proper processing and deposit of general transit fare box collections. A secondary purpose was to determine the authority for an identified petty cash fund, as well as, the uses of and accounting for monies maintained in that fund.

Audit Procedures. To meet our audit objectives, we performed various procedures including, but not limited to:

- Interviewing StarMetro supervisors and staff responsible for processing general transit fare box collections, generating reports accounting for those collections, and maintaining StarMetro petty cash funds.
- Observing procedures used by StarMetro to remove fare box collections from general transit buses, and to count and prepare

those collections for deposit. This included reviewing previous cash counts and deposit preparations recorded by cameras installed in the StarMetro collection room.

- Identifying software applications used to electronically read the amounts deposited by riders into fare boxes installed on general transit buses, and reviewing the reports generated from those applications.
- Comparing the amounts of general transit fare box collections deposited into the City's bank account to amounts shown as collected on reports generated by the previously mentioned software applications.
- Identifying and reviewing controls intended to restrict access to general transit fare box collections to authorized staff.
- Identifying and reviewing records maintained to account for an unauthorized petty cash fund, for which uses thereof were replenished from general transit fare box collections.
- Conducting unannounced physical counts to determine that all StarMetro petty cash funds were on hand and accounted for in StarMetro records.

Audit Results. Several issues were identified that indicate the need for significant enhancements to control processes at StarMetro. Those issues are summarized below.

ISSUE #1: Reports generated from the software applications that show the amounts of general transit fare box collections are not being compared and reconciled to amounts deposited. Such comparisons and reconciliations are critical to ensure those collections are properly processed and deposited. Our comparison of those reports to amounts deposited show there are significant unexplained differences, with amounts deposited exceeding the amounts reported as collected. In addition to being unable to ensure collections are properly processed and collected, our audit results raise concern as to the reliability of the reports generated by the software applications.

ISSUE #2: General transit fare box collections are not being deposited intact. In addition to being used to make change for cashiers working at the C.K. Steele Plaza and to make change for an authorized petty cash fund at StarMetro headquarters, collections were being withheld and used to replenish an unauthorized petty cash fund maintained at StarMetro headquarters.

ISSUE #3: “Used” general transit fare tickets are being retained by StarMetro staff that receive and process fare box collections. Those used fare tickets are provided to StarMetro cashiers and other City departments, who reissue the used tickets to certain citizens at no charge. That practice was implemented to allow citizens, without the ability to purchase tickets or pay fares, to use the StarMetro system for needed transportation. Records are not maintained to account for these “used” tickets that are retained and reissued to citizens. These circumstances increase the risk of unauthorized uses of, as well as a lack of accountability for, general transit fare tickets.

ISSUE #4: An unauthorized \$800 petty cash fund was maintained at StarMetro headquarters. Our review of the limited records maintained for that fund showed it was used to pay miscellaneous expenses, including,

but not limited to, food for training and meetings and to provide change for drivers operating StarMetro buses during a special event. Those uses and expenses were not recorded in City accounting records or charged to the City’s budgeted appropriations. Additionally, replenishments of the fund for the related expenses were not documented.

ISSUE #5: Access to the secured collection room in which fare box collections are counted and processed for deposit was not adequately restricted. Access to keys, swipe cards, and codes allowing transfer of collections from fare boxes to the collection room also was not adequately restricted.

These issues limited management's ability to ensure general transit fare box collections are properly deposited into the City's bank account and that an accurate and proper accounting is maintained for those collections and for certain activities and expenses pertaining to StarMetro operations.

Recommendations. Recommendations made to address the noted issues include:

- Management should take action to determine the reliability of the software applications used to record and report general transit fare box collections, and to ensure those applications are being properly used by StarMetro staff to record and report those collections.
- Upon completion of the preceding actions and any needed corrections to the software applications and/or use of those applications, management should immediately require appropriate staff to compare and reconcile general transit fare box collections reported by those applications to amounts deposited on a periodic (e.g., monthly) basis. Such comparisons and reconciliations should be performed by staff not having access to the noted collections. Reports of those

comparisons and reconciliations should be provided to management on an ongoing basis.

