Audit of the Central Florida Regional Transportation Authority, d/b/a/ LYNX

Report by the Office of County Comptroller

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February 28, 2012

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted an audit of the Central Florida Regional Transportation Authority (d/b/a LYNX). The audit was limited to a review of internal controls relating to cash fare revenue collections, performance measure reporting, and compliance with the executed Funding Agreements with Orange County. The period audited was October 1, 2008 through December 31, 2009. In addition, certain matters occurring subsequent to the audit period were also reviewed.

We conducted this audit in accordance with generally accepted government 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Responses to our Recommendations for Improvement were received from the Chief Executive Officer of LYNX and are incorporated herein.

We appreciate the cooperation of the personnel of LYNX during the course of the audit.

Martha O. Haynie, CPA County Comptroller

c: Carlton Henley, Seminole County Commissioner, Chairman of the LYNX Board Ajit Lalchandani, County Administrator John M. Lewis, Jr., LYNX Chief Executive Officer



Executive Summary

We have conducted an audit of the Central Florida Regional Transportation Authority (d/b/a LYNX). The audit scope included review of the operations and transactions related to the provision of public transportation services in the geographical jurisdiction of Orange County. Also, we reviewed the associated internal controls over selected operations. The period audited was October 1, 2008 through December 31, 2009. In addition, certain matters occurring subsequent to the audit period were also reviewed. Our objectives were to determine the following:

- 1) Compliance with the Orange County Funding Agreement for the fiscal year ended September 30, 2009 and the status of compliance as of December 31, 2009 with the Funding Agreement for the fiscal year ending September 30, 2010.
- 2) The adequacy of internal controls over cash fares and ticket sales collections for fixed route bus service.
- 3) The adequacy of internal controls relating to the collection, recording, and reporting of ridership, service miles, and service hour data including its use in LYNX's Regional Funding Model.

Based on the results of our testing, LYNX materially complied with the requirements and terms of the Funding Agreements executed with Orange County during the audit period. In our opinion, controls over cash fares and ticket sales collections for fixed route bus service are adequate. Also, controls over data collection, recording, and reporting of ridership and other performance measures were adequate.

We observed and noted opportunities for improvement, which are described in the Recommendations for Improvements section of this report. The recommendations include the following:

LYNX should improve controls over bus cash fares. The size of the bus fleet and the volume of transactions result in challenging circumstances for accurate recording and timely deposit of collections. LYNX is unable to accurately reconcile bus fare cash collections to rider counts recorded through the automated fare boxes. We noted that daily collections are not deposited intact and cash collections from the Osceola Service Facility are not verified prior to transport by armed courier to the LYNX Operations Center.

LYNX should improve controls over ticket and multi-day pass sales (fare media). Further, annual physical inventories of fare media were not timely reconciled to sales and inventory records.

LYNX should review and enhance the Regional Funding Model that is used to annually allocate projected funding needs based on revenue service hours by county and cities served. The Model is not reconciled to the actual incurred

costs and generated revenues. Budgetary controls and cost estimates are integral to efficient and effective management. As such, LYNX should develop adequate procedures to ensure the computations in the Model are as accurate as possible. Without legislative changes to provide dedicated funding sources, the funding partners of LYNX should cooperate in providing adequate funding in order to meet appropriate levels of public transportation services in the Central Florida area.

LYNX should review the methodology used in computing ridership counts. Procedural concerns related to the manner in which ridership numbers are compiled and reported were identified during our audit. The impact of the errors in ridership volume reported to the County was not material and accounted for a very small percentage of the total riders reported.

LYNX should review and refine the performance measure computational procedures to ensure the measures are appropriate and accurate.

Recommendations for improvement of security systems for public buildings are considered privileged and confidential information exempt from Florida's Public Records Law. Accordingly, such recommendations, although forwarded to LYNX Senior Management, are not included in this report.

LYNX's management concurred or partially concurred with all the Recommendations for Improvement and steps to implement the recommendations are underway or planned. Management's responses to each of the Recommendations for Improvement are included herein.



