

FOLLOW-UP OF SARASOTA COUNTY AREA TRANSIT BUS PASS INVENTORY AND REVENUE

December 2017

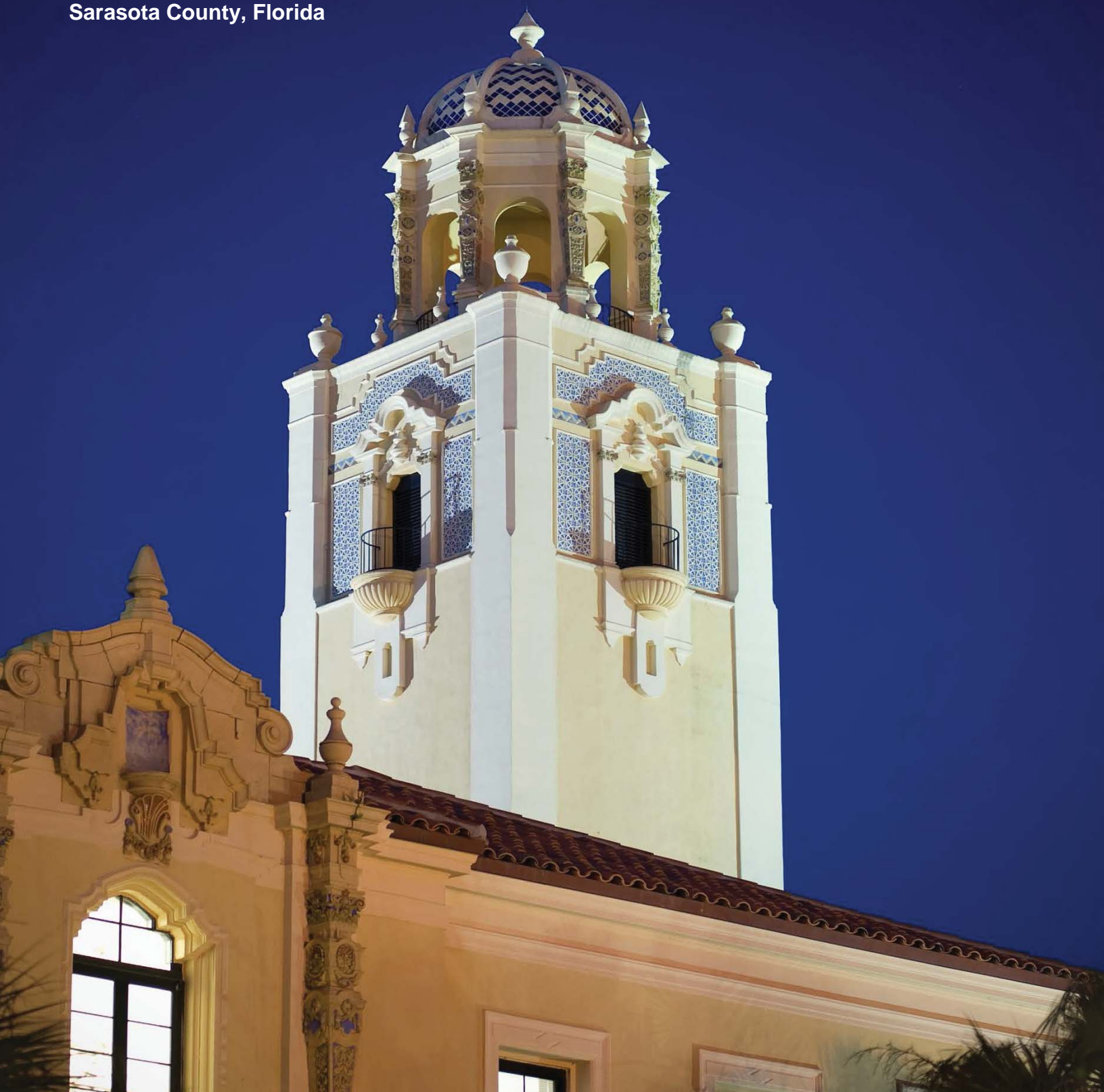
Original audit report issued September 2016

Karen E. Rushing

Clerk of the Circuit Court and County Comptroller

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Sarasota County, Florida



CONTENTS

Executive Summary	2
Summary and Overall Results	3
Open Conditions and Pending Corrective Action	5
Open/Partially Completed Conditions and Pending Corrective Action	10
Closed Conditions and Follow-Up Results	16
Appendix A	
Original Audit Report dated September 2016	17

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EXECUTIVE SUMMARY

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted a follow-up audit of Sarasota County Area Transit (SCAT) Bus Pass Inventory and Revenue.

- Follow-up audits have a scope limited to the observations reported on the original audit report and subsequent corrective actions taken by responsible management.
- Reviewed any policies and procedures updated since the original audit.
- Discussed with management the steps taken to address the original audit's Opportunities for Improvement.
- Each area relating to an Opportunity for Improvement from the original audit was reviewed in order to ensure that they have been appropriately addressed.
- This report will conclude the follow-up process as it pertains to SCAT Bus Pass Inventory and Revenue.

