

**Prince George's County, Maryland
Office of Audits and Investigations**

Department of Public Works and Transportation

Transit System Audit

July 2017



**David H. Van Dyke
County Auditor**

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THE PRINCE GEORGE'S COUNTY GOVERNMENT
Office of Audits and Investigations

July 2017

The County Council and County Executive
of Prince George's County, Maryland

We have conducted a performance audit of the

**DEPARTMENT OF PUBLIC WORKS AND TRANSPORTATION'S
TRANSIT SYSTEM**

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our Report is submitted herewith.

We have discussed the contents of this Report with appropriate personnel of the Department of Public Works and Transportation, and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.

A blue ink signature of David H. Van Dyke, CPA, County Auditor.

David H. Van Dyke, CPA
County Auditor

A blue ink signature of Larry Whitehurst, CPA, MBA, Audit Manager.

Larry Whitehurst, CPA, MBA
Audit Manager

Results In Brief

The Department of Public Works and Transportation (DPW&T) Transit Division manages and operates the County's transit services. These services include TheBus, Call-A-Bus, and Call-A-Cab programs. Of the three programs, Call-A-Bus is the only program which is managed and operated by the Transit Division. TheBus program is managed and operated by a third party provider. The Call-A-Cab program is managed by the Transit division, but their operations are conducted by third party providers. Collectively, these services generated a total of \$2.6 and \$2.1 million dollars during FY 2013 and FY 2014, respectively.

Given the amount of funds generated by these programs, it is imperative that the related internal controls are operating effectively and efficiently. These internal controls should also provide reasonable assurance that the County is receiving all of the funds generated from these programs. The lack of sufficient controls could expose the County to potential misappropriation by employees, its vendors, and recipients of these services.

The following major findings are addressed in our report:

- Lack of segregation of duties for individuals responsible for counting and depositing Call-A-Bus fare collections;
- Failure to correct fare reporting system issues in a timely manner;
- Failure to adequately secure and make timely deposit of Call-A-Cab coupon collections (**Repeat finding from prior audit report dated May 2002**);
- Failure to maintain supporting documentation for bus inspections and implement a process of monitoring contractor on-time performance;
- Failure to reconcile transit transactions (i.e. TheBus, Call-A-Bus, and Call-A-Cab) to the accounting system (**Repeat finding from prior audit report dated May 2002**);
- Lack of written policies and procedures for various operational aspects of TheBus, Call-A-Bus, and Call-A-Cab activities, some of which include recording, reconciling, and reviewing fare collection transactions;
- Failure to follow documented fare counting policies and procedures. These policies and procedures include areas such as the securing of access keys, completion of logs/forms, providing adequate video surveillance of areas where fare counts are conducted, rotating fare counting staff (**Repeat finding from prior audit report dated May 2002**), the unauthorized removal of the mobile vault, and conducting documented

initial counts of miscellaneous fare collection items (**Repeat finding from prior audit report dated May 2002**).

Internal control activities are an important part of an agency's ongoing planning, implementation, and review of programs and services. They are essential for effective and efficient operations and proper accountability of County resources. For this reason, several recommendations for improving internal controls are made throughout this report.

Background

The Department of Public Works and Transportation, Office of Transportation manages the County's transit services. The transits services are provided to County residents through three distinctive offerings, TheBus, Call-A-Bus, and Call-A-Cab. The total transit related collections from the three programs for FY 2013 and FY 2014 are outlined below:

Program	FY2013	FY2014
The Bus	\$ 2,533,167	\$ 2,083,493
Call-A-Bus	16,510	10,690
Call-A-Cab	48,450	51,330
Total	\$ 2,598,127	\$ 2,145,513

The specifics of each of these transit services are outlined as follows:

TheBus Service Overview

TheBus is a public transportation service offered by the County through a contractual agreement with TransDev North America (formerly Veolia Transportation). The County contracts with TransDev North America (TransDev) for the management and operation of a 28 fixed route, fixed schedule, public transit system, covering over 10,000 miles, for all County residents, called TheBus. The contractual agreement also includes the management of all bus routes, staffing, maintenance, fare collection, and other bus related activities. TransDev has an employee leasing agreement with Nissi Group, Inc., a minority owned and operated company, to provide contract employment related assistance pursuant to its agreement with the County.

TheBus service operates Monday through Friday each week, with the exception of major holidays (New Year's Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, and Christmas). The fare for the service is \$1.25 for a single trip and can be paid in various ways that include the following: cash, SmartTrip mediums (i.e. cards, transfers, and passes), Metro and Montgomery County Ride-On tokens, MARC pass, and various County issued courtesy passes and promotional coupons. TheBus services allows free participation to school aged

children (only between the hours of 2pm and 7pm), seniors aged 60+, persons with disabilities, MetroAccess certified customers, Medicare card holders, Prince George's County employees, Prince George's County Public Schools employees, Maryland-National Capital Park and Planning (M-NCPPC) employees, University of Maryland College Park employees and students. Fares are collected by bus drivers through an electronic fare collection terminal located in the front of each bus. After each bus has completed their routes for the day, all of the fares collected are counted and deposited into the County's bank account.

➤ The Bus Fare Collection and Storage Operation

The fare collection, counting, and depositing process for TheBus is outlined in DPW&T Directive 424.14 Transit Policy No.15. A summary of the actual process is as follows:

Each bus in operation for TheBus transit service is equipped with an electronic fare box that facilitates the collection of all types of payments as mentioned earlier. TransDev utilizes a specialized software to generate a (paddle) report for each bus driver detailing their bus route along with estimated arrival times for each particular bus stop. The drivers use the paddle report as an aid in gauging on-time performance for each bus stop. Additionally, these reports are used by bus drivers to manually track ridership in instances when the electronic fare box is not operational. Prior to commencing a route, bus drivers enter their applicable route number into the electronic fare box, and as each passenger enters the bus, the driver indicates the type of fare (i.e. full amount, reduced amount, free) being submitted.

After completing daily routes every evening, each bus in operation goes through a probing process. The probing process, which is overseen by either a TransDev Operation Manager or Utility Supervisor, involves the unlocking and removal of the cash box contained within the electronic fare box. The probing process also allows for the electronic collection and wireless transmittal of fare and trip-by-trip data from the bus's electronic farebox system to a computer server located at the DPW&T facility. The cash box contains all of the fares that were collected during the entire day of operation for a particular bus. The electronic farebox separates currency from coins into two separate interior compartments within the cashbox. Each bus and cashbox are linked together during the probing process through a cashbox ID code and a bus unit number. After the cash box is removed, its secured contents are emptied into a mobile vault located at the DPW&T facility. The contents remain separated between currency and coins during this emptying process. Once the cash box has been emptied, it is put back into the electronic fare box of the bus from which it originated. The mobile vault is secured prior to personnel leaving for the night.

➤ The Bus Cash Fare Counting and Deposit Procedures

The actual counting of all fares is typically conducted each morning for the previous day's collections. Prior to the counting of the fare collections (usually 30 minutes), a designated staff member from the DPW&T Paratransit Operations section will be contacted, on a rotating basis, so that they can personally witness the money counting operation.

The money counting operation begins when the mobile vault is unlocked and rolled to the money counting room by a Nissi Operational Manager. The money counting room is locked at all times, and therefore, has to be opened by appropriate personnel prior to the arrival of the mobile vault. The money counting room and the wash bay service areas are under video surveillance with video monitors located in a County and General Manager's office. The keys to the stationary vault, mobile vault and money counting room is strictly limited to certain personnel and access to all are documented on manual written log forms. Once the mobile vault is placed in the money counting room, the contents of both locked sections (currency and coin) are accessed, emptied, and then counted by two Nissi revenue counting personnel.