- Preferably, general transit fare box collections should be deposited intact. However, in the event collected fares are withheld to make change for cashiers operating at C.K. Steele Plaza for operational efficiency purposes, accurate records should be maintained documenting specific amounts withheld and transferred to those cashiers through the contracted armored courier. Similarly, accurate records should be maintained to document the use of general transit fare box collections to make change for the authorized petty cash fund at StarMetro headquarters. Such records should be used to allow completion of the comparisons and reconciliations recommended pursuant to the preceding recommendation.
- All general transit fare tickets deposited by riders in fare boxes should be destroyed by staff that process general transit fare box collections. Records should be prepared and maintained showing the number of tickets received through the general transit fare box system and subsequently destroyed. Any authorized free bus tickets should be issued from the supply of unused fare tickets maintained at StarMetro headquarters. Accurate records should be maintained that account for the tickets provided and used for that purpose.
- The unauthorized \$800 petty cash fund should be eliminated and City P-Cards should be used to pay future miscellaneous expenses incurred in connection with authorized StarMetro operations. In the event a City P-Card cannot be used to pay the miscellaneous expenses or the need arises for cash for special circumstances (e.g., providing cash to drivers to allow them to make change for riders during special events), authorized petty cash funds

should be used. *(The unauthorized \$800 petty cash fund was eliminated with the funds returned to and deposited by the City Treasurer-Clerk's Revenue Office prior to the end of our audit.)*

- Access to the collection room, and to keys, swipe cards, and codes allowing the transfer of collected fares from fare boxes to the collection room, should be restricted to appropriate staff.

StarMetro management and staff were responsive in timely initiating appropriate corrective actions. We will follow up on management's efforts to implement those corrective actions in a subsequent audit engagement.

We would like to express our appreciation for the cooperation and assistance provided by StarMetro management and staff during this engagement. We would also like to acknowledge staff of Hilaman Golf Course and Technology & Innovations for their assistance in downloading and reviewing recorded videos of the daily processing of transit collections.

Scope, Objectives, and Methodology

The Office of the City Auditor is an independent appraisal activity within the City organization for the review of City operations as a service to the City Commission and management. This audit was conducted in response to information that came to the attention of the City Auditor during a routine inquiry of StarMetro management and staff.

Scope. This audit addressed activity within StarMetro pertaining to the processing of general transit fare box collections, and activity of a petty cash fund for which the fund's uses were replenished as needed from those collections. We reviewed general transit fare box collections during the period October 2016 through April 2017 (fiscal year 2017 to date) and all

documented activity (uses) of the noted petty cash fund, which covered the period February 2016 through March 2017.

Objectives. The primary purpose of this audit was to determine the adequacy of internal controls implemented to ensure the proper processing and deposit of general transit fare box collections. A secondary purpose was to determine the authority for an identified petty cash fund, as well as, the uses of and accounting for monies maintained in that fund.

Methodology. To meet our objectives, we performed the following audit procedures:

- Interviewed StarMetro supervisors and staff responsible for processing general transit fare box collections, generating reports accounting for those collections, and maintaining StarMetro petty cash funds.
- Observed procedures used by StarMetro to remove fare box collections from general transit buses, and to count and prepare those collections for deposit. This included reviewing previous cash counts and deposit preparations recorded by cameras installed in the StarMetro collection room.
- Identified software applications used to electronically read the amounts deposited by riders into fare boxes installed on general transit buses, and reviewed the reports generated from those applications.
- Compared the amounts of general transit fare box collections deposited into the City's bank account to amounts shown as collected on reports generated by the previously mentioned software applications.
- Identified and reviewed controls intended to restrict access to general transit fare box collections to authorized staff.

- Identified and reviewed records maintained to account for an unauthorized petty cash fund, for which uses thereof were replenished from general transit fare box collections.
- Conducted unannounced physical counts to determine that all StarMetro petty cash funds were on hand and accounted for in StarMetro records.