ORIGINAL AUDIT ISSUES AND STATUS

Open

- Lack of policies and procedures for third party agencies selling bus passes on consignment.
- Non-compliance with Accounting Policies and Procedures related to daily deposit of checks.
- Non-compliance with Accounting Policies and Procedures related to segregation of duties requirements.

Open/Partially Completed

- Lack of policies and procedures for performing, reconciling, and tracking physical inventories of bus passes.
- Lack of policies and procedures for bus pass revenue reconciliations.
- Non-compliance with County Resolution related to the stated rate for the discounted 30-Day Express Passes.

Closed

- Lack of policies and procedures for ordering and receiving bus pass inventory.



SUMMARY AND OVERALL RESULTS

Background

The purpose of the September 2016 Audit of SCAT Bus Pass Inventory and Revenue was to determine if SCAT's internal controls related to bus pass inventory and related revenue are operating effectively and if they are in compliance with applicable policies and procedures. The scope of the audit included the time period of January 1, 2015 through December 31, 2015.

The original audit report concluded that the department:

- Lacked policies and procedures for:
 - performing, reconciling, and tracking physical inventories of bus passes,
 - ordering and receiving bus pass inventory,
 - bus pass revenue reconciliations, and
 - third party agencies selling bus passes on consignment.
- Was not compliant with Accounting Policies and Procedures Chapter 9.2 regarding:
 - daily deposit of checks, and
 - segregation of duties for receiving, preparing funds for deposit, and making the deposit.
- Was not compliant with County Resolution No. 2011-167, regarding the stated rate for the discounted 30-Day Express Passes.

Objectives

The objectives of this follow-up audit were to evaluate corrective actions taken by responsible management related to the opportunities for improvement reported on the SCAT Bus Pass Inventory and Revenue audit report dated September 2016. This was achieved by providing independent, objective analysis as well as reasonable assurance that the previous concerns have been addressed and appropriate corrective measures implemented.

To meet the objectives of the follow-up audit, the following procedures were performed:

- Obtained and reviewed updated Policies and Procedures.
- Obtained an understanding of changes made to the Policies and Procedures since the original audit report date.
- Performed inquiries of the SCAT management and staff.
- Discussed the processes that were implemented since the original audit report with SCAT management and staff, specifically related to:

- Performing, reconciling, and tracking physical inventories,
- Ordering and receiving bus pass inventory,
- Reconciling bus pass revenue to bus passes sold,
- Bus pass sales on consignment, and
- Compensating controls for activity at the Downtown Transfer Station.

Overall Results

Based on the results of our follow-up audit procedures, SCAT has addressed one (1) of the seven (7) previous concerns and has implemented appropriate corrective action on the condition identified in the original audit report. Six (6) concerns from the original report have not been addressed sufficiently.

Open Conditions and Pending Corrective Action*
4. Policies and Procedures for third party agencies selling bus passes on consignment
5. Mail receipts
6. Processing bus pass sales

Open/Partially Completed Conditions and Pending Corrective Action*
1. Policies and Procedures for performing, reconciling, and tracking physical inventories of bus passes
3. Policies and Procedures for bus pass revenue reconciliation
7. Compliance with County Resolution 2011-167

Closed Conditions and Follow-Up Results*
2. Policies and Procedures for ordering and receiving bus pass inventory

**The conditions above are categorized by the current status and are numbered to correlate with the original audit report’s Opportunities for Improvement.*

Although six *Opportunities for Improvement* remain open or open/partially completed, this concludes the follow-up audit process as it relates to Sarasota County Area Transit bus pass inventory and revenue.



OPEN CONDITIONS AND PENDING CORRECTIVE ACTION

Three (3) of the seven (7) conditions identified in the original report remain open and continue to require management attention.

4. Policies and Procedures for third party agencies selling bus passes on consignment

Current Status, Follow-Up Audit dated July 2017:

SCAT has developed and implemented procedures for third party agencies selling bus passes on consignment. However, the procedures did not address the:

- approval process for third party agencies for consignment of bus passes,
- payment terms with each third party in writing, and
- chain of custody when passes are provided.

SCAT management advised that there are currently five agencies that have been provided bus passes for sale on a consignment basis. There are no written consignment agreements with any of the agencies to document payment terms and no chain of custody documents or sufficient records to track what inventory has been made available for sale for each location. One location has not been invoiced or made a payment since May 2016.

Original Audit Observation, Report dated September 2016:

SCAT provides bus passes to third party agencies throughout the county for sale to citizens. The auditor was provided a list of eight third party agencies that are provided bus passes on a consignment basis. Payment by these eight entities is not made to SCAT until after the bus passes are sold. There is no policy or procedure for these consignment-type sales, nor is there consistency in how the payment from these eight third parties is handled. No written agreements between SCAT and the third parties exist and revenue is not recorded until payment is received. Additionally, it was noted that when delivery is made to a third party agency, there is no documentation of the chain of custody for the bus passes. The following was detected during the audit:

- One third party contacts SCAT approximately once a year to inform SCAT that they have accumulated a specific dollar amount for bus pass sales. Since there are no records maintained by SCAT to determine the amount due, an invoice is generated for the amount the third party provides.