The dollar currency is counted manually with the assistance of a currency counter and then wrapped in groups of 100 and placed in deposit bags. The amount of dollar currency is then manually entered into the currency counting machine program. The coin currency is sorted and counted by a coin counting machine then placed in bags by denomination. Any non-currency items such as tokens, County passes or damaged currency are gathered and forwarded to the DPW&T Program Coordinator where they are counted and submitted to the appropriate entity to facilitate reimbursement efforts.

Once all the currency and coins have been counted and bagged, deposit slips are completed for each bag that include relevant information such as the depositor (Transdev) and their identifying number (6603), the date of the fare collection, date of deposit pick-up, type of currency, and the deposit amount. Two copies (pink and white) of the deposit slip are placed in each bag, and the bags are sealed. The removable top strip portion of each bag, which captures the ID number for Transdev, deposit pick-up date, total amount included in the bag, and the preparer's initials, is detached from the bag.

Additionally, a report is generated from the currency counting machine program that summarizes the total of each currency denomination. This report along with copies (green and yellow) of the deposit slips, the removable strip portion of the deposit bags is then included in a package to be given to the DPW&T Program Coordinator to facilitate her reconciliation procedures. Counted money and corresponding deposited slips are stored in a locked room (i.e. cash vault room) within the money counting room until they are picked up and deposited into the County's bank account by Dunbar armored car personnel. Upon acceptance,

armored car personnel will confirm entries made into the armored car log book and present Nissi staff members with documentation confirming receipt of the currency to be deposited.

➤ The Bus Electronic Fare Collection and Validation

As mentioned earlier, the probing process allows for the electronic collection and wireless transmittal of fare and trip-by-trip data from the bus's electronic farebox system to a computer server located at the DPW&T facility. This transferring process includes information with respect to fares paid using SmarTrip related mediums. Once the SmarTrip information is transferred to the computer server both DPW&T and WMATA staff have access to run reports from the source data. On a monthly basis, WMATA representatives develop and distribute a draft partner settlement spreadsheet to each regional partner that displays the amount of SmarTrip activity and funds collected for the previous month. Once distributed, each regional partner has one week to review the spreadsheet and provide feedback to WMATA pertaining to any accuracy issues.

➤ The Bus Cash Fare Reconciliation Procedures

On a weekly basis, the DPW&T Program Coordinator receives fare deposit information from the Office of Finance-Treasury Division, and compares it to the amounts indicated on deposit slips. Any discrepancies are identified and addressed with TransDev and/or the bank. A comparison of deposited fare collections to estimated fare as indicated on probing reports is also conducted. However, due to accuracy issues with the probing process, any discrepancies identified during this comparison are not investigated.

Call-A-Bus Program Overview

Call-A-Bus is a demand response, curb-to-curb service transportation program offered to all County residents that are not served by or who cannot use existing bus or rail services. Priority for the services is given to seniors (age 60+) and persons with disabilities. The service is offered from Monday to Friday, from 8:30 am to 3:30 pm. A service request must be made by placing a call to the customer service line and securing a reservation. Fares are \$1.00 for a single trip, and are paid using cash or vouchers. The services are free to seniors and persons with disabilities. The Call-A-Bus program also supports regularly scheduled specialty senior programs offered by the Department of Family Services (DFS), Aging Division. Some of these offerings include the following initiatives:

- *Medical Program* - County seniors and persons with disabilities are eligible to receive transportation for medical purposes, especially for dialysis. Those seeking on-going to permanent transportation for medical visits, such as dialysis treatment, must submit a written request;

- *Nutrition Program* - County seniors may receive transportation to strategically located group sites for a nutritional lunch and companionship. Senior residents, who are homebound and cannot attend a nutrition site, may be eligible to have meals delivered to them;
- *Senior Activities Services* - Limited transportation is provided for senior County residents to visit senior activity centers, for shopping trips and other recreational purposes.

Some of these programs are supported by grant awards received by the DFS. As a result, DPW&T receives a portion of these grant awards from DFS for provided transportation related services in support of these DFS programs.

➤ Call-A-Bus Fare Collection and Deposit Procedures

A customer is encouraged to schedule the Call-A-Bus service 14-days in advance of the trip. The scheduler will ensure the person is eligible to use the service by confirming the person is a resident of Prince George's County and the person is more than $\frac{3}{4}$ of a mile away from a fixed route, and 1 1/2 miles away from a rail station, unless they are pre-approved by a County agency. The scheduler will stop taking trip requests on any given day once a pre-set number of trips have been booked. The day before the scheduled ride the customer must call and confirm the trip with the DPW&T's Office of Transportation. If the Office of Transportation must cancel a trip, they will call the customer to advise them of the cancelation and give them an alternative solution.

Call-A-Bus routes are scheduled by bus schedulers within the Office of Transportation based upon calls received. These schedulers utilize software (Trapeze) to schedule a maximum of 30 clients, per available day, with roundtrip transportation. The 30 scheduled clients are booked based upon an anticipated full complement of buses and bus drivers. Prior to each service date, a right sizing evaluation is completed to assess the number of anticipated available bus drivers and buses, to ensure that each scheduled route can be completed. Based upon this evaluation, all scheduled routes that may not be accommodated are either rescheduled or diverted to alternative services. This evaluation can extend to the day of actual service.

On each service date, all bus drivers are provided with a daily driver trip report, generated from the Trapeze system, which lists the individuals to be transported, along with their pick up location, destination, and amount of fare. Drivers can make modifications to the daily driver trip report based upon actual activity. Every person pick-up is considered two trips, because most scheduled trips are for round trip accommodations unless otherwise noted. Call-A-Bus buses have manual fare boxes which do not facilitate the production of system generated reporting of ridership and fare collection.

At the end of each day, if money has been collected, each bus driver will contact the Office of Transportation, who will then request an Engineering Technician from the Administrative Office (Peppercorn Place Location) to come to the D'Arcy Road location to perform a count of the money. The actual count of the fare collected usually occurs the following morning. The removal and storage of the money vault that contains the fare collections is conducted by an individual from the Administration Office, usually at the supervisory level. The individual boards the bus and uses a key to remove the money vault from the fare box. An empty money vault is used to replace the money vault that was removed. The removed money vault is then taken to the Call-A-Bus cash vault storage room located in the money counting room, to be securely stored until its contents are counted. Entries are made to both the cash vault storage and money counting room logs upon entry and exit.

The actual count begins when an Engineering Technician retrieves the money vault from the Call-A-Bus cash vault storage room and takes it to the money counting room. The contents of the money vault are accessed using a key that the Engineering Technician has brought from the Administrative Office. Upon entering the cash vault storage and money counting rooms, the Technician signs each room log. After the log has been signed the counting of the money commences. After the money has been separated and counted, the supervisor will prepare it for deposit, which entails the completion of a deposit slip and placement of the money and two completed copies (white and yellow copy) of the deposit slip in a sealed clear money bag for pick up by Dunbar Armored Car service. A separate deposit slip and money bag is completed for each denomination. Entries (i.e. bag number, deposit date, and amount) are then made into the Dunbar log book and counted bagged money and corresponding deposited slips are stored in the Call-A-Bus cash vault room until they are submitted for deposit at the same time when fare collections from The Bus are picked up by Dunbar personnel.

Upon acceptance, armored car personnel will confirm entries made relevant to the deposit (i.e. bag number, deposit date, and amount) into the armored car log book and present DPW&T personnel with documentation confirming receipt of the currency to be deposited. The armored personnel will sign, date and enter the time into the armored car book. A barcode label from the armored car book corresponding to the deposit amount will be placed on the deposit bag prior to it being taken by the Dunbar armored personnel. The two copies of the deposit ticket (blue and pink) is then taken back to the Office of Transportation and given to an Account clerk. The clerk uses the deposit slip to complete a monthly reconciliation of the amounts the Treasury Office receives versus the amount on the deposit slip. If no discrepancies are found then a journal entry is completed to record the amount into the accounting system.