AUDIT OF THE CENTRAL FLORIDA REGIONAL TRANSPORTATION AUTHORITY, D/B/A/ LYNX ACTION PLAN

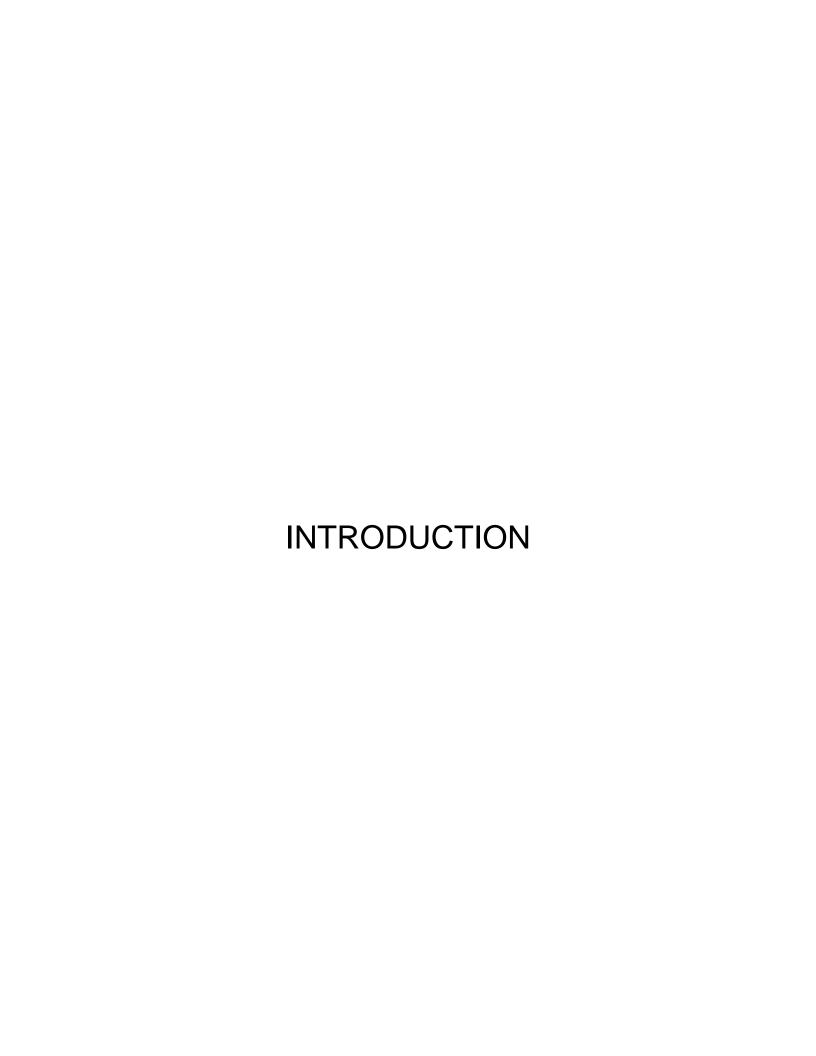
		MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
NO.	RECOMMENDATIONS	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	We recommend LYNX timely submits all required reports and information to Orange County.	\checkmark			✓	
2.	We recommend LYNX strives to implement a system that provides the following:					
A)	Deposits daily collections intact.		\checkmark			\checkmark
В)	Reconciles fare box cash transactions to each bus's reported rider transactions.		✓			✓
C)	Records fare revenues from expected collections from the automated fare box system.		✓			✓
D)	Establishes procedures for periodic random sampling of bus fare box collections reconciled to automated fare box reports should be established and records retained of the results of such sampled cash collections to automated counts and reports.	√			✓	
E)	Verifies the amount of currency and coins collected at the Osceola Service Center prior to courier service providers pick up and delivery to the LYNX Operations Center.		√			√
F)	Performs periodic background and credit checks on all Money Room staff. Employee theft insurance coverage should be evaluated and obtained for Money Room staff in limits in line with the increased value of collections in their custody.	√				√

AUDIT OF THE CENTRAL FLORIDA REGIONAL TRANSPORTATION AUTHORITY, D/B/A/ LYNX ACTION PLAN

		MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
NO.	RECOMMENDATIONS	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
3.	We recommend LYNX reviews its current fare structure and if possible simplifies the classifications of cash fare types. Fare types no longer in use should be deactivated in the fare structure module of the automated fare box system. In addition, LYNX should consider the cost and ability to convert to a policy of no cash fares accepted on the bus, with the fare box programmed to accept only prepurchased fare media and debit/credit cards.	✓			√	
4.	We recommend LYNX reviews and amends as needed cash collection and general ledger recording procedures for black box transactions to provide the following:					
A)	The use of pre-numbered receipts by Transportation Street Supervisors and Vault Pullers.	\checkmark			\checkmark	
В)	Periodic accounting for the receipts issued and used, as well as reconciling Dispatch records for black box service to counting room records.	√			✓	
C)	The forwarding of all supporting documentation to the Finance Department to facilitate the entry of route and revenue data into the GFI Ride System. In addition, this documentation should be retained for audit	√			√	
5.	We recommend LYNX reconciles daily fare media sales to the ticket inventory system on a routine basis.	✓			√	
6.	We recommend LYNX completes yearly fare media inventory reconciliations as soon as possible to ensure an accurate record of fare media on hand.	√			✓	

AUDIT OF THE CENTRAL FLORIDA REGIONAL TRANSPORTATION AUTHORITY, D/B/A/ LYNX ACTION PLAN

		MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
NO.	RECOMMENDATIONS	CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
7.	We recommend LYNX reviews current Regional Funding Model methodology and amends the methodology to include updating computations for amended/approved budget amounts and actual costs incurred. In addition, LYNX should update the computation of the cost of capital per scheduled fixed route at least once every three years.		√			√
8.	We recommend LYNX reviews the systems used to capture and report ridership data and implements identified solutions to increase the accuracy of the process.	√			✓	
9.	We recommend LYNX takes appropriate action to perform the following:					
A)	Identify routes where other funding agreements have been entered into with third parties (whether they are other governmental agencies not legislatively required to fund LYNX or private corporate organizations) and identify the impact of including that additional revenue has on the route's performance measures.	✓			√	
В)	Provide additional route details together with the performance measures, such as each route's service miles by jurisdiction and the number of bus stops per route by jurisdiction.	√			✓	
C)	Revise its procedures in preparing and reporting the performance measure of the percentage of fare box recovery.	√			✓	