- One third party (County department) receives bus passes as requested and deposits receipts to the County bank account. No reconciliation of the deposited amounts to expected revenue is performed.
- One third party, with multiple locations, is provided bus passes as requested. SCAT staff returns to the third party locations two or three months after the bus passes were provided and count what is left, compare to what was provided, and then bill accordingly.

Original Recommendation, Report dated September 2016:

To ensure consistent consignment practices, policies and procedures should be developed and implemented that include, but are not limited to, processes for:

- Approving a third party for consignment of bus passes;
- Documenting in writing the payment terms with each third party;
- Documenting the chain of custody when bus passes are provided;
- Recording and monitoring accounts receivable for each third party; and
- Invoicing third parties.

Management Action Plan:

On September 27, 2017 SCAT informed Goodwill that SCAT will no longer consign SCAT bus passes in Goodwill stores effective immediately. Moving forward Goodwill will purchase passes through SCAT customer service departments at the downtown or Pinkney locations.

HHS confirmed that passes are pre-paid and not on consignment.

SCAT is no longer providing bus passes for sale on consignment to any of the five agencies.

5. Mail receipts

Current Status, Follow-Up Audit dated July 2017:

While onsite, at the SCAT Administration building on June 14, 2017, the auditor observed ten (10) checks totaling \$94,721.54 secured in a locked box in a locked file cabinet, as required. However, eight (8) of the checks were dated from May 15, 2017 through June 13, 2017, one check was dated March 14, 2017, and one check dated December 8, 2015 (which was the same check noted in the original audit).

Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, requires daily deposits of cash and checks, as well as checks to be stamped “For Deposit Only” when they are received. The checks observed were not deposited timely and none of the checks were stamped, as required.

Original Audit Observation, Report dated September 2016:

The Clerk of the Court and County Comptroller Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* states the following:

- *“Management is responsible for ensuring cash and checks are deposited daily.”*
- *“Stamp all checks received with the For Deposit Only Stamp. Notify Clerk Finance Department when requesting a stamp for the first time or if a replacement stamp is needed.”*

While onsite at the SCAT Administration building on June 1, 2016, the auditor observed eleven (11) checks totaling \$39,126.84 secured in a locked box in a locked file cabinet. Ten (10) of the checks were dated from May 2, 2016 through May 18, 2016, with one \$40.00 check dated December 8, 2015. The Fiscal Specialist advised that they were working with the payee to determine the purpose of the \$40.00 payment before processing. None of the checks were stamped “For Deposit Only”, which is required by Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*.

Currently, mail is retrieved daily under dual control from the onsite locked mail box. SCAT management advised that if mail cannot be processed immediately, it is secured under dual control, meaning that one individual has a key to the file cabinet and another individual has a key to the locked box. Since the Financial Specialist records mail receipts, prepares the deposit, and distributes the bus pass inventory, dual control is in place as a mitigating control for processing of mail receipts. SCAT has an appropriate staff member assigned dual control responsibilities; however, the auditor was advised that there is a recurring issue with the availability of that individual to perform this task due to other responsibilities. As SCAT employees do not process mail receipts without dual control, the absence of a reliable dual

control partner has resulted in mail receipts not being deposited on a daily basis. This is not in compliance with Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, which requires daily deposits of cash and checks.

Original Recommendation, Report dated September 2016:

To ensure compliance with Accounting Policy and Procedures, processes should be modified to allow for daily processing of mail receipts. Additionally, checks should be endorsed when received.

Management Action Plan:

To comply with County Accounting Policies, dual control procedures were implemented and checks are deposited daily in accordance with SOP #213.

6. Processing bus pass sales

Current Status, Follow-Up Audit dated July 2017:

Processes were not modified for the SCAT Downtown Transfer Station to ensure compliance with the Accounting Policy and Procedures that state, “No person shall perform all three functions (receive, deposit, and prepare **Receipt for Deposit of County Funds**)”. Additionally, no exception to the policy was granted.

Original Audit Observation, Report dated September 2016:

Accounting Policies and Procedures, Section 9.2 Business Center Receipt, Balance, and Deposit of Cash, state that, “No person shall perform all three functions (receive, deposit, and prepare **Receipt for Deposit of County Funds**).”

There is only one individual at the SCAT Downtown Transfer Station and this person is performing all three functions. This individual sells bus passes, records the sales on the revenue log, prepares the deposit, and prepares the **Receipt for Deposit of County Funds**. No mitigating controls were identified during our review to reduce the risk of inappropriate activity occurring.

Original Recommendation, Report dated September 2016:

To ensure compliance with Accounting Policies and Procedures and safeguarding County of assets, processes should be modified so that one individual is not responsible for all three functions. If that is not feasible and an exception is granted to the policy, mitigating controls should be developed and implemented.

Management Action Plan:

To comply with County Accounting Policies and Procedures and to ensure that one individual is not responsible for receipt, deposit, and preparation of Receipt for Deposit of County Funds, SCAT will ensure that dual control is maintained when preparing the deposit, in accordance with SOP #317.



OPEN/PARTIALLY COMPLETED CONDITIONS AND PENDING CORRECTIVE ACTION

Three (3) of the seven (7) conditions identified in the original report were partially addressed, but require additional management attention.