We conducted this audit in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

Concerns Identified. During a routine inquiry of StarMetro management and staff in early May 2017, we became aware of a potential internal control matter regarding general transit fare box collections. Further inquiry disclosed an additional matter of concern regarding an unauthorized imprest (petty cash) fund maintained at StarMetro. As a result, we conducted this audit, with a scope limited to the procedures used to process and account for general transit fare box collections and the maintenance of the noted petty cash fund.

General Transit Fare Box Collections. Generally, individuals pay established fees (fares) for the privilege of riding StarMetro general transit buses. To accommodate those riders, StarMetro provides several options to pay those fares, to include buying tickets (passes) at C.K. Steele Plaza or at StarMetro headquarters at Appleyard Drive, or paying cash when getting on the bus. If paying cash, upon entering the bus the riders place the cash (includes bills and/or coins) in a secured fare box located on the bus.

Similarly, if a ticket was purchased, the rider deposits the ticket into the fare box.

StarMetro established a secured process for removing daily cash fare collections from general transit buses for processing and deposit. Specifically, the fare boxes can only be physically removed from each bus using a combination of a key and either a magnetically coded card (swipe card) or the entering of a unique code on the fare box container. The fare boxes are built such that the contents (deposited fares) remain secured (not accessible), even after the fare boxes have been removed from the bus. To remove the deposited fares, the fare boxes must be placed into a secured vault built into the external wall of the collection room located at StarMetro headquarters. The vault door is locked when not in use. The fare boxes are placed into the vault in a manner that allows a unique apparatus (key) to open the box such that the contents (cash, coins, and fare tickets) drop into a container located inside the locked collection room. During this process, the cash (bills and coins) and fare tickets remain inaccessible to the individuals (employees) that place the fare boxes into the vault.

On a periodic basis (generally daily), designated StarMetro staff enter the secured collection room and count the fares removed from the buses and prepare the related deposits. A contracted armored courier picks up and delivers the prepared deposits to the bank on a daily basis. The deposit reports prepared by StarMetro staff provide the basis for the recording of the collections into the City's accounting system.

The current fare boxes placed on each general transit bus were acquired in connection with StarMetro's purchase of an electronic fare collection system, Fare Logistics, in 2006. In addition to providing secured fare boxes, that system includes a software application that electronically captures rider and fare collection data. When buses return to StarMetro headquarters at the end of their daily routes for removal of the daily fare collections, that

captured data is read and downloaded by a software application ("Tsunami") through a wireless connection. Once downloaded by the Tsunami application, designated StarMetro staff use a separate application (Calmssoft) to process the captured data and generate a report showing the number of riders and the amount of cash fares deposited into the fare boxes.

Comparison of the amounts collected on reports prepared using the Tsunami and Calmssoft applications to amounts deposited into the City's bank account, by staff not having access to the collections, would serve as an important control to ensure that collected fares are properly processed and not diverted or used for unauthorized purposes.

Petty Cash Funds. In accordance with procedures established by the City Treasurer-Clerk's Revenue Office (Revenue Office), StarMetro was advanced funds totaling \$7,690 in the 1980's and 1990's to operate a petty cash fund. The primary purpose of that petty cash fund was to provide operating cash for cashiers selling passes and tickets to riders at the C.K. Steele Plaza and StarMetro headquarters. Funds advanced in excess of the amounts needed for the cashiers could be used to pay miscellaneous StarMetro expenses, with reimbursements obtained from the Revenue Office upon submittal of appropriate documentation supporting and substantiating the related expenditures. Advanced funds could also be used to provide operating cash to bus drivers during special events, for which riders might need change when paying with cash in denominations greater than the fare amounts.

Good business practices provide that each use of a petty cash fund be supported by adequate documentation. For uses involving the purchase of goods or services, that documentation should include vendor receipts. Good business practices also provide that each use of petty cash funds be approved by appropriate managerial staff. Those approvals should be documented. In addition, for budgetary control purposes, each use that

represents an expenditure should be accounted for in a manner that allows the expenditure to be properly recorded in the City's accounting system. Accountability and documentation should also be maintained for other uses (non-expenditures), to include providing cashiers and drivers operating cash to make change for riders purchasing tickets/passes or in need of change to pay fares paid when entering (riding) a bus during special events.

