

**FOLLOW-UP AUDIT
OF
THE CENTRAL FLORIDA
REGIONAL
TRANSPORTATION
AUTHORITY (d.b.a. LYNX)**

**Report by the
Office of County Comptroller**

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**Report No. 298
April 2001**

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April 5, 2001

Richard T. Crotty, County Chairman
And
Board of County Commissioners

We have conducted a follow-up audit of the Central Florida Regional Transportation Authority (d.b.a. LYNX). Our original review included the period of October 1, 1996 to September 30, 1997. Testing of the status of the previous Recommendations for Improvement was performed for the period October 1, 1999 through March 31, 2000. Our audit was conducted in accordance with generally accepted government auditing standards and included such tests as we considered necessary in the circumstances.

The accompanying Follow-Up to Previous Recommendations for Improvement presents a summary of the previous conditions and the previous recommendations. Following the recommendations is a summary of the current status as determined in this review. In addition, we found other concerns during our follow-up that are presented in the Additional Recommendations for Improvement section following the status of the Follow-Up to Previous Recommendations for Improvement.

During our review, we noted that all but three of the previous thirty-five recommendations for improvement were partially or fully implemented. **We commend** LYNX for their efforts. We appreciate the cooperation of the personnel of LYNX during the course of the audit.

Martha O. Haynie, CPA
County Comptroller

c: Ajit Lalchandani, County Administrator
The Honorable Russ Hauck, Mayor of the City of Altamonte Springs, Chairman of
the LYNX Board of Directors
Byron Brooks, Executive Director, LYNX

**IMPLEMENTATION STATUS OF
PREVIOUS RECOMMENDATIONS FOR
IMPROVEMENT**

**FOLLOW-UP OF LYNX
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

| NO. | PREVIOUS RECOMMENDATION | IMPLEMENTATION STATUS | | | |
|-----|---|-----------------------|-----------------------|-----------------|----------------|
| | | IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED | NOT APPLICABLE |
| 1. | We recommend an agreement be created between Orange County and LYNX to specify how requested funds are calculated, the amounts to be distributed to LYNX by Orange County, and the purpose of funds to be expended with any exclusions noted. Performance standards to be met by LYNX should also be detailed in the agreement. In addition, the agreement should provide Orange County the legal basis to allow an audit of LYNX by the Orange County Comptroller. | | X | | |
| 2. | We recommend LYNX performs the following: | | | | |
| A) | Implement a computer-based perpetual inventory system for controlling tickets/passes. | | X | | |
| B) | Perform periodic checks of a sample of tickets/passes or inventory records on hand by a person independent of the record keeping function, and perform a complete physical inventory annually. | X | | | |
| C) | Control the disposal of tickets/passes by a systematic process with appropriate approvals and segregate from the ticket custodian(s). | X | | | |
| D) | Consider discontinuing the sale of tickets/passes at the South Street front desk or implement adequate controls. | X | | | |

**FOLLOW-UP OF LYNX
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

| NO. | PREVIOUS RECOMMENDATION | IMPLEMENTATION STATUS | | | |
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| | | IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED | NOT APPLICABLE |
| E) | Discontinue the use of the extra ticket locker at the downtown terminal and issue greater quantities of tickets/passes to cashiers. | | X | | |
| 3. | We recommend LYNX performs the following: | | | | |
| A) | Limit access to the downtown bus terminal safe to the two supervisors. | | X | | |
| B) | Ensure all sales and refunds are entered into the cash register at the downtown bus terminal and reconcile the daily sales log to the cash register tapes. | X | | | |
| C) | Safeguard vendor checks and checks to be deposited. | X | | | |
| D) | Ensure all petty cash disbursements are authorized. In addition, a person independent from the petty cash function should periodically verify the balance by an unannounced cash count. | X | | | |
| 4. | We recommend LYNX performs the following: | | | | |
| A) | Establish written policies and procedures for the recording and reporting of accounts receivable, including aggressive collection procedures. | X | | | |

**FOLLOW-UP OF LYNX
STATUS OF PREVIOUS RECOMMENDATIONS FOR IMPROVEMENT**

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| | | IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED | NOT APPLICABLE |
| B) | Reconcile the Accounts Receivable Aging Report to the General Ledger on a monthly basis to ensure the correct amount of accounts receivable is being reported. | X | | | |
| C) | Establish an Allowance for Doubtful Accounts and a systematic process of writing off bad debts. | X | | | |
| 5. | We recommend LYNX performs the following: | | | | |
| A) | Specify maximum maturities on current operating fund investments in their Investment Policy. | X | | | |
| B) | Develop and implement written internal controls for the investment process. | | | X | |
| C) | Create written procedures for the selection of depositories. | X | | | |
| 6. | We recommend the Finance Department of LYNX ensures current, signed contracts are on hand for advertising revenue to ensure amounts invoiced and paid are correct. Advertising revenue should be recorded based on existing valid contracts, the receipt of cash, and, in the case of in-kind revenue, certification by the responsible manager that a service was received. | | X | | |

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| | | IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED | NOT APPLICABLE |
| 7. | We recommend LYNX creates written policies and procedures for the auction process to include documented approvals from department managers and the LYNX Board for items to be auctioned off prior to the event. | X | | | |
| 8. | We recommend LYNX performs the following: | | | | |
| A) | Ensure adequate documentation is retained to support budgeted amounts as to the calculation of the amount and methodologies used to obtain budgeted amounts. | X | | | |
| B) | Maintain documentation of approvals for budget transfers/amendments. | | X | | |
| 9. | We recommend LYNX solicits proposals for banking services to ensure the best services at the best price are obtained. | | | X | |
| 10. | We recommend LYNX performs the following: | | | | |
| A) | Establish a dedicated Disadvantaged Business Enterprise (DBE) Officer to ensure the administration of the DBE Program is performed effectively. | X | | | |
| B) | Computerize the generation of reports to help ensure they are prepared accurately and timely. | | X | | |