1. Policies and Procedures for performing, reconciling, and tracking physical inventories of bus passes

Current Status, Follow-Up Audit dated July 2017:

SCAT management has developed written procedures for inventory management. They include processes for recording the addition of new inventory, the removal of inventory, and the returning of inventory; however, do not provide guidance on recording the location to which removed inventory is distributed. Additionally, while the procedures state that specific SCAT personnel are responsible for recording the addition of new or return of unused inventory in the computer database, those individuals advised that they do not have access to the electronic record.

Audit testing detected the following areas of non-compliance with the written procedures:

- The manual logging sheet developed and used to record inventory removal:
 - Lacks evidence of the required dual control (two signatures) for the removal of inventory in 12 of 132 records, and,
 - Does not include logging activity for the period March 10, 2017, through April 13, 2017.
- Physical inventories and reconciliation to the records:
 - Are not conducted monthly, as required by SCAT policies and procedures (SCAT management advised that physical inventories were conducted August 19, 2016, November 16, 2016, January 23, 2017, and March 17, 2017),
 - Are not consistently supported with retention of results (documentation for November and January inventories and reconciliation not retained), and,
 - Did not account for an entire box of pre-encoded inventory (1,000 tickets valued at \$50,000.) Upon review of system logging reports, it was determined that 899 of the 1,000 tickets have been used; however, sales records were identified for only 434 of the 1,000 tickets. Additionally, the sales records appear to be unreliable due to 14 ticket numbers being listed twice in the sales records.

Original Audit Observation, Report dated September 2016:

Certain bus passes procured by SCAT are received encoded with value already added (Single Ride, Regional Card, Express Pass, Liberty Pass, 30-Day Pass). The remaining inventory is encoded by SCAT as needed.

During the audit, it was noted that there are no policies and procedures in place for performing and tracking physical inventories. As a result, physical inventories and reconciliation to records were not being performed. Additionally, inventory records were not being updated for the removal and addition of bus passes.

SCAT performed a physical inventory of all bus passes in September 2015 at the time the department was centralizing the storage of inventory. Results of the inventory were documented and records were manually updated whenever passes were removed or added through January 2016. Inventory records have not been updated since that time, nor has a physical inventory been performed.

Original Recommendation, Report dated September 2016:

To ensure safeguarding of county assets, SCAT should perform and document a physical inventory of bus passes immediately. Additionally, policies and procedures should be developed and implemented to provide guidelines on inventory management, including but are not limited to, the frequency of performing physical inventories, who is responsible for reconciling to the inventory records, and processes for updating inventory records for the removal and addition of bus passes.

Management Action Plan:

Appropriate reconciliation of bus pass inventory and revenue procedures were implemented in accordance with SOP #317.

3. Policies and Procedures for bus pass revenue reconciliation

Current Status, Follow-Up Audit dated July 2017:

Although policies and procedures were updated for the three locations that prepare bus pass revenues for deposit, they are lacking guidelines for reconciling revenues to the daily number of ticket sales and sales receipts. Receipt numbers are now included in deposit documentation for both the Downtown Transfer Station and the SCAT Administration over-the-counter manual sales logs, but are not reconciled to ensure that none are missing. Records of bus pass inventory provided to each location is not being documented sufficiently.

Original Audit Observation, Report dated September 2016:

Bus pass revenue is prepared for deposit from activity in three areas:

- SCAT Administration over-the-counter sales,
- SCAT Administration mail, bulk pass sales, and third party sales receipts, and
- SCAT Downtown Transfer Station.

In each area, a manual sales log is created and reconciled to the funds submitted for deposit. Although receipt numbers and bus pass numbers are both included on the Downtown Transfer Station sales log, receipt numbers were not observed on the sales logs prepared for SCAT Administration activities. None of the deposit preparation processes include reconciliation of the receipt numbers or bus pass numbers to the revenue received.

Policies and procedures are currently being updated for the SCAT Administration processes; however, the draft does not include reconciliation procedures of revenue to the bus pass inventory log or ticket sale receipts. There were no policies and procedures provided related to revenue reconciliation for the SCAT Downtown Transfer Station.

Original Recommendation, Report dated September 2016:

To ensure safeguarding of County assets, policies and procedures for revenue reconciliation should be developed and implemented. The processes should include, but are not limited to, reconciling the bus pass inventory log and ticket sales receipt numbers to the revenue for each area.

Management Action Plan:

SCAT has composed SOP 317, which aligns procedures for the Downtown Transfer Station to the SCAT Administration building procedures for daily bus pass inventory and revenue reconciliation.

7. Compliance with County Resolution 2011-167

Current Status, Follow-Up Audit dated July 2017:

On September 7, 2016, the Resolution of Sarasota County Board of County Commissioners (SCBCC) Setting Transit Service Fare Rates (Resolution No. 2016-166) was approved. The resolution was primarily to increase the price of a Liberty Pass; however, in the best interest of the public, all the available fares were included in the single resolution. Additionally, the resolution recognized the \$47.50 fare for the discounted 30-Day Express Pass listed in the previous resolution as an error and stated that the \$42.50 fare was confirmed, approved and validated retroactive to the effective date of the previous resolution.