Call-A-Cab Program Overview

The Call-A-Cab program is an assistance program that provides transportation services, at a reduced cost, for seniors (age 60+) and disabled County residents utilizing local participating cab companies. The program is intended to serve eligible participants when other transportation services (i.e. Metrobus, Metrorail, and/or Call-A-Bus) are unavailable. Each prospective participant must complete and submit an application form, along with proof of age and/or disability, to the County's DPW&T. Once completed, the program allows eligible residents to purchase a maximum of fourteen (14) coupon books, valued at \$20.00, for a price of \$10.00 each (within a six-month period), which can then be used to pay for cab rides with participating cab companies. Coupon books can be purchased at the DPW&T's Transit Division office or through the mail using cash (in-person only), money orders, or checks made payable to the County. Customers are provided with a list of participating taxicab companies along with their recently purchased coupons. Upon entering the taxicab, participants must display their coupon book to the cab driver, and payment for their cab ride can be made using any combination of coupons and cash.

➤ Call-A-Cab Coupon Processing Procedures

All Call-A-Cab coupon applications and corresponding payments received in person or through the mail are entered into the Transit Division's Project Tracking Log (PTL). The PTL is a log that tracks the status of each request made to the DPW&T's Transit Division. After completion of the PTL, administrative personnel determine if the coupon purchaser is eligible to purchase coupons by searching for the applicant in the Call-A-Cab database. If the applicant cannot be found in the Call-A-Cab database, their application and submitted documentation is forwarded to the Program Coordinator for an eligibility assessment. The assessment involves reviewing submitted documentation to determine if the applicant meets the age (60+) or disability requirement. If it is determined that the applicant is eligible to participate in the program their information is entered into the Call-A-Cab database to facilitate subsequent eligible inquiries. The Call-A-Cab database contains a listing and relevant information of all approved applicants. If the applicant is determined not to be eligible for participation in the program, they will be informed of their ineligibility in writing and their payment and documentation will be returned.

If the applicant is determined to be eligible to purchase coupons, the application and purchase information is returned to DPW&T administrative personnel for processing. Once requests are processed, coupon books issued are logged and receipts are completed. A copy of all receipts written for eligible purchasers, along with any payments collected is forwarded to DPW&T's Financial Management Office so that deposits into the County's bank account can be completed. Relevant information pertaining to the purchase are included in the Call-A-Bus database, on the PTL, and also forwarded to a Transit Analyst. This

information is used by the Transit Analyst to prepare an Agency/Activity Collection/Transmittal Report so that a journal entry can be completed within the County's accounting system by DPW&T's Financial Management Office staff.

➤ **Call-A-Cab Remittances to Cab Providers**

On a bi-monthly basis, cab companies accepting Call-A-Cab coupons will mail, or bring in person, two copies of a cover letter, along with coupons collected for the month, requesting reimbursement for coupons accepted. Both copies of the cover letters are signed by administrative staff and one copy is returned to the cab company as a receipt. The administrative staff will initiate an entry into the DPW&T Transit Division Project Tracking Log (PTL) and will assign an Engineering Technician to the project to verify the total coupon value. After coupon totals have been verified and approval has been granted by the Division Chief, a reimbursement check along with a transmittal letter, detailing the transaction, will be given or mailed to the requesting cab company. In addition to the requested coupon reimbursement amount, an administrative fee of 10% of the coupon reimbursement value, up to a maximum of \$1,000 per fiscal year, is paid to each cab company. The relevant information related to the reimbursement transaction is entered on the PTL, and a copy of pertinent documents is forwarded to the Program Coordinator to facilitate entries into the accounting system.

Objective, Scope, & Methodology

The purpose of this audit was to: (1) assess the adequacy and design of established written and/or documented policies and procedures over the transit system (i.e. TheBus, Call-A-Bus, and Call-A-Cab) with respect to fare collection and reporting; (2) determine if existing transit revenue collection controls are operating effectively and in accordance with applicable policies and procedures, ensuring the accuracy of transit related transactions; (3) determine if monitoring controls are adequate relevant to TheBus contractual obligations for on-time performance and conducting bus inspections and; (4) identify factors inhibiting satisfactory performance and recommend corrective action.

To conduct this audit, we reviewed applicable County Administrative Procedures, and DPW&T operating policies and procedures. We interviewed DPW&T and contractor staff to gain an understanding and document how current procedures are conducted. These procedures were then evaluated to ensure that they were adequately designed. We then conducted audit testing in specific areas using samples of relevant information of transit related activities. These samples were then evaluated for compliance against adequately designed and documented policies and procedures. We reviewed monitoring controls pertaining to bus inspections and on-time performance to ensure that they were operating correctly.

Management's Responsibility for Internal Control

Internal control is defined as “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance” regarding the achievement of the following objectives relating to operations, reporting, and compliance^[1]:

- Effectiveness and efficiency of the entity’s operations;
- Reliability, timeliness, and transparency of financial and non-financial reporting; and
- Adherence to laws and regulations to which the entity is subject.

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal control is communicated to employees, particularly through management’s own actions and beliefs, the process is more likely to function effectively.

A strong internal control environment is essential in minimizing operational risks and improving accountability which further helps an agency to achieve its mission.

We noted the following strengths in relation to the internal controls surrounding the Transit System that we reviewed within the DPW&T:

- The DPW&T has detailed written policies and procedures in place governing fare collection for TheBus program.
- In certain circumstances duties have been adequately segregated to reduce the chance of breakdowns in control activities.
- TheBus fare collections appear to be deposited in a timely fashion.

We also observed internal control weaknesses surrounding the administration of the Transit System that require management’s attention. The following sections detail the items noted during our review.

Internal Control Design

An evaluation of the Transit Division’s current internal control structure revealed the following opportunities for improvement:

^[1] *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 2013

TheBus and Call-A-Bus

- Lack of written policies and procedures for recording, reconciliation and review of fare collection transactions.

DPW&T has current policies and written procedures covering the collection of fares for both TheBus and Call-A-Bus receipts. Additionally, DPW&T has a process in place with respect to the reporting of transit related (i.e. TheBus, and Call-A-Bus) fare transactions in the County's accounting system. The process results in transactions being recorded through the completion of transmittal forms by DPW&T staff. Once completed, the transmittal forms are submitted to the Office of Finance for input in the County's accounting system. However, the reporting process being performed is not documented in written form. Furthermore, the current process in practice lacks any requirement of oversight to ensure that the recorded transactions are accurately reflected in the County's accounting system and properly reconciled.

During our audit we were able to conduct reconciliation procedures to reasonably substantiate that the TheBus, Call-A-Bus, and Call-A-Cab transactions were accurately reflected in the County's accounting system for FY 2014. However, the failure to classify these transactions by revenue source (i.e. fare revenue, smart trip and other revenue) within individual sub-accounts in the accounting system complicates the reconciliation process.

Call-A-Cab

- Lack of written policies and procedures for the administration (i.e. collection, recording, reconciliation, and review) of Call-A-Cab financial transactions.

DPW&T has a process in place with respect to the collection, recording, and review of Call-A-Cab related transactions. However, no aspect of the process is supported by written policies and procedures. Furthermore, the current process in practice lacks any requirement for oversight to ensure that the recorded transactions are accurately reflected in the Call-A-Cab coupon database, receipt log, or the County's accounting system, and that they are properly reconciled.