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| C) | Develop written procedures for the generation of reports to ensure they are prepared accurately. | X | | | |
| D) | Ensure current DBE certificates are on file. | | X | | |
| E) | Update the DBE Program Manual to include the locally minority owned financial institute (or others identified) and consider utilizing its services where feasible. In addition, LYNX should inform other DBE firms of this minority owned financial institute. | X | | | |
| 11. | We recommend LYNX performs the following: | | | | |
| A) | Direct the A+LINK contractor to submit invoices that include the job titles of the individual whose time is being charged, and summarize direct labor costs to facilitate the review of the invoices. In addition, LYNX should ensure that the A+LINK supervisor who reviews the invoices and recommends payment has a complete up-to-date list of each contractor employee working on site including the name, social security number, job title, and rate of pay for each employee. | | | | X |

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| B) | Amend the contract for the A+LINK Program to document whether overtime costs are allowable and whether overhead rates and the percentage for fee (profit) should be applied to the regular rate of a person who works overtime or applied to the premium rate of pay. In addition, agreed to changes in staffing patterns, rates of pay, and other items should be documented in amendments to the contract to show that both parties have agreed to the change. | | | | X |
| C) | Combine the two applications for the A+LINK Program into one, encompassing the questions asked in both, and include a paragraph detailing the penalty for making false statements on the application. In addition, LYNX should establish a formal procedure for verifying the information on a specific percentage of applications received each month by a different individual than the employee reviewing and approving the applications. The verification should include telephone calls to applicants and the medical and social services professionals who have certified the applicant's condition. | | X | | |

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| | | IMPLEMENTED | PARTIALLY IMPLEMENTED | NOT IMPLEMENTED | NOT APPLICABLE |
| 12. | We recommend LYNX prepares written operating procedures that prescribe in detail the procedures to be followed by all employees in using and controlling purchase requisitions, prenumbered purchase orders, and check requests. Written procedures should also be prepared to detail the steps to be followed for documenting the receipt of goods and services and the process for reviewing and paying invoices. The various levels of approval authority for purchases should be clearly noted in the operating instructions. All procedures should be incorporated into LYNX's Procurement Manual. | X | | | |
| 13. | We recommend LYNX ensures that all purchases are made with fair and open competition as prescribed by federal and local statutes. | X | | | |
| 14. | We recommend LYNX perform the following: | | | | |
| A) | Describe how proposals will be scored and how the scores will be tallied and used to arrive at the firm that will be recommended to the LYNX Board for the contract award. | X | | | |
| B) | Create clear written policies and procedures concerning the role of the selection committee and the options available to the LYNX Board in making the selection. | X | | | |

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| 15. | We recommend LYNX ensures documentation exists that certifies work performed on all services contracts was satisfactory and in accordance with the terms of the contract. | X | | | |
| 16. | We recommend LYNX presents the actual annual ridership numbers broken out into the different modes of transportation. | X | | | |

INTRODUCTION

**Scope and
Methodology**

The audit scope was to determine the status of the Recommendations for Improvement noted in the previous audit of the Central Florida Regional Transportation Authority (d.b.a. LYNX). Also, certain other matters occurring outside the audit period were reviewed.

The objectives of the audit were to determine whether the recommendations from the previous audit have been implemented, partially implemented or not implemented.

To determine the status of the revenue collection and budget process recommendations, we determined whether controls over the inventory of bus tickets/passes have been improved by observing the new computer based perpetual inventory system. We verified that inventories of tickets/passes are being performed and documented and, whether any discrepancies are being investigated. We observed and reviewed procedures for the disposal of tickets/passes and ensured the process contains appropriate approvals and is segregated from ticket custodians. We determined whether ticket sales at the South Street front desk have been discontinued by making inquiries and reviewing sales reports. We determined whether the use of the extra ticket locker at the downtown terminal has been discontinued or additional controls implemented. To determine whether internal controls for the collection and handling of cash have been improved, we confirmed that access to the downtown bus terminal safe has been adequately limited. We scanned daily receipts at the downtown bus terminal to ensure the daily sales log is reconciled to the cash register tapes and that all sales and refunds are being entered into the cash register. We observed and reviewed procedures in place for safeguarding of both checks waiting to be mailed to vendors and checks waiting to be deposited. We scanned cash disbursements from the petty cash fund to substantiate a manager or supervisor authorized the reimbursement. We also reviewed documentation of periodic, unannounced cash counts.

To determine whether accounts receivable procedures have been strengthened, we obtained the accounting policy and procedures manual and ensured written procedures have



been developed for the recording and reporting of accounts receivable. We scanned monthly reconciliations of the Accounts Receivable Aging Report to the General Ledger to determine if the reconciliations are being performed. We ensured an Allowance for Doubtful Accounts has been established and that written procedures are in place for writing off bad debts. We scanned sources of advertising revenue for the audit period and verified current signed contracts are on file. For contracts that included in-kind revenue, we ensured certifications by the responsible manager (stating the service was received) are on file. To determine whether LYNX's budget process has been improved, we obtained the current budget support and reviewed it for calculation of amounts and methodologies used to obtain these amounts. We scanned the budget and current Monthly Financial Report for differences and obtained approval documentation for budget transfers and amendments.