During review of sales records, between the dates of December 1, 2016 and May 26, 2017, six (6) sales of single ride bus passes (total of 6,000 passes) were made to five (5) entities. These passes were sold at a reduced rate of \$1.00 per pass, while the SCBCC approved rate for a single ride pass is \$1.25. This resulted in \$1,500 lost revenue.

Original Audit Observation, Report dated September 2016:

County Resolution 2011-167, effective October 1, 2011, sets the fares and charges for transit services provided by SCAT. The approved rate per the Resolution for the discounted 30-Day Express Pass is \$47.50, which is the rate shown in the SCAT publication, RideGuide (effective April 16, 2016) provided at various locations throughout the county. However, it was observed during the audit that the SCAT website lists the rate as \$42.50.

Data for over-the-counter sales at the SCAT administration location indicates that there were twenty-eight (28) discounted 30-Day Express Passes sold between August 2013 and January 2016. The August 2013 sale was for one pass sold at the \$47.50 rate, while all others appear to have been sold for \$42.50. Inquiry of two third party locations about the cost of the discounted 30-Day Express Pass revealed that one location charges \$47.50 and the other \$42.50.

Original Recommendation, Report dated September 2016:

To ensure compliance with County Resolution 2011-167, SCAT must make certain that rates are published and assessed in accordance with approved fares and charges.

Management Action Plan:

To comply with County Resolution 2016-167, SCAT is no longer selling discounted bulk passes.



CLOSED CONDITIONS AND FOLLOW-UP RESULTS

2. Policies and Procedures for ordering and receiving bus pass inventory

Current Status, Follow-Up Audit dated July 2017:

SCAT has developed and implemented procedures for ordering and receiving bus pass inventory. The procedures include the reorder points by inventory type, who places the orders, who approves the orders, where delivery is to occur, and who signs for the deliveries. The procedures were approved by the SCAT Director on April 25, 2017.

SCAT management provided a list of bus pass purchases that occurred between October 1, 2016 and May 30, 2017. The list indicated that four (4) purchases were made, including three (3) for change cards with no encoded value (all made prior to April 27, 2017) and one (1) for single rides with encoded value (Purchase Order dated May 30, 2017). Review of the May 30, 2017 purchase indicated that procedures for ordering inventory are functioning as intended.

Original Audit Observation, Report dated September 2016:

The current process for determining when bus pass inventory needs ordered is to on occasion, visually observe what is left of each type of pass in the secured cabinet. There are no set order points based on historical usage. Since there are no guidelines for when to order bus pass inventory, SCAT could experience insufficient or inappropriate inventory levels.

SCAT management advised that deliveries of ordered bus pass inventory may be received and signed for by any SCAT employee and that the deliveries are most frequently made to the maintenance department. This does not allow for proper control of inventory, especially inventory that is already encoded with value.

Original Recommendation, Report dated September 2016:

To ensure safeguarding of County assets, policies and procedures should be developed and implemented for ordering and receiving bus pass inventory. These policies and procedures should include but are not limited to, order points by inventory type, ordering process (who can place an order and who approves), and receiving processes (where delivery is to occur and who can sign for the delivery).





APPENDIX A

Following is the original *Audit of Sarasota County Area Transit Bus Pass Inventory and Revenue* dated September 2016.

AUDIT OF SARASOTA COUNTY AREA TRANSIT BUS PASS INVENTORY AND REVENUE

September 2016



Karen E. Rushing
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CONTENTS

Executive Summary	2
Background and Objectives	3
Opportunities for Improvement and Management Responses	5

AUDIT SERVICES

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EXECUTIVE SUMMARY

- As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's Internal Audit Department and Office of the Inspector General conducted an audit of Sarasota County Area Transit Pass Inventory and Revenue.
- Internal Audit obtained an understanding of the processes related to managing bus pass inventory, including tracking, ordering, and reconciling to related receipts.
- Internal Audit obtained an understanding of processes related to bus passes provided to third parties on a consignment basis.
- Compliance with Accounting Policy and Procedures related to timeliness of deposits was tested by observing undeposited mail receipts onsite during audit field work and interviewing responsible individuals.
- Identified opportunities for improvement.

OPPORTUNITIES FOR IMPROVEMENT

Internal Control ~ Lack of Policies and Procedures

- Policies and Procedures should be developed and implemented related to:
 - performing and tracking physical inventories of bus passes,
 - ordering and receiving bus pass inventory,
 - reconciling bus pass revenue, and
 - consigning bus passes to third parties.

Non-compliance with Accounting Policies and Procedures

- Mail receipts are not deposited timely in accordance with Accounting Policy and Procedure.
- One person is responsible for all three functions (receive, deposit, and prepare Receipt for Deposit of County Funds) at one location, which is not in accordance with Accounting Policy and Procedure.

Non-compliance with Resolution No. 2011-167

- Reduced fare for 30-Day express bus pass per Resolution 2011-167 is \$47.50, while the SCAT website shows \$42.50 and the rate charged is inconsistent.



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller’s Internal Audit Department and Office of the Inspector General has completed an audit of Sarasota County Area Transit Pass Inventory and Revenue. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal 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 the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to:

- Review internal controls for the handling and processing of ticket inventory to ensure proper safeguarding of county assets (bus passes), and
- Review the process for collecting and recording pass revenue in order to ensure compliance with applicable policies and procedures.