Background

The Central Florida Regional Transportation Authority, doing business as "LYNX", was created in 1989 pursuant to Section 343.63, Florida Statutes. This same legislation was amended in 1993, allowing LYNX to assume the operations of the formerly known Central Florida Commuter Rail Authority. LYNX serves as the focal point in developing all modes of public transportation in the Central Florida region together with MetroPlan Orlando (the legislatively created metropolitan planning organization for Orange, Osceola and Seminole Counties). Through formal action by LYNX and the Orange Seminole Osceola Transportation Authority (OSOTA) Boards of Directors, the merger of the two organizations was ratified in March 1994 and became effective October 1, 1994.

Today LYNX provides public transportation services to the general public in the Orlando, Florida metropolitan area which is comprised of Orange, Seminole, and Osceola Counties as well as more limited services into Lake, Polk, and Volusia Counties. LYNX offers fixed route bus services, door-to-door paratransit services, carpool/vanpool services, pickup links, express service to Volusia and Lake Counties, and community shuttle services to special events.

LYNX Comprehensive Annual Financial Report for the year ended September 30, 2010 noted there were approximately 24,780,000 rides taken on their system. LYNX reports the number of peak vehicles to service the 62 routes/links at 233 motor coaches, with a total fleet of 267. employment levels for 2010 included 989 positions, with 653 utilized in Transportation Operations, 199 for Maintenance, and 137 for Administrative and General positions. LYNX also is responsible for providing public transportation alternatives to the fixed route system. The Access LYNX paratransit system provides a network of door-to-door mobility to elderly. disabled. or transportation the disadvantaged customers. The eight PickUpLine Service Areas provide on-demand service to rural or outlying areas where fixed route service is not economically feasible but services are needed. The Access LYNX, PickUpLine, and VanPool services are outsourced by LYNX to third party service providers.



Scope, Objectives, and Methodology

The audit scope included review of the operations and transactions related to the provision of public transportation services in the geographical jurisdiction of Orange County. Also, we reviewed the associated internal controls over selected operations. The audit period was from October 1, 2008 through December 31, 2009, although certain events and transactions occurring prior and subsequent to the period were included as appropriate.

Our objectives were to determine the following:

- 1) Compliance with the Orange County Funding Agreement for the fiscal year ended September 30, 2009 and the status of compliance as of December 31, 2009 with the Funding Agreement for the fiscal year ending September 30, 2010.
- 2) The adequacy of internal controls over cash fares and ticket sales collections for fixed route bus service.
- The adequacy of internal controls relating to the collection, recording, and reporting of ridership, service miles, and service hour data including its use in LYNX's Regional Funding Model.

audit methodology included interviews of employees, walk-through of major processes, observations of certain operations, review of certain security video tapes, and testing of applicable financial and non-financial data. Orange County Funding Agreements (Funding Agreements) applicable to the audit period included requirements for LYNX to submit quarterly financial and performance reports to County representatives. To determine compliance with those requirements of the Funding Agreements, we obtained copies of all report packets submitted to the Orange County Office of Management and Budget and reviewed the submissions for completeness and timeliness of reporting. We determined the source of the data reported and the proper inclusion of the data in the reports. We examined all Orange County disbursements made to LYNX and verified the proper recording in LYNX's General Ledger of the amounts received.



We obtained from the Finance Manager the Regional Funding Model and the supporting data for values included in the Model to determine its appropriateness and adequacy.

To determine the appropriateness of internal controls over cash bus fare revenues, we selected 34 days of fixed route operations and cash fare transactions recorded on the automated fare box system including ridership counts for testing. We compared cash amounts recorded by the automated fare box to the cash counting machines' summary tapes, validated bank deposit receipts, and reconciling worksheets for the tested dates to ensure the amounts materially agreed. We also tested 28 days of ticket sales at the LYNX Central Station to ensure the ticket sale revenue was properly receipted and deposited. We also compared the number of tickets sold to the ticket inventory records to ensure the records were materially accurate.

To determine if controls over the collection and recording of materially accurate data for reporting ridership counts and service oriented performance measures were adequate, we reconciled fare box ridership to reported ridership on a sample basis and recalculated performance measure formulas. We also evaluated the appropriateness of the formula calculations that are used to determine average ridership, average service miles, average service hours, and average passenger miles used in the computation of the percentage of fare box recovery and the subsidies per passenger and passenger mile. These performance measures are prepared and reported by route.

Further, to determine if the controls relating to the collecting and reporting of passenger miles were sufficient, we reviewed the method used to compute passenger miles to the federal guidelines.