Over the years the need for petty cash funds within City departments to pay miscellaneous expenses has diminished with the issuance of City credit cards (Purchase Cards, or P-Cards). The use of City P-Cards not only resulted in purchasing efficiencies, but also reduced the likelihood that State sales taxes will be paid on purchases, as the City P-Cards substantiate the tax exempt status of the City to vendors.

Identified Control Issues

Several issues were identified during our audit. Those issues are addressed and explained in this section of the report.

ISSUE #1: No reconciliations are being performed of general transit fare box collections as shown by reports generated from StarMetro's fare box applications to general transit fare box collections reflected as deposited by City records. Additionally, our analysis indicates the fare box applications used by StarMetro may not be capturing complete and accurate data and/or not generating accurate and useful reports to be used for such reconciliations and for managerial purposes. Without meaningful reconciliations, management does not have reasonable assurance that fare box collections are being properly processed and deposited.

After determining reconciliations as described above were not being conducted by StarMetro, we requested StarMetro to generate reports from the fare box applications showing the monthly amounts of general transit fare box collections

during the seven-month period October 2016 through April 2017. We compared the amounts on those reports to monthly amounts of general transit fare box collections deposited into the City's bank account. Our analysis showed the fare box collections indicated by the generated reports do not equal or approximate the amounts deposited. For six of seven months analyzed, the amounts deposited exceed the amounts collected according to the fare box reports. For the other month, fare box collections indicated by the generated report exceeded the amounts deposited. The monthly differences ranged from \$616 to \$19,622. To summarize and place these numbers in perspective, general transit fare box collections were reported by the fare box applications as \$316,215, while City records show \$354,659 was deposited, resulting in an overall difference of \$38,444. Without reliable data and reports meaningful reconciliations cannot be performed.

To address this issue, StarMetro should first determine whether the fare box applications are properly working and/or are being properly used by staff to produce accurate reports. In the event they are not, appropriate actions should be taken to capture complete and accurate data and to generate accurate reports. Upon completion of that action, StarMetro should commence monthly comparisons and reconciliations of amounts reported as collected by the fare box applications to amounts deposited. Such comparisons and reconciliations should be performed timely and by management or staff that do not have access to or process collected fares. Reports of those comparisons and reconciliations should be provided to management on an ongoing basis. Lastly, StarMetro should establish documented internal procedures requiring the recommended comparisons and reconciliations and related actions in the manner described.

ISSUE #2. General transit fare box collections are not being deposited intact. In addition to being used to make change for cashiers working at the C.K. Steele Plaza and for the authorized petty cash fund, collections were

being withheld and used to replenish an unauthorized petty cash fund maintained at StarMetro headquarters.

During our review, we determined through our observations, interviews of StarMetro staff, and examination of records that amounts were being withheld from general transit fare box collections processed in the collection room at StarMetro headquarters for two purposes: (1) To provide change needed by cashiers working at C.K. Steele Plaza and for the authorized petty cash fund and (2) To reimburse expenses paid from an unauthorized petty cash fund (see Issue #4 below).

In regard to the first purpose, cashiers at C.K. Steele Plaza determine the change (composition of specific denominations of bills and coins) needed for a subsequent day's operations. An amount equal to the needed change is then taken from the cashiers' operating funds (provided from the authorized petty cash funds) and included in the amounts to be deposited as ticket sales by the cashiers. The next day, staff counting and processing general transit fare box collections at StarMetro headquarters withhold an amount equal to the needed change from those fare box collections. The amount withheld is in the needed denominations of bills and coins. That withheld amount is then provided to the contracted armored courier and delivered to C.K. Steele Plaza cashiers when the courier picks up the deposits prepared by those cashiers for deposit into the City's bank account.

This process was established to preclude StarMetro staff from having to make separate trips, several times a week, to and from C.K. Steele Plaza and StarMetro headquarters to provide the needed change.