The lack of standard written procedures inclusive of an oversight component led to inaccurate and/or inconsistent recording of coupon transactions within the Call-A-Cab database in 42 of the 218, or 19%, of the entries we tested. Some of these inaccurate entries can be directly attributed to the lack of standard written policies and procedures. We identified the following instances of inaccurate and/or inconsistent recording of transactions during our testing:

- Twenty-eight (28) instances were identified in which the coupon purchase transaction was not properly recorded within the Call-A-Cab database. Of these twenty-eight transactions:

- coupon numbers for coupons purchased in nineteen (19) transactions were not recorded in the Call-A-Cab database record for the eligible recipient;
 - coupon numbers for coupons purchased in five (5) transactions were not recorded in the Call-A-Cab database under the name of the eligible coupon purchaser, nor under the name of the individual who remitted the funds for the coupon purchase; and
 - the number of coupons purchased by the eligible coupon recipient was not recorded accurately in four (4) transactions.
- Thirteen (13) instances were identified in which the purchase transaction within the Call-A-Cab database was recorded in the name of the individual remitting the funds for the coupon purchase and not the name of the individual eligible to use the coupons.
 - One (1) instance was identified in which the coupon purchase transaction was not properly recorded within the Call-A-Cab database, and the eligible recipient had two Call-A-Cab database records.

Furthermore, when comparing the reimbursements made to Call-A-Cab providers to DPW&T's Call-A-Cab Cab Company Reimbursement report, we identified one transaction in the amount of \$2,290 that was paid to a Call-A-Cab cab provider that was not listed on the report maintained by DPW&T staff.

Call-A-Bus

➤ Fare Counting Procedures

According to DPW&T Policy No.7, which is the policy that governs the fare counting procedures for Call-A-Bus vehicles, there is one individual (engineering technician) that is responsible for the unsupervised counting of fares collected. The same individual is also responsible for the completion of the deposit slip for fares collected. Although the room where the actual count takes place has cameras that record activity, the cameras are not monitored and the recorded information is only reviewed if prompted by irregularities or suspicious activity. This process is different from Directive 424.14 Policy No. 15, which governs how TheBus fare collections are to be counted. This directive requires fare collections to be counted by alternating two-person teams under the observation of either an Assistant General Manager or General Manager.

➤ Daily Driver Trip Report Concerns

At the beginning of each service day all drivers are given a daily driver trip report that lists the individuals to be transported along with their pick up location, destination, and amount of fare. During the course of picking up and dropping off individuals, drivers may experience situations where some of the provided information on the trip report may be incorrect or require modification. Most of the time the corrections pertain to the amount of fare that is due from each patron.

However, DPW&T does not have any policies and procedures that address how corrections or modifications are to be made by drivers to trip reports when necessary. Furthermore, there are no requirements that these trip reports be reconciled to actual fares collected.

During our testing related to reconciling the fares collected per the driver trip reports to actual deposited fares, we identified instances where the amount of fare indicated on the trip reports as collected exceeded the actual deposited amount. When this information was brought to the attention of DPW&T staff, they provided the following as possible explanations for the disparity:

- Drivers failure to document corrections or modifications on trip reports for fares for individuals that were not required to pay (i.e. seniors over 60 years old);
- Failure to update the required fare in the (Trapeze) system that produces the driver trip report.

Government Accountability Office (GAO) Government Audit Standards (GAO - 12-331G) Fieldwork Standards for Performance Audit 6.16 states that:

“Auditors should obtain an understanding of internal control that is significant within the context of the audit objectives. For internal control that is significant within the context of the audit objectives, auditors should assess whether internal control has been properly designed and implemented and should perform procedures designed to obtain sufficient, appropriate evidence to support their assessment about the effectiveness of those controls.”

“These standards (internal control) provide a general framework. In implementing these standards, management is responsible for developing the detailed policies, procedures, and practices to fit their agency’s operations and to ensure that they are built into and an integral part of operations.”

DPW&T staff were unfamiliar with the proper approach in which to structure and document its internal controls to mitigate certain risks associated with the transit system. As a result, the integrity of transit related transactions could be compromised which can lead to misappropriation of fare collections, erroneous transactions, inconsistent execution of procedures, and inaccurate reporting.

We recommend the following actions based upon each condition identified:

The Bus and Call-A-Bus

1(a) DPW&T existing written policies and procedures, with respect to TheBus and Call-A-Bus, should be updated to address the recording, reconciliation and review of fare collection activities and transactions. Additionally, to help

simplify the reconciliation process, revenue transactions should be classified and segregated into sub-accounts in the County's accounting system.

Call-A-Cab

1(b) DPW&T should develop written policies and procedures, with respect to Call-A-Cab, to address all aspects of its operations. These written policies and procedures should address the collection, recording, and review of all Call-A-Cab related activities and transactions.

Call-A-Bus

1(c) DPW&T fare counting procedures should be modified to include either the monitoring of the fare count by a supervisor, or a two person verification of the fare count. Furthermore, there should be a reconciliation of the fare deposited to the corresponding daily driver trip reports to ensure that all fares were deposited into the bank account.

1(d) DPW&T should make the required updates to the system that produces daily driver trip reports so that accurate information can be reflected. Additionally, policies and procedures should be established to address instances when daily driver trip reports may require manual modification by any personnel, including drivers. These policies and procedures should be implemented and all relevant personnel properly trained.

All implemented controls should be incorporated in DPW&T policies and procedures.

Failure to Correct Fare Reporting System Issues in a Timely Manner

Each bus in operation for TheBus transit system contains an electronic fare box that captures fare collection and ridership information. At the end of each day, both the fare collection and ridership information is transmitted wirelessly, during the probing process, to a computer located at the DPW&T facility (D'Arcy Road location). The ridership information gathered during the probing process is used by DPW&T staff for internal and external reporting purposes. However, the fare collection information gathered during the probing process is not utilized for any purpose because the probing process and subsequent reporting of information from the current database system (Hummingbird) has accuracy issues. In order to gain an understanding on the depth of the accuracy issues pertaining to fare collections, we compared the fare collection information generated from the probing process for cash collections to actual fares collected and deposited for 27 randomly selected days. The results of our testing revealed that the amount of cash fare collections identified on the probing reports were greater than the actual cash deposited amounts by an average of \$416. DPW&T staff also provided a monthly comparison of cash fare collections for FY 2014 from the probing report

(R408) and actual cash deposits, and it revealed an average monthly cash deposit deficit of \$10,330, and a cumulative yearly cash deficit of \$123,963.

With respect to the collection of electronic fares (i.e. SmarTrip related mediums), DPW&T staff were unable to substantiate, with confidence, electronic remittances of SmarTrip related funds from WMATA due to the reporting accuracy issues that were previously mentioned. As a result, the amount of funds received from WMATA pertaining to SmarTrip were based upon WMATA's summation of information received during the probing process.

It is unclear when the issues with the probing and reporting process began; however, these issues were present during FY 2014, and pre-date our audit period. DPW&T staff stated that the issues stem from complications with the reporting of information from the current (Hummingbird) reporting system, which is owned and maintained by the Washington Metropolitan Area Transit Authority (WMATA). This conclusion was reached based upon assessments and discussions DPW&T staff members had with representatives from WMATA during FY 2014. WMATA uses information transmitted from the probing process to help determine whether ridership at a particular bus route has reached a level where it makes business sense for them to establish one of their transit bus routes in that location. However more recent discussions with WMATA representatives have suggested that DPW&T staff may not be familiar with how to run reports within the Hummingbird system, which could lead to inaccurate reporting. DPW&T staff stated that they are working with WMATA and TheBus contractor (TransDev) to identify the cause of the reporting errors and determine a solution to the unreliable information being reported. During our audit we were unable to corroborate any communication between DPW&T, and WMATA, concerning the probing related issues.