Although our review included an evaluation of certain LYNX facilities' security relating to the access to cash, those results were provided to LYNX management in confidential communications. Section 281.301, Florida Statutes,



"Security systems; records and meetings exempt from public access or disclosure" provides:

"Information relating to the security systems for any property owned by or leased to the state or any of its political subdivisions, and information relating to the security systems for any privately owned or leased property which is in the possession of any agency as defined in s. 119.011(2), including all records, photographs, audio and visual information. schematic diagrams, presentations. surveys, recommendations, or consultations or portions thereof relating directly to or revealing such systems or information, and all meetings relating directly to or that would reveal such systems or information are confidential and exempt from ss. 119.07(1) and 286.011 and other laws and rules requiring public access or disclosure."

The audit did not include an examination of the financial position of LYNX. However, in order to ascertain relevance to the objectives of this review, we considered the Comprehensive Annual Financial Reports for the four fiscal years ended September 30, 2010, which included unqualified opinion audit reports prepared by an independent certified public accounting firm. We also considered the Federal Transportation Administration's Triennial Report for LYNX for the Fiscal Year 2010, dated July 15, 2010 and the recommendations for improvement included therein.

Overall Evaluation

Based on the results of our testing, LYNX materially complied with the requirements and terms of the Funding Agreements executed with Orange County during the audit period. In our opinion, controls over cash fares and ticket sales collections for fixed route bus service are adequate. Also, controls over data collection, recording and reporting of ridership and other performance measures were adequate.

As noted above, recommendations for improvement of security systems for public buildings are considered privileged and confidential information exempt from Florida's

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INTRODUCTION



Public Records Law. Accordingly, such recommendations, although forwarded to LYNX Senior Management, are not included in this report.

Opportunities for improvement were noted and are described herein.



1. LYNX Should Submit All Reports as Required to the County

LYNX did not submit certain financial information to Orange County in accordance with the executed Funding Agreements applicable to the audit period. The informational reports submitted were considered incomplete because of the following:

- Quarterly reports submitted for the first and third quarters of the 2009 fiscal year did not include financial information for the proper reporting periods as certain months were excluded from the information submitted.
- Quarterly financial reports did not include explanations for all actual to budget variances greater than \$50,000.
- The reports submitted for the first and second quarter of the 2009 fiscal year were not timely as they were submitted more than forty-five days after the respective quarter-end.

The Budget Fiscal Year 2009 Funding Agreement in Section 4 A. 1) d) requires "Each quarterly report shall include the following items: ...Comparison of actual revenue and expenditures to budgeted revenues and expenditures with explanations for variances that exceed fifty-thousand dollars (\$50,000)." Also, in Section 4 A. 3) it defines and requires: "Quarterly reporting periods shall end on December 31, March 31, June 30, and September 30 and said reports shall be submitted to the COUNTY's Office of Management and Budget and Growth Management Departments within forty-five (45) days after the end of each quarter."

LYNX's report submissions included a written quarterly narrative regarding general financial trends and events. However, these narratives did not address line item budget variances and the actual to budget reports did not provide variances in dollar values but only as a percentage.



The executed Funding Agreements called for the County to receive information to allow for timely monitoring of LYNX's operations and financial position. The County is unable to timely assess LYNX's financial condition and the use of Orange County funds without such information.

<u>We Recommend</u> LYNX timely submits all required reports and information to Orange County.

Management's Response:

Concur. LYNX staff submitted financial reports to Orange County upon issuance of such statements to the LYNX Board of Directors. During the 2009 fiscal year, LYNX was faced with significant budget challenges primarily due to the downfall of the economy. As such LYNX' Finance staff priorities were redirected to timely and appropriately address these issues. Therefore, LYNX' December 2008, March 2009, and June 2009 Financial Reports were presented to the LYNX Board of Directors at the April 22, 2009, May 28, 2009, and September 24, 2009 meetings, respectively. However, in order to fully comply with the requirements of the Orange County funding agreement, LYNX staff began submitting "draft" financial reports in the quarterly reports. In regards to the explanation of the "actual to budget" variance greater than \$50,000, LYNX staff provides explanations of significant variances that have a direct impact to LYNX bottom-line. This information is consistent with the report provided to the LYNX Board of Directors. provides additional explanations upon request from Orange County staff.

2. Controls Over Bus Cash Fares Need Improvement

During our review of bus fare box cash collection procedures, we noted the following concerns indicative of weakness in controls over cash:

A) Cash collections from bus fare boxes are not deposited intact daily.



- B) Cash from individual bus fare boxes are not reconciled by bus, but comingled in large secured vaults and counted the next business day.
- C) LYNX does not use automated summary fare box cash collected reports (from the GenFare Systems) as a basis of daily cash revenue posted to the General Ledger. Instead, LYNX's Finance Department uses amounts deposited as the basis of its fare box revenues entries.
- D) Daily reconciliation of all cash ridership type counts are not made to Summarized Fare Box Cash Collected Reports as the automated cash counting fare boxes record cash rider fares via manual input of the drivers. The automated fare boxes are not configured/programmable to reconcile total cash fares to cash rider counts. The LYNX Finance staff does not closely analyze the system's daily query reports to identify ridership counts placed in odd fare sets or types.
- Subsequent to the audit period, LYNX opened the E) Osceola Service Center in Kissimmee. The center includes a temporary facility to secure fare box collections from certain LYNX buses. Current cash collection procedures do not provide for collections at the Osceola Service Center to be counted prior to being picked up by the armored courier service provider (courier) for transport to the Money Room at the LYNX Operations Center in Orlando. Instead the courier is provided with a report query from the GFI Automated Fare Box System that provides a summary of estimated amounts collected from all buses serviced at the Osceola Service Center. The following day, at the LYNX Operations Center Money Room, the courier delivered amounts are counted and a bank deposit prepared for pick up and delivery to the bank by the courier.
- F) LYNX conducts employee background and credit checks at the time of initial hire. However, employees