In regard to making change for the authorized petty cash funds, when the petty cash custodian determines that change in specific denominations of bills (and/or coins) is needed, an amount in the preferred denominations is withheld from general transit fare box collections and

exchanged for the larger denomination bills from the petty cash fund. For example, a \$100 bill in the petty cash fund may be exchanged for a hundred one dollar bills included in the general fare box collections.

While we recognize the operational efficiencies provided by these processes, they result in general transit fares not being deposited intact. If management determines the operational efficiencies are important, an accurate accountability of the processes should be maintained. (Note: Our limited review of the procedures for providing change to C.K. Steele Plaza cashiers showed that an accurate accountability has been maintained for that process. Accordingly, we are not recommending changes to that process at this time.)

In regard to the second purpose, which involves reimbursing the \$800 unauthorized petty cash fund for expenses paid from that fund, we are recommending several changes. Specifically, amounts should not be withheld from general transit fare box collections to reimburse expenses paid from that or any other petty cash fund maintained at StarMetro. Any expenses paid from petty cash funds should, instead, be reimbursed by the Revenue Office. Reimbursing petty cash funds from the Revenue Office will allow (1) the applicable expenses to be properly recorded in the City's accounting records and (2) the general transit fare box collections, that would otherwise be withheld to reimburse those expenses, to be properly recorded as collections (revenues) in the City's accounting records.

ISSUE #3. General transit fare tickets, purchased by riders and deposited into fare boxes (i.e., for bus fare), are being retained by StarMetro staff that receive and process fare box collections. Those "used" tickets are subsequently provided to StarMetro cashiers and other City departments to provide certain citizens "free bus tickets." Records are not maintained to account for the "used" tickets that are retained and reissued to citizens at no charge (i.e., for no fee).

During our review we observed staff, that processed general transit fare box collections (includes both cash and fare tickets), did not destroy all general transit fare tickets that were deposited by riders into fare boxes. Instead, some of those previously used fare tickets were retained for subsequent reissuance and reuse. Specifically, those retained tickets were provided to StarMetro cashiers and other City departments for reissuance to certain citizens, thereby allowing those citizens to use the general transit bus without paying a fee. StarMetro management explained this practice was implemented to allow citizens, without the ability to purchase a ticket or pay a fare, to use the StarMetro system for needed transportation.

No records are prepared or maintained showing the final disposition of fare tickets received through the general transit fare box system. Specifically, records were not maintained showing the number of fare tickets destroyed or the number retained for subsequent reissuance to citizens at no charge (for no fee). These circumstances increase the risk of unauthorized uses of, as well as a lack of accountability for, general transit fare tickets.

All general transit fare tickets deposited by riders in fare boxes should be destroyed by staff that process general transit fare box collections. Records should be prepared and maintained showing the number of tickets received through the general transit fare box system and subsequently destroyed. Any authorized “free” bus tickets should be issued from the supply of unused fare tickets maintained at StarMetro headquarters. Accurate records should be maintained that account for the tickets provided and used for that purpose.

ISSUE #4. An unauthorized \$800 petty cash fund was maintained at StarMetro headquarters. Our review of the limited records maintained for that fund showed it was used to pay miscellaneous expenses and for other miscellaneous purposes. The miscellaneous expenses were not recorded in

City accounting records or charged to the City’s budgeted appropriations. Additionally, replenishments of the fund for the expenses paid from that fund were not documented.

Our review of records maintained and provided for the unauthorized \$800 petty cash fund showed uses included the purchase of food for a public event as well as for staff meetings and trainings held during meal times. Other uses were to reimburse a StarMetro driver for a gasoline purchase, reward two drivers for exemplary performance (\$50 gift cards), reimburse a rider for fees inappropriately charged, and to make change available to StarMetro drivers for services provided during a special event. Based on our discussions with StarMetro management and staff, each of these uses were approved by a supervisory employee prior to the disbursement of funds. Notwithstanding these circumstances, we determined the following:

- Expenses paid from the unauthorized petty cash fund were not recorded as expenditures in the City's accounting records and were not charged to the City's budgeted appropriations. As a result, there was a lack of accountability for those expenses.
- Records were not maintained: (1) To document the transfer of custodial responsibility of petty cash funds provided to StarMetro employees making the applicable purchases or otherwise using the funds, or the return of any unused petty cash funds by those employees; or (2) To document the replenishment of the petty cash fund.
- When making purchases from the unauthorized petty cash fund, sales taxes were often paid, although the City is exempt from paying those taxes. If City P-Cards had instead been used, sales taxes likely would not have been paid as the City P-Cards substantiate the tax exempt status of the City.