DPW&T Transit Policy Section 19 K states, "On a quarterly basis, the assigned Program Coordinator shall complete a Revenue Variance Report for TheBus (Attachment K.1). This report compares the actual revenue deposited and the revenue projected based on passenger trips provided. Variances greater than negative ten percent (-10%) are deducted from the Contractor's next monthly invoice (Attachment K.2)."

DPW&T staff failed to follow-up on a solution to the issues with the probing process in a timely fashion. As a result, there is a potential for a loss of fare revenue due to the inability to have a system in place to identify true variances between actual and calculated fare collections.

2) We recommend that DPW&T staff take the necessary steps to properly identify and correct the issues with the probing process, so that a comparison of projected fare revenue to actual collections can be completed for both cash and electronic fare receipts. Once the comparison is completed, variances outside a

predetermined acceptable percentage range and contractual limits should be investigated and the appropriate actions should be taken if necessary.

Failure to follow Fare Counting Policies and Procedures

During our audit we identified several instances where fare counting policies and procedures were not followed for TheBus and Call-A-Bus operations. These instances of non-compliance were identified as follows:

- Failure to secure access keys and complete designated logs/forms;
- Unnecessary items stored in the money counting room;
- Failure to provide adequate video surveillance of the money counting room;
- Unauthorized removal of the mobile vault by undesignated personnel;
- Failure to rotate fare counting staff; and
- Failure to conduct and document initial counts of miscellaneous fare collection items.

Failure to secure access keys, complete designated logs/forms and ensure only necessary items were stored in the money counting room

During the fare counting process, gaining entry to certain rooms are limited by keyed access. Furthermore, upon gaining entry, individuals are required to document their access through the completion of certain logs/forms. Audit testing revealed the following pertaining to gaining and documenting access to these rooms:

- Key Access Form- According to attachment 15.10 of transit policy no.15, keys to the rooms/items listed below must be stored in a safe in the money counting room:
 - Cash Vault Storage Room;
 - All keys to drop Cash Vaults from manual fareboxes;
 - All keys to open cash vaults;
 - All keys to the mobile and stationary GFI vaults;
 - All keys to the secure cabinet in the Cash Vault Storage Room;
 - All GFI Maintenance top keys and bill transport keys; and
 - Fare box probe manual.

Upon accessing the safe that contains keys to the above mentioned rooms/items, entries must be made on the key access form by authorized personnel whenever property is removed from the safe. This form captures information such as the date/time issued, the individual recipient of the key(s), the purpose, date/time returned, and the manager's name and initials. In most cases keys or the portable probe are removed to access fare boxes during the counting process. During our audit, DPW&T staff were unable to produce a completed key access form for FY 2014. During an observation of an actual TheBus fare count, we noted that the keys to the mobile vault, and bus probe were stored in unsecured places, such as

the Operations Manager's lunchbox, and General Manager's unlocked desk drawer. Furthermore, keys for the manual Call-A-Bus vaults were stored in the Assistant Supervisor's unlocked cabinet.

Money Counting Room – Upon gaining access to the money counting room, entries must be made in the money counting room log by authorized personnel. This log captures information such as the date/time entered and exited, the purpose, and the initials of the individual that gained access. A review of the money counting room log for FY 2014 revealed a total of 165 entries made, of which 160 entries were instances where DPW&T or the contractor (TransDev) staff documented their entrance to the money counting room when Dunbar employees came to pick-up money for TheBus or Call-A-Bus fare collections to be deposited. The remaining five (5) entries in the money counting room log were for instances when money counts were conducted or counting equipment was accessed. Since fare counts for TheBus are conducted on a daily basis, with the exception of weekends and holidays, and there are periodic counts for Call-A-Bus, there should have been a greater number of entries made into the log for FY 2014. During an observation of an actual TheBus fare count, we noted that the keys to the money counting room were stored in the General Manager's unsecured desk drawer. We also observed numerous boxes of paper stored in the money counting room in violation of policies and procedures.

- Cash Vault Storage Log- Upon gaining access to the cash vault storage room, entries must be made in the cash vault storage log by authorized personnel. This log captures information such as the date/time issued, the individual recipient of the key(s), the purpose, date/time returned, and the manager's name and initials. For operational purposes there are two separate cash vault storage rooms for TheBus and Call-A-Bus fare collections. These rooms are located within the money counting room with separate keyed accessibility. During our audit, DPW&T staff were unable to produce a completed cash vault storage log for FY 2014 for either TheBus or Call-A-Bus cash vault storage rooms.

Failure to provide adequate video surveillance of the money counting room

A review of the cameras located in and around the money counting room revealed a total of four (4) operational cameras. The actual location and DPW&T camera number for the four (4) cameras are listed below:

DPW&T Camera #	Camera Location
#11	Para-Transit (Call-A-Bus) Cash Vault Room
#12	TheBus Cash Vault Room
#13	Main Money Counting Room
#14	Hallway outside of the Money Counting Room

After viewing footage from each camera to ensure that they were operational we noticed that the footage from camera #13 did not capture the entire area of the money counting room. Specifically, the camera does not capture a portion of a table that is used to conduct the actual count of fare collections, and an area outside of the Para-Transit cash vault room.

Unauthorized removal of the mobile vault by undesignated personnel

According to DPW&T policies and procedures, the removal of the mobile vault from the stationary vault should be completed by revenue counting personnel with keys they obtained from a safe accessed by designated staff member. However, discussions with contractor staff revealed various occasions, during TheBus fare counting process, where the mobile vault is removed from the stationary vault and placed in the money counting room by a contractor staff member. The removal of the mobile vault is not witnessed or documented, and is completed at varying times prior to the arrival of designated revenue counting personnel. This contractor staff member also has keys to access the money contained within mobile vault.

Failure to rotate money counting staff

According to DPW&T policies and procedures, the individuals that are responsible for counting the fare collections are to be rotated on a prescribed basis. As mentioned earlier, entries in the money counting room and cash vault storage logs were either not consistently completed or nonexistent. However, discussions with DPW&T staff, along with a review of entries made in the Dunbar log book completed by money counting staff, revealed the same individuals are consistently being used to conduct fare counting for TheBus fare collections.

Failure to conduct and document initial counts of miscellaneous fare collection items

According to DPW&T policies and procedures, the individuals that are responsible for counting the fare collections are also responsible for conducting counts of miscellaneous fare items (i.e. WMATA tokens, damaged currency, foreign currency etc...). The count of these items are to be documented on a miscellaneous fare report, which is then to be given to the Program Coordinator on a weekly basis. The Program Coordinator then conducts her own count of the miscellaneous items and requests reimbursement from applicable entities (i.e. WMATA, U.S. Treasury, etc.) on a monthly basis. However, the counting and reporting of these miscellaneous fare collection items has not been conducted by the individuals responsible for fare counting. As a result, the Program Coordinator has been solely responsible for the counting and recording of these items. Furthermore, the lack of a count of these items under adequate control conditions prevents a true reconciliation of these items.