To determine the status of the procurement and contracts recommendations, we determined whether procedures have been improved over the Disadvantaged Business Enterprise (DBE) Program by ensuring a DBE Officer has been dedicated to effectively administer the program. We determined whether the method of generating the reports for the DBE Program has been computerized to help prepare accurate and timely reports. We documented that written procedures have been created for the report generation process. We scanned DBE certificates and verified they are current. We ensured the locally minority owned financial institution has been included in the DBE Program Manual, or at least considered, and ensured LYNX has informed other DBE firms of existence of this institute.

Since our original audit, LYNX has taken control of the A+LINK Program operation and we reviewed their procedures on labor costs and overtime rates. We obtained the current application for the A+LINK Program and determined whether it is being used for both clients in the Federal and State programs and ensured the application contains a statement concerning false information. We determined whether a formal procedure has been

established for verifying information on the applications and we scanned applications to ensure the procedure is being followed. We ensured a different person is verifying the information and documented the methods used for this process. Our review did not review the awarding of transportation service contracts.

We obtained LYNX's current procurement manual and ensured procedures have been added for employees to follow for the use of purchase requisitions, prenumbered purchase orders, check requests, documenting receipt of goods and services, and reviewing and paying invoices. In addition, we verified that levels of approval authority for purchases are clearly noted in the manual.

We reviewed documentation on recent purchases of vans for the Vanpool Program and ensured vans were purchased with fair and open competition as prescribed by Federal, State, and local government regulations. To determine whether the selection process procedures have been made clearer, we reviewed recent Requests for Proposals (RFP). We ensured clear written policies and procedures have been created concerning the role of the selection committee and the options available to the LYNX Board of Directors in making the selection. We scanned invoices paid on service contracts during the audit period and substantiated documentation exists which certifies that work has been performed.

We obtained a copy of the current agreement between Orange County and LYNX and ensured the agreement specified how funds paid to LYNX are calculated. It was also reviewed for inclusion of the purpose of funds to be expended (with any exclusions), performance standards to be met by LYNX, and the legal basis to allow an audit of LYNX by the Orange County Comptroller.

To determine whether investment procedures have been strengthened, we obtained the current investment policy to ensure it specified maximum maturities on current operating fund investments, adequate internal controls over the



investment process, and guidelines on the selection of depositories.

We determined whether written procedures for the auction process have been created and included a requirement for the documentation of approvals from department managers and the LYNX Board of Directors for items to be sold at the auction. We determined whether LYNX has solicited banking services through the use of a RFP.

We reviewed the Fiscal Year 1999-2000 Annual Budget submitted to the Orange County Board of County Commissioners for the ridership numbers to ensure the numbers were broken out by mode of transportation.

We reviewed written procedures to determine whether procedures over fixed assets have been documented. We verified appropriate items were capitalized. We also ensured a physical inventory of all fixed assets has been conducted within the prior two years and any discrepancies with the fixed asset records have been reconciled. We scanned travel reimbursements during the audit period to ensure meals were only reimbursed according to policy.

**FOLLOW-UP TO PREVIOUS
RECOMMENDATIONS FOR
IMPROVEMENT**



1. An Agreement Does Not Exist for the \$14 Million Provided To LYNX by Orange County

Orange County provided \$14 million of funding to LYNX in 1997 and is scheduled to provide \$16 million in 1998. We found that there is no written interlocal or funding agreement between Orange County and LYNX to detail how annually requested funds are calculated, the amount of funds to be distributed to LYNX by Orange County, or any performance standards that LYNX must meet to obtain funds.

We Recommend an agreement be created between Orange County and LYNX to specify how requested funds are calculated, the amounts to be distributed to LYNX by Orange County, and the purpose of funds to be expended with any exclusions noted. Performance standards to be met by LYNX should also be detailed in the agreement. In addition, the agreement should provide Orange County the legal basis to allow an audit of LYNX by the Orange County Comptroller.

Status:

Partially implemented. Although an agreement between Orange County and LYNX has been created, it does not specify how requested funds are calculated.

We Recommend the agreement between Orange County and LYNX specify how requested funds are calculated.

Management's Response:

Concur. During the development of the initial Funding Agreement between Orange County and LYNX, it was agreed that LYNX would provide the Regional Cost Allocation Model as one of the quarterly reports to be provided by LYNX to the County. The Regional Cost Allocation Model is the official mechanism by which annual fixed route service costs, Americans with Disabilities Act complementary paratransit service costs and the Regional Transportation Authority fee are apportioned to each of the

LYNX funding partners. The costs of new services (services improvements) are assigned directly to the jurisdiction(s) that purchase the improvement based on fully allocated costs.

The Regional Cost Allocation Model identifies the annual operating costs of LYNX. Federal and State grant revenue(s) are then deducted to yield a net operating cost. This is apportioned to each county based on the percentage of total service hours operated in each county. Passenger fares are then subtracted from net operating costs to yield annual subsidy per county. Each county further apportions the annual subsidy with the participating municipalities within the county based on the unique procedures within each county.

LYNX believes the Regional Cost Allocation Model adequately specifies how requested funds are calculated and should be incorporated into the FY 2002 Interlocal Funding Agreement between Orange County and LYNX. However, the terms and conditions of the Funding Agreement are subject to negotiation each year between the parties including incorporating the Regional Cost Allocation Model into the final agreement. Depending on the results of the negotiations, this recommendation could be included in the FY 2002 Interlocal Funding Agreement.

2. Controls Over the Inventory of Bus Tickets/ Passes Are Inadequate

Internal controls for the practices and procedures used by LYNX for maintaining, issuing, and disposing of bus tickets/passes are inadequate as noted below:

- A) There is no perpetual inventory system for bus tickets/passes. The serial numbers of tickets/passes issued to various sales outlets are manually entered into an issuance log; however, the pre-printed numbers on the tickets from the printer are not initially recorded.