- Although applicable supervisors asserted they verbally approved the uses, supervisory approvals were not always documented.
- In one instance, a receipt documenting the purported use of funds was not available (\$25 gasoline purchase).

We recommend the \$800 unauthorized petty cash fund be eliminated. (In response to this recommendation, StarMetro eliminated the fund and transferred the \$800 to the City Treasurer-Clerk's Revenue Office on May 18, 2017.) We also recommend that future miscellaneous expenses and uses be made using City P-Cards or authorized petty cash funds. Further, for future uses of or expenses paid from authorized petty cash funds:

- Replenishment should be through the City Treasurer-Clerk's Revenue Office, such that the expenses and uses are properly recorded in the City's accounting records. An accurate and complete accounting of replenishments should be maintained.
- Custodial receipts should be required and used to document transfer (advance) of funds to employees for authorized uses and the return of any unused advanced funds by those employees.
- Supervisory approval of uses should be documented prior to the advance of funds.
- Receipts should be maintained to substantiate all purchases of goods or services.

ISSUE #5. Access to the secured collection room in which fare box collections are counted and processed for deposit was not adequately restricted. Also, access to keys, swipe cards, and codes allowing transfer of collections from fare boxes to the collection room was not adequately restricted. These circumstances increase the risk of unauthorized access to and diversions of fare box collections.

In response to our inquiry, StarMetro management indicated numerous employees have access to (1) keys to access the collection room in which collected fares are transferred for counting and deposit preparation; (2) keys to the vault on the external wall of the collection room used for transferring fare box collections to the collection room; and (3) keys, swipe cards, and codes needed to remove fare boxes from general transit buses. The employees with these accesses included mechanics and their supervisors, as well as, various other StarMetro supervisors. Individuals with these accesses are in the position to remove and divert fare box collections without timely detection.

StarMetro management acknowledged this risk and indicated appropriate actions would be taken to limit access to applicable keys, swipe cards, codes, and the collection room to appropriate staff. We recommend those actions be taken.

Conclusion

Our review identified several issues that increase the risk of unauthorized diversion of StarMetro general transit fare box collections without timely detection, and the risk that those collections are not properly accounted for in City records. Additionally, our review identified an unauthorized petty cash fund that was timely eliminated in response to our audit recommendations. To address the identified risks, we made various recommendations, to which StarMetro management and staff were responsive in timely initiating appropriate corrective actions. We will follow up on those efforts to implement corrective actions in a subsequent audit engagement.

We would like to express our appreciation for the cooperation and assistance provided by StarMetro management and staff during this engagement. We would also like to acknowledge staff of the Hilaman Park Golf Course and Technology & Innovations for their assistance in downloading and reviewing recorded videos of the daily processing of transit collections.

Appointed Official's Response

City Manager: We appreciate the City Auditor's review of the internal controls associated with StarMetro's General Transit Fare Box Collections and Petty Cash Fund. The Auditor's recommendations will improve the cash handling process. Seven of the fourteen action steps have been completed and the remaining steps are in progress. As always, we would like to thank the City Auditor and his staff for their time, effort and professional work on this audit.