DPW&T Transit Policy 15, which applies to TheBus operations, has several requirements some of which are mentioned below:

- Section A number 8 states, "...the stationary vault housing is opened by the Revenue Count Personnel and the mobile vault is rolled to the Money Counting Room. To remove the mobile vault, the stationary vault housing is opened by Revenue Count Personnel using one alloy key. The Assistant General or General Manager or other designated staff will issue this key to the Revenue Count Personnel from the safe located in the Money Counting Room..."
- Section A number 9 states, "...The Money Counting Room and the Wash Bay service area are under surveillance by video camera with monitors in a County office and in the General Manager's office..."
- Section C number 3 states, "...No equipment or materials are to be stored in the rooms (money counting and cash vault storage) other than fare box and revenue counting equipment."
- Section C number 6 states, "Anyone entering the Money Counting Room at the Transit Operations Center must provide their initials, and, date and time of entry and exit on the Money Counting Room Log In/Out Sheet."
- Section C number 7 states, "Any One Day Passes, Bus Passenger Transfers, Metrorail Transfer Tickets, tokens, foreign coins, slugs or counterfeit coins/currency, free pass coupons, courtesy passes or torn or mutilated currency which are deposited in the fareboxes are to be collected by the Revenue Count Personnel, counted daily, and turned into the County's Program Coordinator each Tuesday for the preceding week." The count for these miscellaneous fare collection items are to be documented on a specified report.
- Section C number 11 states, "The mobile vault bins are opened by the Revenue Count Personnel who will work in alternating two-person teams. The General Manager will prepare an alternating work schedule for Revenue Count Personnel so that the same personnel are not working consecutive shifts."
- Section D number 2-4 states, "With the use of the Key/Access Form the General Manager will authorize issuance of fare box/revenue keys from the safe...When an employee is issued a fare box/revenue key(s), such employee will acknowledge the receipt of it by signing in the space provided on the Key Access Form. The Assistant General Manager or General Manager will countersign the form when the key is returned. All keys for the manual fare boxes, their cash vaults, the keys to the mobile and stationary vaults for the GFI system, and the registering fare box probe (portable) will be stored in a safe in the cash counting area of the Money Counting Room as will the key to the Cash Vault Storage Room..."
- Section D number 6 states, "All keys to drop the manual cash vaults and/or use the portable probe will be stored in the safe in the Money Counting Room."

Attachment 15.2, which is referenced in DPW&T Transit Policy 15, Section C1, further supports the above mentioned policies and procedure and additionally requires individuals to sign the Cash Vault Storage In/Out Room log, noting the number of loaded cash vaults on the cart before entering the money counting room.

DPW&T Transit Policy 7, which applies to TheBus and Call-A-Bus operations, has several requirements, some of which are mentioned below:

- Number 5 states, “Upon entering the money count general room area, the Engineering Technician will sign-in on a designated log. After entering the County’s designed counting room, the Engineering Technician will sign in again.”
- Number 6 states, “Keys to open all fare boxes will be stored in a designated area in the County’s money count room. The Engineering Technician will use the keys to open all fare boxes and return the keys to the storage area.”

DPW&T staff failed to follow its cash counting policies and procedures with respect to securing access keys, completing designated logs/forms, rotating money counting staff, the authorized removal of the mobile vault, and conducting and documenting initial counts of miscellaneous fare items. Furthermore, with respect to adequate camera coverage of the money counting room, DPW&T staff was either unaware or not concerned with the lack of camera coverage.

There is a potential for a loss or misappropriation of fare revenue due to the failure to follow established policies and procedures. Furthermore, the failure to follow these established policies and procedures could hinder any efforts to investigate lost or misappropriated fare revenue.

3) We recommend that DPW&T staff follow their established policies and procedures with respect to securing access keys, completing designated logs/forms, storage of necessary items in the money counting room, rotating fare counting staff, the authorized removal of the mobile vault, and conducting initial counts of miscellaneous fare collection items. Additionally, the proper steps should be taken to ensure that the entire area of the money counting room is captured during video surveillance and that only necessary items are stored in the room. Management should conduct periodic reviews of documentation (i.e. logs/forms) that support these activities along with visual inspections to ensure compliance.

Failure to Adequately Secure and Make Timely Deposit of Call-A-Cab Coupon Collections

A sample of 218 Call-A-Cab coupon purchases was selected to facilitate various audit testing procedures. These 218 coupon purchases represented 12 individual

deposits in amounts ranging from \$590 to \$1,730 made during FY 2014. A comparison of the collection date of the coupon purchases to the actual deposit date revealed that none of the deposits were made in a timely manner. The gap between the actual collection and deposit dates for these coupon purchases ranged from 4 to 53 days. Furthermore, collections (cash, checks, or money orders) that were awaiting deposit were stored in an unsecured location (i.e. Budget Aide's unsecured overhead cabinet).

County Administrative Procedure 346 has several requirements some of which are mentioned below:

- Number 2 states, "Although the County Charter indicates that the Director of Finance is responsible for the collection of all revenues due to the County, it is not intended that only the Office of Finance perform the collection function. In order to avoid unnecessary administrative costs to the County and to avoid inconvenience to customers of the County, certain departments are allowed to be the initial point of revenue collection. Where departments are authorized to collect revenues, it is the department head's responsibility to develop the appropriate internal control procedure to ensure that collections are transmitted to the Treasury Division or, alternatively, that collections are deposited directly to a County bank account."
- Number 8b number 3 states, "Collections over \$100 should be deposited daily before the bank closes for business."
- Number 8b number 6 states, "Collections not deposited should be maintained in a locked container..."

DPW&T staff were either unaware of the requirements of Administrative Procedure 346 or failed to adhere to them. As a result, there is the potential for a loss or misappropriation of Call-A-Cab coupon collections due to the failure to follow established policies and procedures.

4) We recommend that DPW&T staff follow the requirements of Administrative Procedure 346 and ensure that Call-A-Cab coupon collections in excess of \$100 are deposited daily in the designated County bank account. Furthermore, any collections awaiting deposit should be adequately stored in a secure location. Management should conduct periodic reviews of documentation (i.e. logs/forms) that support these activities to ensure compliance.

Failure to maintain supporting documentation for bus inspections, and implement a process of monitoring contractor on-time performance in a timely manner

Based upon a review of the contract between the County and the transit contractor, (TransDev) there were certain types of incidents that will result in the assessment of liquidated damages. The incidents we reviewed along with the source used to identify them are as follows:

Liquidated Damage Triggering Incident	Identifying Source
Vehicle Maintenance/Cleaning	3 rd party/DPW&T inspection reports
Late/Early/Missed Transit Trips	NextBus tracking software

An assessment of each of these triggering incidents that could result in liquidated damages are as follows:

Vehicle Maintenance/Cleaning

Beginning in CY 2014, the County contracted with a third party vendor, Transit Resource Center (TRC), to conduct mechanical, operational and safety related inspections of TheBus bus fleet. The vendor conducts two inspections per month that collectively cover the entire fleet of buses. In addition to these third party inspections, the Transit Division also conducts internal safety inspections of the entire bus fleet on a monthly basis. The results of these inspections could lead to the assessment of liquidated damages if certain deficiencies identified are not corrected in a specified time frame.

According to DPW&T staff, during FY 2014, there were no liquidated damages assessed related to vehicle maintenance or cleaning issues. However, staff members were unable to provide copies of the inspection reports produced by the 3rd party vendor TRC or internally by the Transit Division. Without these reports it is impossible to determine if there were any issues found and whether they should have led to the assessment of liquidated damages.

Late/Early/Missed Transit Trips

With respect to late, early, or missed transit trips (i.e. on-time performance), DPW&T calculated an excessive dollar amount for liquidated damages relating to incidents in FY 2014 for bus transportation services provided by the contractor (TransDev). The calculated amount was generated using route tracking software called NextBus. NextBus is software that uses GPS to predict arrival times for vehicles using bus routes and run times that are uploaded into the system. According to DPW&T staff, the system was purchased in FY 2002 at an initial cost of approximately \$1 million dollars. The annual subscription and upgrade costs for the system has averaged nearly \$300,000 for the last 6 fiscal years.