assigned to the Money Room at the LYNX Operations Center are not subject to periodic background and credit checks. The employees are covered by the standard employee theft insurance policy with a \$100,000 limit, but our testing found times when cash in their custody exceeds that amount.

Good internal controls include procedures to deposit cash intact and the timely deposit and recording of cash transactions. Actual cash collected should be reconciled to automated point of sale device (fare box) reports.

LYNX uses advanced state-of-the-art fare box devices providing automated counts of coins and currency deposited as well as rider counts by rider type. The fare box devices are capable of scanning and recognizing fare media, validating pre-paid passes and transfers, as well as issuing single ride or one day pass/ticket purchased with cash. Bus operators must enter and classify the rider count contemporaneously for cash fare riders.

LYNX management informed us the size of the bus fleet and high volume of small valued transactions prohibits the feasibility of reconciling cash collections by bus as it would be too labor intensive and time intensive. Although LYNX considers it too costly to implement procedures to reconcile cash collected by bus, they have on occasion conducted test counts of individual buses.

Currently, LYNX uses an in-house cash counting operation with a bank vaulting service agreement. Therefore, coinage and currency are deposited in set amounts by denomination. This results in odd amounts that are held over to be included in the next day's deposit. Weekends with high volume of riders and cash may take extended hours to count. In such cases courier service is delayed until the following day. Cash collected on Friday may not be deposited until Tuesday.

Although during our testing no significant financial misstatements were noted, the current procedures do not allow the cash ridership counts to reconcile to cash collected

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RECOMMENDATIONS FOR IMPROVEMENT



and deposited. In addition, as discussed in Recommendations for Improvement Number 4, black box transactions and unknown rider count classifications affect the ability of control procedures to work effectively. The risk exists of shortages remaining undetected in a timely manner.

<u>We Recommend</u> LYNX strives to implement a system that provides the following:

- A) Deposits daily collections intact.
- B) Reconciles fare box cash transactions to each bus's reported rider transactions.
- C) Records fare revenues from expected collections from the automated fare box system.
- D) Establishes procedures for periodic random sampling of bus fare box collections reconciled to automated fare box reports and retains records of the results of such sampled cash collections to automated counts and reports.
- E) Verifies the amount of currency and coins collected at the Osceola Service Center prior to courier service providers pick up and delivery to the LYNX Operations Center.
- F) Performs periodic background and credit checks on all Money Room staff. Employee theft insurance coverage should be evaluated and obtained for Money Room staff in limits in line with the increased value of collections in their custody.

Management's Response:

Partially Concur. As a standard procedure, LYNX' Money Room staff routinely makes daily deposits of fare box collections for <u>full</u> straps and bags. LYNX' staff will reevaluate the cost to deposit partial bags and unstrapped bills to determine if it is cost effective to make such deposits. It is standard industry practice for a medium sized transit



agency, such as LYNX, to reconcile fare box revenue in total, instead of by the bus. LYNX does not have the available time or manpower to count and reconcile fare box cash by bus. Although, LYNX finance staff performed periodic fare box collection reconciliations to the automated fare box reports, the documentation was not retained. LYNX staff will retain all records of future reconciliations as recommended. At this time, the Osceola Satellite Facility (OSF) does not have a money room equipped to count and verify the daily collections prior to the transfer to LYNX's main facility (LOC). However, as a compensating control, all cash is transferred in sealed and secured bags and the amount of currency and coins transferred is based on the automated fare box report. Also, the OSF cash is counted separately each day. LYNX staff will implement procedures to perform periodic background and credit checks on all Money Room staff. In addition, LYNX staff will evaluate the employee theft insurance coverage and consider obtaining limits in line with the increased value of the collections in the money room.

3. Simplification of Cash Fare Structure to Coincide With Rider Types Should Be Explored

As previously noted LYNX is unable to completely reconcile bus fare cash collections to rider counts recorded through the automated fare boxes. LYNX's Fare structure is complex with automated bus fare boxes programmed to recognize 100 different rider and fare types classified into three different fare sets. For example, LYNX's current fare structure is categorized by rider type (age, ability, income) and by route. Adults may be classified as regular, elderly/senior, disabled, or income qualified. Youths may be classified as Orange County "the Club" participant, and/or student. Fare sets are used to distinguish the Express Routes to Volusia County and Lake County from regular service to Orange, Osceola, and Seminole Counties.