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- B) There is no record of LYNX ever having performed an independent physical inventory of bus tickets/passes to determine the amount on hand. Also, no periodic independent check of a sample of tickets/passes on hand is performed.
- C) Control over the shredding of tickets/passes is not adequate and is open to misuse.
- D) There is inadequate control of the tickets/passes sold at the front desk at South Street. No reconciliation is performed of the cash collected and the tickets/passes sold to determine the amount of tickets/passes that should still be on hand. Also, up to four individuals have access to the tickets and cash without accountability.
- E) We found an internal control weakness in the issuance of tickets/passes by cashiers at the downtown bus terminal. There is an extra locker maintained at the station with substantial amounts of tickets/passes that each cashier has access to should the need arise.

We Recommend LYNX performs the following:

- A) Implement a computer-based perpetual inventory system for controlling tickets/passes.
- B) Perform periodic checks of a sample of tickets/passes or inventory records on hand by a person independent of the record keeping function, and perform a complete physical inventory annually.
- C) Control the disposal of tickets/passes by a systematic process with appropriate approvals and segregate from the ticket custodian(s).
- D) Consider discontinuing the sale of tickets/passes at the South Street front desk or implement adequate controls.

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- E) Discontinue the use of the extra ticket bcker at the downtown terminal and issue greater quantities of tickets/passes to cashiers.

Status:

- A) Partially Implemented. Although tickets/passes issued to the cashiers for sales are recorded on a spreadsheet and reconciled on a regular basis, tickets/passes are not recorded when received from the printer. Improvements have been noted in the control of tickets/passes, but LYNX can not determine how many tickets/passes are on hand without going through calculations. It was also noted that tickets/passes given to the A+LINK program are not canceled beforehand and A+LINK does not track tickets/passes issued to them. A+LINK does cancel the tickets/passes (hole punched so they may not be returned for cash refund, but can be used to ride a bus) at a later date, but does not keep any record to who the tickets/passes are issued. As such, It would not be known whether there was theft of the tickets/passes.

We Recommend LYNX records all tickets/passes on hand to establish a perpetual inventory system and implement a system for A+LINK to control tickets/passes issued to them.

Management's Response:

Concur. The LYNX Revenue Collection Section and Information Systems Division have met to discuss the needed revisions to the Revenue Collection Fox-Pro Database that would provide a fully automated perpetual inventory system. The database is currently being used to track all tickets/passes issued and sold by LYNX's Downtown Terminal, outlets, mail orders, and regional employers. A formal request for a system upgrade has been submitted to the Information System

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Division. The date projected for implementation of this recommendation is December 2001.

Additionally, as of January 2001, the A+LINK staff has been maintaining a list by client name of the individuals who have received a monthly pass either by mail or pick-up. At the end of the month, A+LINK staff return all un-issued or return-mail passes to the Revenue Collection staff person. The Revenue Collection staff verifies the return passes with those previously issued and confirms that all issued passes were billed to Medicaid.

- B) Implemented. Quarterly checks and an annual inventory of tickets/passes are performed by employees who are not involved in the sale or return of tickets.
- C) Implemented. Tickets/passes are destroyed yearly after the annual inventory is reconciled and the Finance Manager approves the tickets/passes to be destroyed.
- D) Implemented. Tickets/passes are no longer being sold at the South Street location.
- E) Partially Implemented. Although cashiers are now assigned greater quantities of tickets/passes and there is a locked sub-locker containing a minimal amount of tickets/passes assigned only to the supervisor at the downtown terminal, the key to the locker is kept in the safe to which all employees have access.

We Recommend the sub-locker be discontinued or the key be kept adequately secured.

Management's Response:

Concur. Access to the sub-locker has been restricted to the Supervisor or an actual substitute customer



service representative (CSR). The key is no longer kept in the safe. The location of the key is restricted to the Supervisor. The Supervisor or substitute CSR under extreme emergencies only uses the sub-locker. The quantities of passes issued to the CSR's have been increased again. Passes are no longer issued from the sub-locker to the regular CSR's.

3. Internal Controls for the Collection and Handling of Cash Are Inadequate

During our review, we found the following control weaknesses in the collection and handling of cash:

- A) More individuals than necessary have access to the safe at the downtown bus terminal. All customer service representatives (CSR) and the supervisor (seven in total) have the combination to the safe.
- B) During our review of cash procedures at the downtown bus terminal, we found that the cash register tapes are not reconciled to the daily sales logs. We found that the cash register tapes are inaccurate and are not used to reconcile to the daily sales log. Also, refunds are not accurately recorded on the cash register tape.
- C) Restrictively endorsed checks to be deposited and signed vendor checks to be mailed need to be properly safeguarded. The vendor checks are placed in unsealed envelopes in an open box in the unlocked mailroom, which is accessible to all employees and visitors. In addition, checks received from mail order sales of tickets/passes are prepared for deposit and left on the revenue clerk's desk to be picked up by the vault team leader who makes the deposit. These checks are, on occasion, left unattended on the desk in an envelope marked "deposit".

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- D) We found that there is no supervisory authorization required for petty cash disbursements in the Finance Department for amounts less than \$20. In addition, although we noted a cash verification was performed, there are no periodic cash verifications of the petty cash balance by an independent person.

We Recommend LYNX performs the following:

- A) Limit access to the downtown bus terminal safe to the two supervisors.
- B) Ensure all sales and refunds are entered into the cash register at the downtown bus terminal and reconcile the daily sales log to the cash register tapes.
- C) Safeguard vendor checks and checks to be deposited.
- D) Ensure all petty cash disbursements are authorized. In addition, a person independent from the petty cash function should periodically verify the balance by an unannounced cash count.