Background

Sarasota County Area Transit (SCAT) is responsible for administering, providing, and maintaining the public transportation system in Sarasota County. As reported in the fiscal year 2015 County Comprehensive Annual Financial Report, SCAT maintains 24 fixed-line bus routes serviced by 64 buses, a para-transit service with 32 buses, and a commuter bus service with eight buses.

SCAT offers several types of passes, with prices ranging from \$1.25 to \$85.00, as shown below:

Fixed Routes

Fare	Purpose
\$1.25	Single Ride
\$1.50	Route 99 into Manatee County
FREE	Age 5 and under/80 and older

Unlimited Ride Passes after First Use

\$50.00	30-Day Pass
\$20.00	7-Day Pass
\$4.00	Day Pass
\$60.00	30-Day Regional Pass

Express Route Fares

\$2.50	Express One-Way
\$85.00	30-Day Express Pass

Student Pass Fares

\$30.00	4-Month unlimited
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NOTE: Discounted Fares available for 65 and older and disabled

Additionally, a discounted 30-day pass (Liberty Pass) is offered for \$8.00 to citizens who meet certain eligibility requirements. (Compliance with the requirements of the Liberty Pass program is the objective of a separate audit and results of that audit can be found on the Clerk's website at [www.SarasotaClerk.com/ComptrollerServices/Internal Audit](http://www.SarasotaClerk.com/ComptrollerServices/Internal%20Audit).)

Bus passes can be purchased from SCAT Administration and the Downtown transfer station as well as various third party agencies throughout the county. Eight of these third party agencies sell bus passes on a consignment basis.

In fiscal year 2015, SCAT records indicate that passengers took 2,738,270 trips, averaging approximately 52,659 trips per week. The County financial records reflect revenue of \$1,690,572 for fares collected for that year.

Objectives, Scope and Methodology

The objectives of this audit were to determine if SCAT's internal controls related to bus pass inventory and related revenue are operating effectively and if they are in compliance with applicable policies and procedures. The scope of the audit included the time period of January 1, 2015, through December 31, 2015.

To meet the objectives of the audit, the procedures performed included, but were not limited to, the following:

- Conducted inquiries of management and staff of the SCAT Administration Department.
- Reviewed processes for managing bus pass inventory.
- Evaluated internal controls related to the segregation of duties and safeguarding of the County's assets; specifically for bus pass inventory and related receipts.
- Reviewed procedures for reconciling bus pass revenue to receipts and bus pass inventory.
- Performed a three-year trend analysis for bus pass revenue.
- Evaluated processes for providing bus passes to third parties on a consignment basis.
- Reviewed for compliance with County Resolution 2011-167.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2110) Ensuring effective organizational performance management and accountability, and
- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly effectiveness and efficiency of operations and safeguarding of assets.

Accordingly, the ***Opportunities for Improvement*** presented in this report may not be all-inclusive of areas where improvement may be needed. There were seven (7) *Opportunities for Improvement* identified as a result of the audit:

1. **Policies and Procedures for performing, reconciling, and tracking physical inventories of bus passes**
2. **Policies and Procedures for ordering and receiving bus pass inventory**
3. **Policies and Procedures for bus pass revenue reconciliation**
4. **Policies and Procedures for third party agencies selling bus passes on consignment**
5. **Mail receipts**
6. **Processing bus pass sales**
7. **Compliance with County Resolution 2011-167**

1. Policies and Procedures for performing, reconciling, and tracking physical inventories of bus passes

Observation

Certain bus passes procured by SCAT are received encoded with value already added (Single Ride, Regional Card, Express Pass, Liberty Pass, 30-Day Pass). The remaining inventory is encoded by SCAT as needed.

During the audit, it was noted that there are no policies and procedures in place for performing and tracking physical inventories. As a result, physical inventories and reconciliation to records were not being performed. Additionally, inventory records were not being updated for the removal and addition of bus passes.

SCAT performed a physical inventory of all bus passes in September 2015 at the time the department was centralizing the storage of inventory. Results of the inventory were documented and records were manually updated whenever passes were removed or added through January 2016. Inventory records have not been updated since that time, nor has a physical inventory been performed.

Recommendation

To ensure safeguarding of county assets, SCAT should perform and document a physical inventory of bus passes immediately. Additionally, policies and procedures should be developed and implemented to provide guidelines on inventory management, including but are not limited to, the frequency of performing physical inventories, who is responsible for reconciling to the inventory records, and processes for updating inventory records for the removal and addition of bus passes.

Management Response

Physical Inventory conducted 8/16/16 by the following SCAT staff:

Fiscal Manager
Marketing, Outreach, & Customer Service
Administrative Assistant

Follow up Inventory conducted 8/19/16 by the following SCAT staff:

Fiscal Manager
IT Professional

Follow up Inventory was conducted to compare IT professional's spreadsheet, developed to track pass inventory, to actual inventory in pass cabinet.