The automated fare boxes are programmed to record ridership associated with the use of fare media (tickets/passes), as well as programmed to record three



additional cash fares types (for adult regular fare riders at a preset value of either \$2 or \$3.50 according to the fare set in use). However, bus operators must manually classify other riders paying cash into one of 22 various fare types within the appropriate fare set as follows:

- Normal fixed routes in Orange, Osceola and Seminole Counties, with 15 available cash fare types,
- Volusia County Express routes, with four available cash fare types; and,
- Lake County Express routes, with six available cash fare types.

The number of cash fare types increases the risk of bus operators incorrectly classifying and charging the wrong fare or recording the wrong rider type.

We recognize that fare structures must be set to encourage ridership at an affordable rate. However, the structure should allow for an ease of accounting and a reconciliation of ridership to fares collected. If certain Federal or State operating grants require the identification of targeted riders, fare boxes should be programmed to record such ridership.

Bus operators go through extensive training on fare box operations. We found that the procedures manual was appropriate but needed to be updated to include various amendments and new procedures related to fare box operations. The classification of cash riders can be difficult due to distractions and the time needed to correctly identify the fare type of the riders. Trainers mentioned that it is difficult for the bus operators to memorize the 22 possible cash fares that may need to be input into the fare box.

Certain of the fares were established to promote increased ridership of a certain rider demographic but are not currently used. The Fare Structure module of the automated fare box software system allowed for a large number of fare types. We noted that often a new fare type was added without eliminating the inactive fare type.



LYNX encourages the use of fare media by its riders rather than onboard cash purchases. Fare media can be purchased at approximately 150 locations as well as by phone or the Internet. While the fare boxes are programmed to accept cash, LYNX does not accept debit or credit card transaction onboard buses. Only single rides or an all-day pass may be purchased with cash via the bus fare box.

LYNX cited cost as the reason that onboard debit/credit card sales have not been pursued. Specifically cited is the cost of altering the bus fare boxes and the related infrastructure needed to provide secured networks. LYNX management also cited that cash is always accepted for the convenience of their riders.

Classification of cash riders may be at increased risk of error due to the numerous fare types when combined with the bus operator's distractions of monitoring disembarking passengers and traffic. Thus cash deposited into the automated fare box will not reconcile to the number of riders identified and recorded in the fare box. It is an important safeguard to cash to be able to estimate and determine the amount of cash collected to the number of riders recorded.

<u>We Recommend</u> LYNX reviews its current fare structure and, if possible, simplifies the classifications of cash fare types. Fare types no longer in use should be deactivated in the fare structure module of the automated fare box system. In addition, LYNX should consider the cost and ability to convert to a policy of no cash fares accepted on the bus, with the fare box programmed to accept only pre-purchased fare media and debit/credit cards.

Management's Response:

Concur. On September 28, 2011, the LYNX Board of Directors approved staff's recommendation to amend LYNX' Fare Policy in an effort to streamline the current fare structure and reduce the number of pass types currently being offered and/or not used by LYNX customers. LYNX staff eliminated twenty-three (23) pass types. Also, LYNX will consider the cost and ability to convert to no cash fares



accepted on the bus. However, LYNX must consider the Title IV requirements associated with switching to a cashless system. Such a change could create a disproportionate impact on low-income or minority customers which must be reasonably justified or mitigated.

4. Controls Over Black Box Cash Collections Need Improvement

When the automated fare box is inoperable, a lockable device on the bus referred to as a "black box", is used to store cash and fare media (tickets/passes). Each bus has a black box device, but bus operators do not have keys to unlock them.

At the end of each day, buses return to one of two depot locations. There, the bus' fare box contents and data are removed by a Vault Puller. However, the black box contents are only removed when the bus operator informs the Vault Pullers to do so. If a black box's contents are removed at this time, the Vault Puller takes custody of the contents and prepares a receipt witnessed by another Vault Puller. The receipt and contents of the black box are then deposited into the designated drop box by the Vault Puller.

When a driver needs the black box emptied prior to the end of the day, he notifies Dispatch who sends a Transportation Street Supervisor (TSS) to meet the driver. The on-duty TSS is assigned master keys used to remove "black box" contents (cash and/or fare media). The TSS is to issue a receipt to the bus operator, who is to transfer the receipt to dispatch at the end of his shift. The TSS, in turn submits the receipt copy together with the black box contents to a designated drop box.

We have the following concerns related to the use of black box devices:

A) No reconciliations are performed to ensure all receipts written are accounted for and black box cash is deposited. The receipts used are not pre-numbered



and there is no comparison of Dispatch calls made to black box receipts submitted (dates, bus/route numbers, and TSS)

- B) box" When submitted "black contents transactions are received by the Money Room staff the information is summarized and then deposited. (Individual receipts supporting summarized amounts submitted to Finance.) are not Also. summarization submitted to Finance does not contain route information impacting route revenue calculations.
- C) "LYNX Black Box Procedures, Effective August 25, 2004" which provide instructions for Bus Operators, Dispatchers, Street Supervisors and Vault Pullers needs to be up-dated as certain steps and forms are no longer used.

Although during our testing no significant financial misstatements were noted, the current procedures do not provide sufficient evidence that all cash collected in black boxes is recorded. LYNX recorded for the 2009 Fiscal Year approximately \$128,500 in cash revenues from black box collections. In addition, as discussed above in Recommendation for Improvement Numbers Two and Three, the lack of a reconciliation to cash collected by bus and unknown rider count classifications affect the ability of control procedures to work effectively.