Status:

- A) Partially Implemented. Although each employee has an individual combination to open the safe, fourteen employees have access to the downtown bus terminal safe.

We Again Recommend that the access to the safe at the downtown bus terminal be limited to as few employees as possible.

Management's Response:

Concur. The Customer Service and Finance Division will implement a process that will restrict access to the safe to the Customer Service Supervisors, only. At the end of each day, the CSR's will secure their

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locked bags in their individual lockers. The Customer Service Supervisor will remove all bags from the lockers and replace them with a bank, if necessary. All excess banks will be secured in the safe. This recommendation will be implemented by September 2001.

- B) Implemented. All sales and refunds are entered into the cash register and the daily sales log is reconciled to the cash register tapes.
- C) Implemented. Vendor checks are sealed in an envelope before mailing and checks to be deposited are stored in a locked cabinet until deposited.
- D) Implemented. All disbursements from petty cash funds are now authorized by a manager and unannounced cash counts are done on a periodic basis by someone from the Finance Department.

4. Accounts Receivable Procedures Need To Be Strengthened

We reviewed the accounts receivable process at LYNX and found the following:

- A) No written policies and procedures exist for the accounts receivable process, including aggressive collection procedures.
- B) The Accounts Receivable Aging Report was not reconciled to the General Ledger for October, November, and December 1997 on a monthly basis.
- C) No Allowance for Doubtful Accounts or a systematic process of writing off bad debts exists.

We Recommend LYNX performs the following:

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- A) Establish written policies and procedures for the recording and reporting of accounts receivable, including aggressive collection procedures.
- B) Reconcile the Accounts Receivable Aging Report to the General Ledger on a monthly basis to ensure the correct amount of accounts receivable is being reported.
- C) Establish an Allowance for Doubtful Accounts and a systematic process of writing off bad debts.

Status:

- A) Implemented. LYNX now has a written and approved policy on Recording of Accounts Receivable and Collection Write-Offs.
- B) Implemented. The Accounts Receivable Aging Report is reconciled to the General Ledger on a monthly basis.
- C) Implemented. An Allowance for Doubtful Accounts has been established and bad debts are written off and the end of each fiscal year.

5. Investment Procedures Need To Be Strengthened

When reviewing LYNX's Investment Policy and investment procedures performed by LYNX, we noted the following:

- A) The Investment Policy did not contain a section dealing with limiting the maximum term to maturity on current operating fund investments.
- B) A written system of internal controls for the investment process does not exist.
- C) A formalized written procedure for the selection of depositories in money market instruments and broker

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dealers (execution of securities transactions) does not exist.

We Recommend LYNX performs the following:

- A) Specify maximum maturities on current operating fund investments in their Investment Policy.
- B) Develop and implement written internal controls for the investment process.
- C) Create written procedures for the selection of depositories.

Status:

- A) Implemented. LYNX's Investment Policy specifies the maximum maturities on current operating fund investments.
- B) Not Implemented. Although LYNX created an Internal Controls For Investment Management policy, it was written for the direct investment of funds by LYNX and does not address the types of investments that LYNX currently has -- repurchase agreements and pooled investments with the State Board of Administration (SBA).

We Again Recommend LYNX develops and implements written internal controls for the investment process.

Management's Response:

Concur. The written policy has been revised to specifically identify the types of investments in LYNX's current portfolio.

- C) Implemented. LYNX's Investment Policy contains a section on the process used for the selection of depositories.

**6. Procedures for Recording Advertising Revenue
Need Improvement**

We found that the Finance Department did not have signed current copies of contracts for three of the four advertising revenue sources reviewed.

We Recommend the Finance Department of LYNX ensures current, signed contracts are on hand for advertising revenue to ensure amounts invoiced and paid are correct. Advertising revenue should be recorded based on existing valid contracts, the receipt of cash, and, in the case of in-kind revenue, certification by the responsible manager that a service was received.

Status:

Partially Implemented. Although current signed contracts were on file for advertising revenue, procedures need additional improvement. LYNX does not obtain any type of certification of services for in-kind revenue received in exchange for advertising services performed by LYNX. Minutes are not prepared of the monthly meetings between the Marketing Department and the Finance Department which discuss such matters, so it can not be determined whether the services are actually received pertaining to these contracts. Of the twenty active advertising contracts for February 2000, we found one in-kind contract that had not been recorded. The revenue has since been recorded. In addition, the Advertising Billing Information form required in the Recording of Accounts Receivable was not used or on file for three of the five contracts reviewed. Due to the absence of this form, it could not always be determined what amount is to be invoiced or recorded from reviewing the contract.

We Again Recommend the LYNX Finance Department ensures in-kind advertising revenue is recorded based on certification by the responsible manager that a service was received. Advertising revenue should be recorded based on valid contracts and, in the case of in-kind revenue,

certification by the responsible manager that a service was received.

Management's Response:

Concur. The Marketing and Finance Divisions currently meet on a monthly basis to discuss all Advertising Contracts. Monthly meeting notes are prepared, distributed, and filed for later reference, if needed. A list of all signed contracts are maintained by Finance and reviewed monthly with Marketing for completeness. All In-Kind Advertising Contract revenues are now recorded based on when the bus is placed in service (i.e. on the road).

The Marketing Division will maintain, by contract, all legal affidavits received from the various broadcast media agencies (television and radio) that LYNX partners with showing that the Authority received the agreed upon media schedule. If an in-kind partnership is developed with print media, the company will provide tear sheets of all the advertisement placed by LYNX, showing that is actually appeared in the publication. The tear sheets will also be kept in the respective contract file. At the close of each In-Kind Advertising Contract, the Marketing Division will confirm the total value of all affidavits and/or tear sheets received by contract.