Procedures for Pass Inventory have been developed and implemented as follows:

- Physical Inventory will be conducted under dual control and reconciled monthly by Fiscal Manager.
- An Inventory Log has been developed, requiring dual control signatures when removing or returning pass inventory, both documents are attached to the pass cabinet doors.
- A spreadsheet has been created by SCAT's IT Professional to track the addition and removal of pass inventory from the Cabinet. When passes are removed or added to inventory, an email is sent to IT professional to enter into spreadsheet which automatically updates pass inventory.
- The Inventory Log and Spreadsheet will be reconciled monthly by the Fiscal Manager and IT Professional.

2. Policies and Procedures for ordering and receiving bus pass inventory

Observation

The current process for determining when bus pass inventory needs ordered is to on occasion, visually observe what is left of each type of pass in the secured cabinet. There are no set order points based on historical usage. Since there are no guidelines for when to order bus pass inventory, SCAT could experience insufficient or inappropriate inventory levels.

SCAT management advised that deliveries of ordered bus pass inventory may be received and signed for by any SCAT employee and that the deliveries are most frequently made to the maintenance department. This does not allow for proper control of inventory, especially inventory that is already encoded with value.

Recommendation

To ensure safeguarding of County assets, policies and procedures should be developed and implemented for ordering and receiving bus pass inventory. These policies and procedures should include but are not limited to, order points by inventory type, ordering process (who can place an order and who approves), and receiving processes (where delivery is to occur and who can sign for the delivery).

Management Response

SOP to be developed containing the following information:

- Minimum inventory levels per pass type, based on sales history – to be determined.
- Procurement and Contracts Coordinator will be responsible for ordering passes.
- Fiscal Manager will approve pass orders.
- Point of contact will be included in next Request for Quotes (RFQ):
 - First Contact: Procurement and Contracts Coordinator
 - Second Contact: Fiscal Manager
- Pass Orders will only be delivered to our fiscal division and signed by fiscal staff.

The expected date of implementation is October 1, 2016.

3. Policies and Procedures for bus pass revenue reconciliation

Observation

Bus pass revenue is prepared for deposit from activity in three areas:

- SCAT Administration over-the-counter sales,
- SCAT Administration mail, bulk pass sales, and third party sales receipts, and
- SCAT Downtown Transfer Station.

In each area, a manual sales log is created and reconciled to the funds submitted for deposit. Although receipt numbers and bus pass numbers are both included on the Downtown Transfer Station sales log, receipt numbers were not observed on the sales logs prepared for SCAT Administration activities. None of the deposit preparation processes include reconciliation of the receipt numbers or bus pass numbers to the revenue received.

Policies and procedures are currently being updated for the SCAT Administration processes; however, the draft does not include reconciliation procedures of revenue to the bus pass inventory log or ticket sale receipts. There were no policies and procedures provided related to revenue reconciliation for the SCAT Downtown Transfer Station.

Recommendation

To ensure safeguarding of County assets, policies and procedures for revenue reconciliation should be developed and implemented. The processes should include, but are not limited to, reconciling the bus pass inventory log and ticket sales receipt numbers to the revenue for each area.

Management Response

SCAT's Over the Counter (OTC) Standard Operating Procedures (SOP), Downtown Transfer Station (DTTS) SOP, and Operating Procedures for Mail have been revised. Additionally, the following procedures have been developed and implemented:

- An additional column has been added to the mail log to include receipt numbers.
- The daily deposit packet will consist of the following:
 - Receipt for Deposit of County Funds,
 - Mail Log,
 - Backup for payments for invoiced services (FDOT, Lamar, Senior Friendship, etc.),
 - Yellow copies of receipts for pass purchases, and
 - Copy of the signed Dunbar deposit pickup log.
- Reconciliation of the bus pass inventory log and ticket sales receipts will be performed weekly by Fiscal Specialist and reviewed by Fiscal Manager.
- Reconciliation of the DTTS and OTC logs will be reviewed weekly by Customer Service Manager including tracking of receipt numbers.

4. Policies and Procedures for third party agencies selling bus passes on consignment

Observation

SCAT provides bus passes to third party agencies throughout the county for sale to citizens. The auditor was provided a list of eight third party agencies that are provided bus passes on a consignment basis. Payment by these eight entities is not made to SCAT until after the bus passes are sold. There is no policy or procedure for these consignment-type sales, nor is there consistency in how the payment from these eight third parties is handled. No written agreements between SCAT and the third parties exist and revenue is not recorded until payment is received. Additionally, it was noted that when delivery is made to a third party agency, there is no documentation of the chain of custody for the bus passes. The following was detected during the audit:

- One third party contacts SCAT approximately once a year to inform SCAT that they have accumulated a specific dollar amount for bus pass sales. Since there are no records maintained by SCAT to determine the amount due, an invoice is generated for the amount the third party provides.
- One third party (County department) receives bus passes as requested and deposits receipts to the County bank account. No reconciliation of the deposited amounts to expected revenue is performed.
- One third party, with multiple locations, is provided bus passes as requested. SCAT staff returns to the third party locations two or three months after the bus passes were provided and count what is left, compare to what was provided, and then bill accordingly.

Recommendation

To ensure consistent consignment practices, policies and procedures should be developed and implemented that include, but are not limited to, processes for:

- Approving a third party for consignment of bus passes;
- Documenting in writing the payment terms with each third party;
- Documenting the chain of custody when bus passes are provided;
- Recording and monitoring accounts receivable for each third party; and
- Invoicing third parties.