<u>We Recommend</u> LYNX reviews and amends as needed cash collection and general ledger recording procedures for black box transactions to provide the following:

- A) The use of pre-numbered receipts by Transportation Street Supervisors and Vault Pullers.
- B) Periodic accounting for the receipts issued and used, as well as reconciling Dispatch records for black box service to counting room records.
- C) The forwarding of all supporting documentation to the Finance Department to facilitate the entry of route and



revenue data into the GFI Ride System. In addition, this documentation should be retained for audit.

Management's Response:

Concur. LYNX staff has updated the procedures for black box collections to ensure all black box collections are accounted for and deposited in a timely manner. Also, appropriate documentation to support this process is being retained by the money room staff.

5. Controls Over Ticket and Multi-day Pass Sales Need Improvement

LYNX Central Station employs between two and five customer service representatives (CSR) daily who sell over thirteen types of tickets. Each CSR records the types and number of tickets sold in addition to the ticket sequence numbers for each type sold on a daily sales log at the end of their shift. The Fare Media Clerk in the Finance Office manually enters the ticket sales data in the ticket inventory system the following business day. After review of the sales logs and entry of ticket sales data, the Clerk prepares the operating deposit for that day which allocates the dollar sales to the proper accounting codes. The Revenue Section's accountant reviews and approves the operating deposit form along with the daily sales logs, ticket inventory reduction sheets, and deposit information. During our review of a sample of 28 days in the audit period, we had the following concerns:

- Three instances where the sequence numbers recorded in the inventory system did not match the numbers reported on the sales log. For example, the numbers listed on one sales log was the sequence 68858 to 68888, but the numbers recorded in the inventory were 6858 to 6888.
- One instance in which the numbers "96250 to 963149" recorded on the log did not appear to be correct. The inventory system recorded, "963150 to



963449," which appears to be correct based on previous numbers sold.

- One instance where the Finance Clerk recorded a \$20 overage for the day that should have been an additional ticket sale for Access LYNX tickets. Although the number of tickets sold was reported on the daily logs as eleven, the ticket sequence numbers recorded that ten had been sold.
- Two instances where tickets were recorded as the wrong ticket type, but went unnoticed as several ticket types are the same price and the cash amounts reconciled. For example the 30-day youth and the 30-day advantage (riders 65 and older or with medical disabilities) are both \$25.

Good accounting practices for inventory systems require implementation of appropriate procedures to detect errors in a timely manner, such as when numbers on an inventory sold report do not match what was reported as sold by the Customer Service Representatives.

The ticket inventory will not be accurate if the ticket numbers are not correctly recorded and, as a result, the reconciliation process of the year-end inventory could be more difficult to resolve.

<u>We Recommend</u> LYNX reconciles daily fare media sales to the ticket inventory system on a routine basis.

Management's Response:

Concur. LYNX staff is currently implementing a point of sale system with an inventory control module in order to automate the manual processes and to minimize the corrections resulting from data entry errors. LYNX performs an annual inventory count and reconciliation that identifies the various discrepancies noted during the audit process. LYNX' current inventory system tracks purchases, issuances, and returns. Due to staff shortages and time constraints, cashier reconciliations are performed during the



annual inventory counts instead of monthly, as originally planned.

6. Annual Physical Ticket Inventories Should Be Timely Reconciled to Inventory Records

LYNX did not timely complete the reconciliations of their physical inventory counts to inventory records for the years ending September 30, 2008, or 2009.

Good accounting practices provide that reconciling items in an inventory be resolved as soon as possible to ensure an accurate accounting of assets. LYNX has changed their fare media structure in the past several years and added several new types of tickets.

In addition, the system used to account for the fare media inventory is an in-house developed system. LYNX staff reported that the system is difficult to work with and not user friendly. We noted in audit testing of the daily sales logs that incorrect entries into the system may go undetected.

When the fare media inventory is not reconciled each year, differences may go unresolved and ticket inventory becomes more susceptible to undetected loss or theft.

<u>We Recommend</u> LYNX completes yearly fare media inventory reconciliations as soon as possible to ensure an accurate record of fare media on hand.

Management's Response:

Concur. LYNX staff is currently implementing a point of sale system with an inventory control module in order to fully automate the processes associated with tracking pass purchases, issuances, sales, and returns.



7. LYNX Regional Funding Model Methodology Should Be Further Reviewed and Enhanced

LYNX's Regional Funding Model (Model) is a cost allocation plan that uses a single variable, revenue service hours by jurisdiction, to allocate funding needs by participating jurisdictions. This computation relies upon an established methodology using preliminary revenue and expense budget values and an estimated cost of capital per fixed route mile that was developed over five years ago. However, the budget values are not updated to the actual adopted values. In addition, the Model is not reconciled to the actual incurred costs and generated revenues.