Appendix A – Management’s Action Plan		
Action Steps	Responsible Employee	Target Date
A. Objective: Ensure general transit fare box collections are properly processed, accounted for in City records, and deposited in the City’s bank account.		
1) Prior to the completion of Steps 2 and 3 that follow, two employees will jointly count and process general transit fare box collections in the collection room, and prepare those collections for deposit.	Kelly Kindell	Completed* May 25, 2017, as verified during initial audit
2) A determination will be made as to whether the Tsunami and Calmssoft applications are accurately and properly capturing and reading rider and fare collection data on general transit bus fare boxes. In the event those applications are not, appropriate actions will be taken to capture complete and accurate data and to generate reliable reports.	Kelly Kindell	September 30, 2017
3) Monthly comparisons and reconciliations of amounts reported as collected by the fare box applications to amounts deposited will commence. Such comparisons and reconciliations will be documented and performed timely, and be performed by staff that do not have access to or process collected fares. Reports of those comparisons and reconciliations will be provided to management on an ongoing basis.	Kelly Kindell	Completed** May 31, 2017
4) Other than collected monies used for properly authorized and documented change requests, all general transit fare box collections will be deposited intact. Funds will not be withheld to reimburse petty cash funds. All change requests will be adequately documented within the collection records.	Kelly Kindell	Completed** May 31, 2017
B. Objective: Ensure StarMetro activities are proper and accurately recorded in City records.		
1) All general transit fare box tickets deposited by riders in fare boxes will be destroyed by staff processing collections within the collection room. A record will be maintained documenting the number of fare tickets destroyed each day.	Kelly Kindell	June 30, 2017
2) General fare tickets to be issued at no charge to citizens will be provided from the supply of unused fare tickets maintained at StarMetro headquarters. Accurate records will be maintained that account for the tickets provided and used for that purpose.	Kelly Kindell	July 31, 2017
3) The unauthorized petty cash fund will be eliminated with the funds (\$800) returned to the City Treasurer-Clerk’s Revenue Office.	Kelly Kindell	Completed* May 18, 2017, as verified during initial audit

<p>4) Expenses paid from authorized petty cash funds will be reimbursed through the City Treasurer-Clerk’s Revenue Office, with the expenses properly recorded in the City’s accounting records (PeopleSoft Financials). Other uses (e.g., return improperly collected fares to riders) will also be reimbursed through the City Treasurer-Clerk’s Revenue Office, with proper entries made in the City’s accounting records.</p>	<p>Kelly Kindell</p>	<p>Completed** May 18, 2017</p>
<p>5) Adequate records will be prepared and retained to document: (1) all uses and replenishments of petty cash funds; (2) transfers of custodial responsibility for petty cash funds, and (3) prior supervisory authorizations and approvals of each use of petty cash funds. Efforts will be enhanced to ensure adequate documentation (e.g., vendor receipts) is obtained and retained to substantiate each use.</p>	<p>Kelly Kindell</p>	<p>Completed** May 18, 2017</p>
<p>6) Efforts will be enhanced to use City P-Cards for miscellaneous StarMetro expenses instead of using authorized petty cash funds for those expenses.</p>	<p>Kelly Kindell</p>	<p>Completed** May 18, 2017</p>
<p>C. Objective: Ensure access to general transit fare box collections is properly restricted.</p>		
<p>1) Access to keys, swipe cards, and codes allowing removal of fare boxes from general transit buses and access to the vault on the external wall of the collection room will be restricted to appropriate staff.</p>	<p>Angela Baldwin</p>	<p>August 31, 2017</p>
<p>2) Access to the collection room will be restricted to appropriate staff.</p>	<p>Angela Baldwin</p>	<p>August 31, 2017</p>
<p>3) A security system will be installed to track and record each employee entering and exiting the collection room.</p>	<p>Angela Baldwin</p>	<p>June 27, 2017</p>
<p>4) Staff and vendors without access privileges, but needing to enter the collection room for work (e.g., mechanics to work on a fare box stuck in the vault), will be escorted by appropriate staff while inside the collection room.</p>	<p>Angela Baldwin</p>	<p>June 27, 2017</p>
<p>* Completion of action step verified during initial audit.</p>		
<p>**Management asserts the action step has been completed as of the indicated date. Completion will be verified during the audit follow-up process.</p>		

Copies of this (Report #1715) may be obtained at the City Auditor’s web site (<http://www.talgov.com/transparency/auditing-auditreports.aspx>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (City Auditor, 300 South Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit conducted by:
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