For all other types of in-kind partnerships, the Marketing Division will certify to Finance that the in-kind services have been received.

7. Auction Procedures Need To Be Strengthened

During our review of auction procedures performed by LYNX, we noted that written policies and procedures do not exist to document the auction process. Items auctioned by LYNX do not have documented approvals by the department managers from where the items originated to ensure only obsolete or unused items are auctioned. We also found that

the LYNX Board of Directors (Board) did not approve items prior to auction.

We Recommend LYNX creates written policies and procedures for the auction process to include documented approvals from department managers and the LYNX Board for items to be auctioned off prior to the event.

Status:

Implemented. LYNX created a written policy for the auction process that includes documenting approvals from managers and obtaining Board approval for items to be auctioned. Management has approved this policy.

8. LYNX's Budget Process Needs To Be Improved

During our review of the budget process, we noted the following:

- A) We found that not all budget categories had adequate support as to the calculation of the amount or the methodology used in obtaining the amount.
- B) Approval of budget transfers/amendments was not documented. When we reviewed selected monthly revenue and expense categories, we found eight categories that had differences between the approved budget amount and the budget amount in the Monthly Financial Report. These categories did not have documented budget transfer approvals.

We Recommend LYNX performs the following:

- A) Ensure adequate documentation is retained to support budgeted amounts as to the calculation of the amount and methodologies used to obtain budgeted amounts.

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- B) Maintain documentation of approvals for budget transfers/amendments.

Status:

- A) Implemented. There was adequate documentation on file to support the budgeted amounts.
- B) Partially Implemented. There had only been one budget transfer during the year, which was to move a position from one budget entity to another. The Executive Director did not sign the Budget Transfer form. The latest signatures on the form, the department director and the Finance Director, were dated May 1, 2000, and the Executive Director had announced his resignation that day.

We Recommend LYNX obtain all required signatures for budget transfers and amendments.

Management's Response:

Concur. LYNX's current written policy requires all appropriate signatures be obtained before budget transfers and amendments are made. Although, this was an unusual set of circumstances, LYNX will ensure compliance with the existing policy.

9. No Request for Proposal Was Issued for Banking Services

During our review, we found that there was no Request for Proposal (RFP) issued for banking services at LYNX.

We Recommend LYNX solicits proposals for banking services to ensure the best services at the best price are obtained.

Status:

Not Implemented. LYNX has not solicited proposals for banking services at this time, but, according to the Service Characteristics and Operational Statistics Quarterly Report dated August 10, 1999, LYNX plans to complete this by September 1, 2001.

We Recommend that LYNX solicit proposals for banking services by September 1, 2001 as planned, to ensure the best services at the best price are obtained.

Management's Response:

Concur. LYNX plans to issue a formal request for proposals by September 1, 2001.

10. DBE Program Practices and Procedures Need Improvement to Minimize Risk of Loss of Federal Funds

Federal regulations require that recipients of Federal funds have a minority program established with an overall goal of at least ten-percent for the use of disadvantaged businesses. During our review of LYNX's minority program, the Disadvantaged Business Enterprise (hereinafter DBE) Program, we noted the following concerns:

- A) No dedicated DBE Officer exists at LYNX. One employee splits her time between being a Buyer for LYNX and being the DBE Officer.
- B) During our review, we found that the fourth quarter report to the Federal Transportation Administration (FTA) was overstated by \$13,632.46, although LYNX submitted a revised, corrected report. Third quarter reports that had been submitted to the FTA were revised and corrected twice before our review.

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- C) Written policies and procedures do not exist to document procedures for the generation of reports issued for the DBE program.
- D) We found 16 percent (4 of 19) of the DBE certifications were not current. According to LYNX's DBE Manual, no credit toward meeting DBE goals will be allowed unless the DBE is determined to be eligible by the LYNX DBE Officer. This eligibility determination is dependent upon having a current DBE certificate.
- E) The LYNX DBE Program Manual was not updated to include information regarding a local DBE owned financial institution.

We Recommend LYNX performs the following:

- A) Establish a dedicated DBE Officer to ensure the administration of the DBE Program is performed effectively.
- B) Computerize the generation of reports to help ensure they are prepared accurately and timely.
- C) Develop written procedures for the generation of reports to ensure they are prepared accurately.
- D) Ensure current DBE certificates are on file.
- E) Update the DBE Program Manual to include the locally minority owned financial institute (or others identified) and consider utilizing its services where feasible. In addition, LYNX should inform other DBE firms of this minority owned financial institute.

Status:

- A) Implemented. LYNX now has a full time DBE officer who works entirely on the DBE program.

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- B) Partially Implemented. LYNX is in the process of designing a computer program for the generation of Disadvantaged Business Enterprise Program (DBE) quarterly reports that are submitted to the Federal Transportation Administration (FTA). Due to the fact that this process has not been finalized, we reviewed the accuracy of the first quarter report of the 1999-2000 fiscal year, which is prepared manually from various computerized reports. The total reported for DBE contracts was understated by \$48,768.26 and a revised report was filed. In addition, Hispanic American professional/consultant services were overstated by one contractor, which overstated the total DBE vendors by one. We were also unable to recalculate the total number and amount awarded to all contractors that is reported to determine whether the agency is meeting its goal. These differences were discussed with the DBE Officer, and an amended report was prepared.

We Recommend LYNX completes the process of implementing a computer program for the generation of DBE reports to help ensure they are prepared accurately and timely.

Management's Response:

Concur. LYNX will continue to work with the Information Systems Division to complete the development of the computer program for the generation of DBE reports. This recommendation will be fully implemented by December 2001.