The Model is not readily accepted by funding partners and annual amounts funded by the partners are not necessarily based on the Model's computation of projected need. However, at some point the Model could be used as a business tool to project service costs. Budgetary controls and cost estimates are integral to efficient and effective management. As such, LYNX should develop adequate procedures to ensure the computations in the Model are as accurate as possible.

Without legislative changes to provide dedicated funding sources, the funding partners of LYNX must cooperate in providing adequate funding in order to meet appropriate levels of public transportation services to the Central Florida area.

<u>We Recommend</u> LYNX reviews current Regional Funding Model methodology and amends the methodology to include updating computations for amended/approved budget amounts and actual costs incurred. In addition, LYNX should update the computation of the cost of capital per scheduled fixed route at least once every three years.

Management's Response:

Partially concur. LYNX prepares the Regional Funding Model based on the preliminary annual budget and updates are made for the final adopted budget. As noted by the



auditor, the Model is not readily accepted by funding partners and annual amounts funded by the partners are not necessarily based on the Model's computation of projected need. LYNX will consider updating the model based on actual costs and update the cost of capital per service hour rate to be consistent with current needs.

8. LYNX Should Review the Methodology Used In Computing Ridership Counts

During our review, no material differences in the ridership numbers reported to the County and the actual ridership numbers recorded in the various systems utilized by LYNX were noted. Although the impact to ridership volume reported to the County was not material, procedural concerns as follows were identified:

- Test ridership occurs when LYNX employees routinely create test transactions to verify the functioning of the fare boxes. We noted ridership volume from these testing scenarios was inadvertently included in volumes reported to the County.
- We found ridership that was not included in the volumes reported to the County on two days tested.
- We found two routes on one day had ridership duplicated in the volumes reported to the County.

As noted above, the differences noted in our sample days were not significant to the numbers reported by LYNX. We tested seven months and found that there were 6,541 test riders that should not have been reported to the County, 932 riders that were not reported to the County, and 749 riders that were reported twice. During that same seven month period, LYNX reported approximately two million riders per month.

These exceptions occurred partly because of the interface process between LYNX's automated fare box system and

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RECOMMENDATIONS FOR IMPROVEMENT



the in-house reporting system. LYNX should review the systems used to capture the data and determine if system changes need to be made to further increase the systems accuracy.

<u>We Recommend</u> LYNX reviews the systems used to capture and report ridership data and implements identified solutions to increase the accuracy of the process.

Management's Response:

Concur. LYNX has implemented procedures to eliminate the test data. LYNX staff will continue to review the process to improve the checks and balances and verification of the ridership data to ensure the accuracy of the information reported.

9. Performance Measure Computational Procedures Need Review and Refinement

During our review of the performance data submitted to the County as part of the contractual requirements, we had the following concerns:

- A) LYNX did not identify routes included in its monthly listing/ranking of routes' performance measures for which separate funding agreements to recoup costs had been executed with third parties. As a result, the performance measures for those routes appeared less favorable.
- B) LYNX did not identify in the performance reports routes serving multiple jurisdictions. It also did not include in its monthly listing/ranking of routes' performance measures additional information reporting actual revenue miles, deadhead miles, revenue hours, and deadhead hours operated in each jurisdiction.
- LYNX did not accurately value the revenue from day passes. The fare box records the initial purchase and



ridership as one fare type and when the pass is subsequently used on other routes, the rider is recorded as a different fare type. LYNX staff allocates the day pass revenue to all of the day pass riders; thereby lowering the average revenue per rider. However, the initial purchase is also included in the formula that is used to calculate the percentage fare box recovery and dollar subsidy per passenger. As such, for this fare type, the fare box recovery percentage is overstated. As part of our testing, we recalculated a segment of one route's performance measure and in that specific instance it resulted in a nine percent lower fare box recovery percentage than reported.

D) In the audit period, LYNX did not include the fare reimbursement received through the County's agreement to fund "the Club" student bus pass. In this instance revenue appeared to be understated in the computation of percentage fare box recovery and dollar subsidy per passenger. Subsequent to the audit period, Orange County is no longer funding the Kids Pass program. All passes have been deactivated and are not accepted by the automated fare boxes.

Performance measures are managerial tools that assist in providing data to allow for informed decisions. They can be used to benchmark performance, to evidence trends, or provide statistics that are used to rank and compare like transactions, activity or operations to other peers. In addition to their aforementioned utility, performance measures reported as part of contractual requirements should be accurate.

We Recommend LYNX takes appropriate action to perform the following:

A) Identify routes where other funding agreements have been entered into with third parties (whether they are other governmental agencies not legislatively required to fund LYNX or private corporate organizations) and



identify the impact of including that additional revenue has on the route's performance measures.

- B) Provide additional route details together with the performance measures, such as each route's service miles by jurisdiction and the number of bus stops per route by jurisdiction.
- C) Revise its procedures in preparing and reporting the performance measure of the percentage of fare box recovery.

Management's Response:

Concur. LYNX staff has updated the fare box recovery calculations to include all customer fare revenue appropriately. LYNX will review the quarterly report route performance include measures to all appropriate funding/subsidies. LYNX will include scheduled route service miles by jurisdiction and the number of bus stops per route by jurisdictions in future quarterly reports, as an attachment.