The calculated liquidated damage amount FY 2014 was never billed to the contractor due to flaws with the information contained within the NextBus software. According to DPW&T staff, the calculation of related liquidated damages could not be relied on due to the flawed information. DPW&T staff stated that the problem was first identified with route information in the NextBus system in January 2013. The problem was identified by the contractor

(TransDev) when an attempt was made by DPW&T to bill them for liquidated damages related to on-time performance. A subsequent review of the information within the NextBus system by DPW&T staff revealed inconsistencies and missing data contained in the NextBus system that could result in an overstated calculation of liquidated damages. Further complicating the billing of liquidated damages were a list of pricing assumptions dated January 19, 2009, that according to DPW&T staff, served as the basis of the proposed price that the contractor submitted in its agreement with the County. One key provision that was included in these assumptions was a monthly limit of \$20,000 for liquidated damages. Although these assumptions were apparently a part of negotiations, they were never formally included as an attachment to the initial contract agreement between the County and the contractor dated December 22, 2009. As a result, liquidated damages that were calculated relating to on-time performance were never billed to the contractor. Even though the calculated amount for liquidated damages were never billed, DPW&T staff estimated that the \$20,000 monthly limit would have been reached for each month in FY 2014 had an effective measure been put in place to assess on-time performance. DPW&T staff based its estimate on an evaluation of actual contractor performance during FY 2014.

To address correcting the data issues within the NextBus software, a plan was developed by DPW&T to work with the contractor to identify and update the flawed information contained within the software. The plan, which had a targeted completion date of July 1, 2013, required a re-timing of each bus route so that accurate information could be updated in the NextBus system. Once updated and mutually agreed upon with the contractor, the system would then be used to assist in the assessment of on-time performance. To date, DPW&T staff have not completed the necessary updates to the NextBus software that would enable an evaluation of on-time performance issues and any subsequent assessment of liquidated damages. However, DPW&T is currently working on advertising a new request for proposal (RFP) for bus transit services which would incorporate a standardized industry mechanism for identifying and assessing incidents that could trigger liquidated damages.

Government Accountability Office (GAO) standards for internal controls (GAO/AIMD-00-21.3.1) states that:

"Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."

Applicable excerpts of the Contract (and supporting attachments) between the County and the Contractor (TransDev formally known as Veolia Transportation Services) are mentioned below:

iii) Late and Early Trips – The liquidated damages for late and early trips set forth in Attachment A to this Agreement shall not be assessed until the parties reach a mutually acceptable resolution to AVL system and running times issues or January 1, 2010, whichever occurs first.

iv) Missed Trips – The liquidated damages for “missed trips” commencing with the start date of this agreement is defined as follows: the Contractor’s current hourly base rate multiplied by the number of TheBus service trips classified as “missed” which fall below 99% daily in accordance with the standard in Section 3.17.12.

3.26.5 – any liquidated damages assessed to the Contractor as a result of applicable provisions of the RFP shall reduce the total monthly payment by a like amount. The measuring period for each standard provided in Section 3.18 shall be month to month.

3.26.7 – The County reserves the right to waive the imposition of any of the liquidated damages described above which may arise from conditions which are beyond the control of the Contractor.

DPW&T staff did not have an effective record keeping system in place with respect to maintaining transit inspection reports.

With respect to the timely correction of the NextBus system, DPW&T staff stated that limited staffing contributed to the failure to address the problems.

Failure to maintain documentation to support transit inspections that were conducted could question whether these inspections actually occurred. Furthermore, if these inspections did occur, failure to maintain inspection reports would eliminate a paper trail of problems that were identified and subsequently corrected, or problems that were never addressed.

The lack of a properly functioning NextBus system does not provide the County with a method of monitoring the contractor to determine whether they are providing efficient and effective services to the County.

Additionally, the failure to timely correct the NextBus system used to identify situations where on-time performance was not met has hindered the County’s ability to collect any applicable liquidated damages.

We recommend the following actions based upon each condition identified:

(5a) DPW&T staff implement an effective record keeping system to ensure that all inspection reports are maintained, as well as all other pertinent documentation.

(5b) DPW&T staff immediately work with the necessary parties (TransDev, NextBus support staff) to either correct the issues with the existing software used to track on-time performance or find another method to identify situations where the contractor failed to provide on-time performance in accordance with the contractual agreement. If a method other than the NextBus software is utilized, then a cost-benefit evaluation should be conducted on the NextBus software to determine its viability. Once an effective method has been identified it should be immediately implemented so that the County can monitor and enforce contractual provisions related to on-time performance of the contractor.



Rushern L. Baker, III
County Executive

PRINCE GEORGE'S COUNTY GOVERNMENT

Department of Public Works and Transportation
Office of the Director



Darrell B. Mobley
Director

BRIEFING MEMORANDUM

DATE: June 22, 2017

TO: David H. Van Dyke
County Auditor

FROM: Darrell B. Mobley, Director
Department of Public Works and Transportation

RE: ADMINISTRATIVE – Division of Transit – Audits and Investigations
(Transit System Audit, December 2016)

The Department of Public Works and Transportation (DPW&T) received your email dated May 31, 2017 transmitting the June 2017 final draft of the Transit System audit report of the Department. Staff reviewed the key findings and recommended corrective actions noted. Our response and action plans are as follows:

ISSUE 1 (a): TheBus and Call-A-Bus

"Reporting process being performed is not documented in written form. Furthermore, the current process in practice lacks any requirement of oversight to ensure that the recorded transactions are accurately reflected in the County's accounting system. However, the failure to classify these transactions by revenue source within individual sub-accounts in the accounting system complicates the reconciliation process." (Repeat finding May 2002).

REPORT RECOMMENDATION: DPW&T existing written policies and procedures, with respect to *TheBus* and Call-A-Bus, should be updated to address the recording, reconciliation and review of the fare collection activities and transactions. Additionally, to help simplify the reconciliation process, revenue transactions should be classified and segregated into sub-accounts in the County's accounting system.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation and has updated the policies as recommended. Specific policies impacted are:

- 424.14.15 Transit Revenue Handling and Control Management (Updated)
- 424.25.22 Call-A-Bus Money Handling and Control (Updated)

The updated policies were drafted and implemented in September 2016. The final policies were signed in January 2017. These detailed policies include specific procedures on money handling, proper recording of transactions and oversight of the process to ensure County funds are properly reconciled. Please refer to Attachment 1(a).

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Additionally, the Office of Transportation has started the process of creating sub-accounts in the County's accounting system (SAP); staff's most recent conversation has been with the County's Office of the Treasurer on December 30, 2016. All sub accounts were established in SAP by April 1, 2017.

ISSUE 1 (b): Call-A-Cab

"Lack of written policies and procedures for the administration of Call-A-Cab financial transactions. As a result, the integrity of transit related transactions could be compromised which can lead to misappropriation of fare collections, erroneous transactions, inconsistent execution of procedures, and inaccurate reporting."

REPORT RECOMMENDATION: DPW&T should develop written policies and procedures with respect to Call-A-Cab to address all aspects of its operations. These written policies and procedures should address the collection, recording and review of all Call-A-Cab related activities and transactions.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation and have updated its policy as recommended.

424.23 Program (Update)

DPW&T, Office of Transportation staff provided the audit team with a copy of existing DPW&T Directive 424.23, dated June 18, 2012. However, staff has updated the policy with reissuance and implementation being effective February 2017. The money handling and controls are addressed in Section 8, page 13 of the *Call-A-Cab* Program policy. As a result of this finding, the updated procedures include several new steps to insure *Call-A-Cab* transactions are reconciled and audited. This in turn will provide additional oversight of the collection process. Please refer to Attachment 1(b).

ISSUE 1 (c): Call-A-Bus

"Policy No. 7 that governs the fare counting procedures for Call-A-Bus vehicles has only one individual that is responsible for unsupervised counting of fares."

"DPW&T does not have any policies and procedures that address how corrections or modifications are to be made by drivers to trip reports when necessary."

