



Final Audit Follow-Up


Period Ending March 31, 2020
Report #2005 | July 24, 2020

Audit of Internal Controls – StarMetro Transit Fare Box Collections and Petty Cash Fund


Summary from Original Report #1715 (Issued July 7, 2017): 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.

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

Summary of Action Plan: A total of 14 action plan steps were established by management in response to our audit recommendations. As of March 31, 2020, all 14 steps were due for completion. Of those 14 steps, 12 steps were noted as having been completed in prior follow-up reports, #1806, #1903, and #2001. This follow-up report is our 4th and final follow-up on audit report #1715. The status of the two remaining action plan steps is discussed in the table below.¹

Action Plan Steps	Status as of March 31, 2020
Objective A: Ensure general transit fare box collections are properly processed, accounted for in City records, and deposited in the City’s bank account.	
<p>A.2 A determination will be made as to whether the Tsunami and CalmSoft 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.</p> <p><i>(Management's initial estimated completion date: 9/30/17)</i></p>	<p>Needs Attention. As part of a prior follow-up report (#1806), we noted StarMetro management determined the Tsunami and CalmSoft fare box applications did not accurately capture and report rider and fare collection data. This follow-up period management has reported the vendor for a new fare box system has been selected and is in the process of finalizing a contract for the acquisition of such a system. Management anticipates a new fare box system to be in place and operating in June 2020.</p> <p>Due to the length of time this action plan step has remained incomplete, 30 months since initial completion date set by management and 33 months since issuance of the original audit, progress on this step will no longer be monitored.</p> 

¹ The numbering sequence of the action plan steps is based on the steps provided by management in the original audit and only those steps which were outstanding at March 31, 2020 are included.

Action Plan Steps	Status as of March 31, 2020
<p>A.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.</p> <p><i>(Management's initial estimated completion date: 5/30/17)</i></p>	<p>Needs Attention. As noted in the preceding action plan step and audit follow-up report (#1806), accurate ridership and fare collection information is not available from the current fare box system. Accordingly, comparisons and reconciliations of ridership to fare collections would not be meaningful using the information provided by the current fare box system.</p> <p>Management has reported the new fare box system will provide the accurate and reliable information needed to perform the comparisons and reconciliations provided for in this action plan step. StarMetro management has asserted the comparisons and reconciliations will be conducted once the new fare box system is in place and sufficient ridership and fare collection information is available.</p> <p>Due to the length of time this action plan step has remained incomplete, 33 months since initial completion date set by management and 33 months since issuance of the original audit, progress on this step will no longer be monitored.</p> 

CONCLUSION

Management developed 14 action plan steps to address the recommendations in the original audit report (#1715). As of the end of this follow-up period, March 31, 2020, management successfully completed 12 of the 14 steps and progress is being made toward completing the two steps not yet complete. Those steps relate to: (1) implementing a new fare box system or modifying/adjusting the existing fare box system to accurately and completely read general transit fare box collection data, and (2) properly using the fare box system to generate accurate reports that can be used to substantiate general transit fare box collections are properly processed and deposited.

Due to the length of time passed since the original audit report was issued and the progress made by management in completing its action plan, we will no longer follow-up and report on management's efforts to complete those remaining action steps.

We appreciate the cooperation and assistance provided by StarMetro management and staff during this audit follow-up.

APPOINTED OFFICIAL'S RESPONSE

We would like to thank the staff of the Office of the City Auditor for their thorough review and reporting on the General Transit Fare Box Collections and Petty Cash Funds audit. We recognize that sound financial management including internal controls, as well the satisfaction of state and federal reporting requirements are critical aspects of public transportation agencies. StarMetro is currently installing a new farebox system that will resolve discrepancies related to the accuracy of rider data and enhance the reconciliation of fare collections and subsequent financial reporting. Staff will move forward with completing and implementing the recommended action steps over the next few months.

STATEMENT OF ACCORDANCE

The Office of the City Auditor's mission is to provide the City Commission an independent, objective, and comprehensive auditing program of City operations; to advance accountability through the provision of assurance and advisory services; and to actively work with Appointed Officials in identifying risks, evaluating controls, and making recommendations that promote economical, efficient, and effective delivery of City services.

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our objectives. We believe the evidence obtained provides a reasonable basis for our conclusions based on our audit objectives.

Please address inquiries regarding this report to the Office of the City Auditor at (850) 891-8397.

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