- C) Implemented. LYNX has written procedures for the generation of the DBE quarterly report for both the current method of preparing the report and the new computerized method that is not yet ready for use.
- D) Partially Implemented. One of the ten (10%) DBE vendors did not have current DBE certificates on file. It was determined that this vendor was not certified

and was removed from the quarterly reports and amended reports were submitted to the FTA.

We Again Recommend LYNX ensures current DBE certificates are on file.

Management's Response:

Concur. LYNX's current policy requires all DBE certificates on file be current. LYNX will ensure full compliance with this policy.

- E) Implemented. The DBE Program Manual has been updated to include a section on minority owned financial institutions. This manual is distributed to other DBE firms.

11. A+LINK Contractor's Overtime Cost Was Reimbursed Without Contract Authorization and Invoices Were Not Adequately Reviewed Prior to Payment

The A+LINK Program of LYNX provides paratransit service to customers with special needs. The Program was managed by an outside contractor who bills LYNX monthly for the costs of staff working on site at the LYNX South Street facility. There is also staff working for LYNX who oversee the A+LINK Program. We noted the following areas where improvements are needed:

- A) Procedures used to review monthly billings from the contractor need to be improved to ensure that billings are accurate.
- B) We found that there is no documentation to support pay changes due to salary increases, changes in personnel, or changes in the staffing pattern.

- C) There are two separate and distinct applications for paratransit services used by A+LINK. Combining these two applications into one would be more efficient in the management and record keeping of the program. We also found that the review of applications for paratransit services, done by A+LINK, may not be adequate to ensure that only qualified individuals are receiving this service. Currently, only one of the applications contains a paragraph detailing the penalty for making false statements.

We Recommend LYNX performs the following:

- A) Direct the A+ Link contractor to submit invoices that include the job titles of the individual whose time is being charged, and summarize direct labor costs to facilitate the review of the invoices. In addition, LYNX should ensure that the A+LINK supervisor who reviews the invoices and recommends payment has a complete up-to-date list of each contractor employee working on site including the name, social security number, job title, and rate of pay for each employee.
- B) Amend the contract for the A+LINK Program to document whether overtime costs are allowable and whether overhead rates and the percentage for fee (profit) should be applied to the regular rate of a person who works overtime or applied to the premium rate of pay. In addition, agreed to changes in staffing patterns, rates of pay, and other items should be documented in amendments to the contract to show that both parties have agreed to the change.
- C) Combine the two applications for the A+LINK Program into one, encompassing the questions asked in both, and include a paragraph detailing the penalty for making false statements on the application. In addition, LYNX should establish a formal procedure for verifying the information on a specific percentage of applications received each month by a different individual than the employee reviewing and approving

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the applications. The verification should include telephone calls to applicants and the medical and social services professionals who have certified the applicant's condition.

Status:

- A) Not Applicable. LYNX no longer uses an outside contractor to provide the management function for the A+LINK Program. In February of 1999 LYNX began managing the program with the addition of twenty-eight new employees. There are no invoices being submitted to LYNX for labor costs.
- B) Not Applicable. There are no overhead rates or percentage of fee costs. LYNX no longer uses an outside contractor to provide the management function for the A+LINK Program.
- C) Partially Implemented. Although the two applications for the A+LINK Program have been combined into one application, LYNX has not established a procedure for verifying information on the applications.

We Again Recommend LYNX establishes a formal procedure for verifying the information on applications received each month by a different individual than the employee reviewing and approving the applications. The verification should include telephone calls to applicants and the medical and social services professionals who have certified the applicant's condition.

Management's Response:

Concur. Effective April 1, 2001, A+LINK staff will begin verification of the information on 3% of the 200+ applications received per week. This verification will be completed by one of the two A+LINK Supervisors. This verification will be accomplished through

telephone calls to both the applicants and the medical and social services professionals who have certified the applicant's condition. In addition, the A+LINK Division will be requesting an additional staff position within the paratransit certification function. This will allow for a more thorough initial review and verification of all applications received.

12. Detailed Operating Procedures Need to Be Included in LYNX's Procurement Manual

We found that LYNX's Procurement Manual covers broad purchasing issues but does not include operating procedures that fully detail the daily practices and procedures used for purchasing and receiving goods and services and for processing invoices for payment.

We Recommend LYNX prepares written operating procedures that prescribe in detail the procedures to be followed by all employees in using and controlling purchase requisitions, prenumbered purchase orders, and check requests. Written procedures should also be prepared to detail the steps to be followed for documenting the receipt of goods and services and the process for reviewing and paying invoices. The various levels of approval authority for purchases should be clearly noted in the operating instructions. All procedures should be incorporated into LYNX's Procurement Manual.

Status:

Implemented. LYNX has prepared detailed written operating procedures for the purchase and payment of goods and services. The various levels of authority for purchases for each procurement officer position are noted in the new Small Purchases Manual, which all employees receive.

13. The Procurement of Vans for the VanPool Program at LYNX Procurement Was Not Subject to Fair and Open Competition

The specifications for purchases of vans in the Vanpool Program were too restrictive resulting in the procurement not being subject to fair and open competition. Although LYNX has issued Request for Proposals (RFP) for the vans utilized for this service, the contract to manage this program has been a sole source contract. The specifications in the RFP (written by the contractor) for the commuter vans require a single rear door.

We Recommend LYNX ensures that all purchases are made with fair and open competition as prescribed by federal and local statutes.

Status:

Implemented. The technical specifications for the commuter vans no longer specify a single rear door.

14. LYNX's Consulting Services Selection Process Was Not Sufficiently Prescribed in Detail

LYNX awarded a \$2.1 million dollar consulting contract for services to be rendered in the light rail project. The contract is a reimbursable type contract with a fixed fee. We found the following weaknesses in the selection process for the contract:

- A) The selection process for the contract was not described in sufficient detail in the applicable Request for Proposal (RFP) to clearly explain how proposals would be scored to determine the most qualified respondent.
- B) LYNX does not have a written policy prescribing whether or not the LYNX Board members must

adhere to the recommendations of the selection committee or have the option of a different selection.