Management Response

The following policies and procedures are being developed by fiscal staff, specific to agencies selling passes on consignment, with the expected implementation date of November 30, 2016:

- Establish requirements for third party agencies to receive bus passes to sell on consignment.

- Create standard agreement to be signed by third party consignment agencies outlining payment terms, including when revenue will be collected and when agency will be billed. These payment terms will be consistent for all agencies. The Office of the County Attorney (OCA) will need to review agreements.
- Create spreadsheet which will include: the number of passes delivered, type of passes delivered (with pass numbers), SCAT staff member that delivered passes and agency staff member that received them (signature required), and the value of passes delivered.
- Reconcile revenue collected to above referenced spreadsheet.

5. Mail receipts

Observation

The Clerk of the Court and County Comptroller Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash* states the following:

- *“Management is responsible for ensuring cash and checks are deposited daily.”*
- *“Stamp all checks received with the For Deposit Only Stamp. Notify Clerk Finance Department when requesting a stamp for the first time or if a replacement stamp is needed.”*

While onsite at the SCAT Administration building on June 1, 2016, the auditor observed eleven (11) checks totaling \$39,126.84 secured in a locked box in a locked file cabinet. Ten (10) of the checks were dated from May 2, 2016 through May 18, 2016, with one \$40.00 check dated December 8, 2015. The Fiscal Specialist advised that they were working with the payee to determine the purpose of the \$40.00 payment before processing. None of the checks were stamped “For Deposit Only”, which is required by Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*.

Currently, mail is retrieved daily under dual control from the onsite locked mail box. SCAT management advised that if mail cannot be processed immediately, it is secured under dual control, meaning that one individual has a key to the file cabinet and another individual has a key to the locked box. Since the Financial Specialist records mail receipts, prepares the deposit, and distributes the bus pass inventory, dual control is in place as a mitigating control for processing of mail receipts. SCAT has an appropriate staff member assigned dual control responsibilities; however, the auditor was advised that there is a recurring issue with the availability of that individual to perform this task due to other responsibilities. As SCAT employees do not process mail receipts without dual control, the absence of a reliable dual control partner has resulted in mail receipts not being deposited on a daily basis. This is not in compliance with Accounting Policies and Procedures, Chapter 9.2 *Business Center Receipt, Balance, and Deposit of Cash*, which requires daily deposits of cash and checks.

Recommendation

To ensure compliance with Accounting Policy and Procedures, processes should be modified to allow for daily processing of mail receipts. Additionally, checks should be endorsed when received.

Management Response

Mail is now processed daily under dual control. Checks are now stamped and deposited daily under dual control, which has been established and communicated, in writing, to staff.

6. Processing bus pass sales

Observation

Accounting Policies and Procedures, Section 9.2 Business Center Receipt, Balance, and Deposit of Cash, state that, “No person shall perform all three functions (receive, deposit, and prepare **Receipt for Deposit of County Funds**).”

There is only one individual at the SCAT Downtown Transfer Station and this person is performing all three functions. This individual sells bus passes, records the sales on the revenue log, prepares the deposit, and prepares the **Receipt for Deposit of County Funds**. No mitigating controls were identified during our review to reduce the risk of inappropriate activity occurring.

Recommendation

To ensure compliance with Accounting Policies and Procedures and safeguarding County of assets, processes should be modified so that one individual is not responsible for all three functions. If that is not feasible and an exception is granted to the policy, mitigating controls should be developed and implemented.

Management Response

It is not feasible to separate these functions without hiring additional full time staff as dual control; therefore the Customer Service Manager will contact Clerk’s office to request an exception. The expected implementation date is November 1, 2016.

Additionally, the following mitigating control is in place to address this concern:

- Random audits are conducted monthly by SCAT Customer Service Manager consisting of the following:
 - Verifying the balance of money in both the drawer and safe,
 - Checking daily deposit logs and matching them to the receipts, and
 - Verifying the Ticket inventory matches what has been sold.

7. Compliance with County Resolution 2011-167

Observation

County Resolution 2011-167, effective October 1, 2011, sets the fares and charges for transit services provided by SCAT. The approved rate per the Resolution for the discounted 30-Day Express Pass is \$47.50, which is the rate shown in the SCAT publication, RideGuide (effective April 16, 2016) provided at various locations throughout the county. However, it was observed during the audit that the SCAT website lists the rate as \$42.50.

Data for over-the-counter sales at the SCAT administration location indicates that there were twenty-eight (28) discounted 30-Day Express Passes sold between August 2013 and January 2016. The August 2013 sale was for one pass sold at the \$47.50 rate, while all others appear to have been sold for \$42.50. Inquiry of two third party locations about the cost of the discounted 30-Day Express Pass revealed that one location charges \$47.50 and the other \$42.50.

Recommendation

To ensure compliance with County Resolution 2011-167, SCAT must make certain that rates are published and assessed in accordance with approved fares and charges.

Management Response

A resolution was presented and adopted at the September 7, 2016 BCC meeting that included correction of the scrivener's error within County Resolution 2011-167. The new resolution reflects the correct 30 Day Express Pass discounted fare of \$42.50.