We Recommend LYNX performs the following:

- A) Describe how proposals will be scored and how the scores will be tallied and used to arrive at the firm that will be recommended to the LYNX Board for the contract award.
- B) Create clear written policies and procedures concerning the role of the selection committee and the options available to the LYNX Board in making the selection.

Status:

- A) Implemented. The RFPs reviewed fully explained the scoring process, points assessed, and how a decision is made on which firm will be recommended to the Board.
- B) Implemented. LYNX has a written and approved procedure on Source Evaluation Committee/Pre-Award Procedures for staff involved in the source selection process associated with competitive sealed bid procurements.

15. The Monitoring of Work Performed for Service Contracts Was Not Adequately Documented

An invoice for financial management services was paid without documentation that work billed by the contractor was performed in accordance with the provisions of the contract. There was no evidence in the file that anyone at LYNX had monitored the work performed and certified that the work was satisfactorily completed.



We Recommend LYNX ensures documentation exists that certifies work performed on all services contracts was satisfactory and in accordance with the terms of the contract.

Status:

Implemented. LYNX now uses a form for payment with all service contracts that provides spaces for approval signatures to certify that the work has been satisfactorily performed and completed.

16. Ridership Numbers Should Be Broken Out by Mode of Transportation

We found the annual ridership numbers reported to the Orange County Board of County Commissioners (OCBCC) combined various modes of transportation besides fixed route bus service. The annual ridership number included LYMMO (downtown fixed-route circulator service), LASER (UCF circulator service), A+LINK (disadvantaged transportation service), VanPlan (ride-share program for commuters), Special Shuttles (shuttles for special events), and iRide (International Drive bus service).

We Recommend LYNX presents the actual annual ridership numbers broken out into the different modes of transportation.

Status:

Implemented. The Fiscal Year 1999–2000 Annual Budget shows ridership numbers broken out into the different modes of transportation.

**ADDITIONAL
RECOMMENDATIONS FOR
IMPROVEMENT**

**FOLLOW-UP AUDIT OF LYNX
ACTION PLAN**

| NO. | MANAGEMENT RESPONSE | | | IMPLEMENTATION STATUS | | RECOMMENDATIONS |
|-----|---------------------|------------------|---------------|-----------------------|---------|---|
| | CONCUR | PARTIALLY CONCUR | DO NOT CONCUR | UNDERWAY | PLANNED | |
| 1. | X | | | X | | We recommend LYNX approves and implements their operating procedures for fixed assets, ensures that transfers of fixed assets are accurately accounted for, and thoroughly investigates physical inventory discrepancies on a timely basis. |
| 2. | X | | | X | | We recommend LYNX abides by their new policy of reimbursement for meals in specific situations. |



During our Follow-up Audit of LYNX, additional areas were reviewed. The following are the Recommendations for Improvement noted during this part of the audit:

1. Fixed Assets Procedures Need to Be Implemented

We noted the following concerns during our review of fixed assets:

Assets Could Not Be Located With An Original Cost Of Over 1.5 Million Dollars

- A) Written procedures have been developed to document the operating procedures performed regarding fixed assets, but have not been approved or implemented.
- B) The transfer of furniture, fixtures, and equipment needs to be documented. Property records should reflect the correct location of fixed assets so they can be adequately controlled.
- C) A biannual inventory of furniture, fixtures, and equipment was performed. There was a reconciling amount of \$1,512,918 that was classified as disposals. Most of the disposals consisted of assets that could not be located because they were auctioned, scrapped, replaced or missing.

Procedures need to be approved and implemented to ensure accountability of fixed assets. The new procedures, yet to be adopted by LYNX, contains procedures and forms for transferring assets. Without adequate controls, misappropriation of fixed assets could occur without timely detection.

We Recommend LYNX approves and implements their operating procedures for fixed assets, ensures that transfers of fixed assets are accurately accounted for, and thoroughly investigates physical inventory discrepancies on a timely basis.



Management's Response:

Concur. The Finance and Material Control Divisions are currently finalizing the operating procedures to be consistent with the transfer of the physical management responsibilities for the Authority's tangible assets from Finance to Material Control. As a result, the Finance Division will be finalizing the accounting policy and procedures pertaining to the Authority's fixed assets. The full implementation of this recommendation will be completed by May 1, 2001.

2. Employees Should Only Be Reimbursed for Working Lunches

Three of ten employee expense statements reviewed had reimbursements for meals at local restaurants. These three employees are directors at LYNX. These meals, mostly lunches, involved two or more employees. All of the expense statements were signed by the previous Executive Director and contained explanations such as discussing department matters, discussing an evaluation, for team building and morale boosting, and planning lunches. The total for the meals in question was \$829. At the time of our review, LYNX did not have a policy authorizing and limiting these lunches. A new policy regarding these meals was placed into operation on August 3, 2000. This policy restricts reimbursement for meals to working meals. If this policy had been in effect during the audit period, \$786 of these meals would not have been reimbursed. Good business practice for a business supported by mostly governmental funding would be to prohibit or restrict these meals, as most business meetings could be conducted at the office.

LYNX Did Not Have
A Policy On
Employee Meals

We Recommend LYNX abides by their new policy of reimbursement for meals in specific situations.



Management's Response:

Concur. LYNX developed and issued an agency-wide policy governing the reimbursement for meals and sponsorship of events effective August 3, 2000. LYNX will ensure adherence to the new policy.