REPORT RECOMMENDATION: DPW&T fare counting procedures should be modified to include either the monitoring of the fare count by a supervisor, or a two-person verification of the fare count. Furthermore, there should be a reconciliation of the fare deposited to the corresponding daily driver trip reports to ensure that all fares were deposited into the bank account.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation and has updated its policy as recommended.

424.25.22 Call-A-Bus Money Handling and Control (Updated)

In February 2017, all *Call-A-Bus* staff were retrained on the updated DPW&T Directive 424.25, Paratransit Policy No. 22, Money Handling and Control to properly account for and handle the revenues collected. One added section includes the monitoring oversight of a Supervisor during the fare counting process. See Attachment 1(c).

Section H of the *Call-A-Bus* Money Handling and Control Policy, addresses the reconciliation of the fare deposits. See Attachment 1(c). In addition, the Operators handbook has been updated to reflect that the Operators are responsible for updating assigned daily driver trip reports. Training on the updated processes took place in February 2017.

ISSUE 1 (d): Call-A-Bus

"Failure to update the required fare in the Trapeze system that produces the driver trip report."

REPORT RECOMMENDATION: DPW&T should make the required updates to the system that produces daily driver trip reports so that accurate information can be reflected. Additional policies and procedures should be established to address instances when daily driver trip reports may require manual modification by any personnel, including drivers. These policies and procedures should be implemented and all relevant personnel properly trained.

DPW&T RESPONSE:

In 2010, the Office of Transportation launched Trapeze scheduling software to efficiently manage individual transit trips for Senior Transportation Service and *Call-A-Bus* Service. At the time, the fare parameters were Senior Citizens \$0.50, Disabled \$0.50 and \$1.00 as the Regular Fare. In 2012, the fare policy changed to Senior Citizens and Disabled fares being FREE with the Regular Fare remaining the same. The fare modifications were not updated in the software; therefore, Operator manifests did not reflect accurate fare collection requirements. On January 4, 2017, Paratransit staff updated the Trapeze scheduling software system to reflect the current fare structure. The appropriate fares have been reflected on Operator manifests as of Monday, January 23, 2017. Transit Services Coordinators will review the daily schedules, make adjustments and approve as appropriate. The Operator will be responsible for making manual adjustments to daily manifests throughout the shift per the updated Operator handbook. Training on the updated process took place in February 2017.

ISSUE 2: Call-A-Bus

"The results of our testing revealed that the amount of fare collections identified on the probing reports were greater than the actual deposited amounts by an average of \$416. DPW&T staff stated that the issues stem from complications with the reporting of information from the current (Hummingbird) reporting system, which is owned and maintained by WMATA. DPW&T staff

stated they are working with WMATA to identified the cause of the reporting errors and determine solution. However, we were unable to corroborate any communication between DPW&T and WMATA concerning the probing related issues."

REPORT RECOMMENDATION: We recommend that DPW&T staff take the necessary steps to properly identify and correct the issues with the probing process so that a comparison of projected fare revenue to actual collections can be completed. Once the comparison is completed, variances outside the predetermined acceptable percentage range and contractual limits should be investigated and the appropriate actions should be taken if necessary.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation. Office of Transportation management continues to research the farebox reporting inconsistencies. The Associate Director has assumed the lead role in communicating with WMATA to identify areas of failure within the Hummingbird reporting system. Analysis of report discrepancies with WMATA, the Contractor and County staff are ongoing by means of bi-weekly taskforce meetings. DPW&T management, along with the contractor, met with WMATA representatives in early February 2017 and continue to meet to determine next steps in correcting the reporting discrepancies. Once the point of failure is identified, a standard operating procedure will be developed for reporting and analyzing the Hummingbird farebox data. Refer to Attachment 2.

ISSUE 3: Call-A-Bus

"Failure to follow Fare Counting Policies and Procedures" (Repeat Finding May 2002).

- *Failure to secure keys and complete designated log/forms;*
- *Unnecessary items stored in the money counting room;*
- *Failure to provide adequate video surveillance of the money counting room;*
- *Unauthorized removal of the mobile vault by undesignated personnel;*
- *Failure to rotate fare counting staff; and*
- *Failure to conduct and document initial counts of miscellaneous fare collection items.*

REPORT RECOMMENDATION: We recommend that DPW&T staff follow their established policies and procedures with respect to securing access keys, completing designated logs/forms, storage of necessary items in the money counting room, rotating fare counting staff, the authorized removal of the mobile vault, and conducting initial counts of miscellaneous fare collection items. Additionally, the proper steps should be taken to ensure that the entire area of the money counting room is captured during video surveillance and that only necessary items are stored in the room. Management should conduct periodic reviews of documentation (i.e., logs/forms) that support these activities along with visual inspections to ensure compliance.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation and has updated its policy. It is strengthening its procedures, as staff has been retrained and management provides impromptu oversight at least quarterly.

424.14.15 Transit Revenue Handling and Control Management (Updated). Refer to Attachment 3.

Failure to secure access keys and complete designate logs/forms: As of November 30, 2016, a corrected process for entering the money room was implemented. Upon entry into the money room, all staff must sign into the logbook, providing time of entry and printed name; upon exit, each individual signs out and notes the time of departure. Updated procedures and retraining of those who have access to the money room was also given in November 2016. Refer to Attachment 3(a).

We note that the report mentions 165 Dunbar sign-ins to the money counting room without oversight of a County employee. This is actually a misconception, likely exacerbated by the old logbook format. In that format, Dunbar is noted in the "purpose" column of the log. Then there are initials in the "initials" column, and it is natural to believe that those would be the initials of the Dunbar employee. However, they are not. It is actually county staff initials that are notated in the "initials" column. The following initials and corresponding names represent the County staff as noted in the logbook:

CS	Curtis Shannon	KC	Kristy Cluster
DS	Dorothy Scott	JH	J. Tyrone Hairston
BS	Brittany Sawyer	RC	Regina Crawford
JT	James Turner	JM	Jamey Modlin (Contractor)
JS	Jayquetta Samoura (Contractor)	JW	Justine White
SP	Shawna Peterson		

In November 2016, the money room locks were rekeyed ensuring limited distribution of keys and access. Only three keys are now available to the money counting room. One is secured with the contractor General Manager, one with the Chief of Paratransit Operations, and one with the Associate Director of Transportation. To access the keys, staff must sign

logbook and obtain a supervisor's authorization/signature upon issue and return. The contractor has a similar process only allowing access to the GM and/or AGM on duty. Upon completion of the revenue count, the sealed money bags are stored in the vault room. County staff maintains the only key to this room. Access is provided to Dunbar by a County employee and/or Contractor management. Refer to Attachment 3(b).

Unnecessary items stored in the money counting room: The Contractor was notified of the need to clear the money room of storage items. The Office of Transportation also coordinated with the County Office of Information Technology to clear old computer equipment from the area. This was completed in September 2016 and a reminder sent in January 2017. Refer to Attachment 3(c).

Failure to rotate fare counting staff: In November 2016, a new policy was implemented in-which the contractor was required to provide a monthly schedule of weekly rotational staff responsible for the revenue reconciliation. Additionally, County staff also provided a monthly rotational weekly schedule of staff to provide oversight of the reconciliation process. Additional random oversight is provided by County Management Team members.

Unauthorized removal of the mobile vault by undesignated personnel: In early August 2016, Office of Transportation's Management Team was made aware of the initial concerns with money handling processes. The Associate Director of Transportation scheduled an unannounced observation. Immediately following the review, she provided notification for the Contractor to immediately cease the movement of the mobile vault and accessing the vault contents without County staff present. Additionally, she assigned a Revenue Handling Taskforce to review and implement policy processes. The taskforce meets bi-weekly to address any existing reporting systems discrepancies.

Failure to conduct and document initial counts of miscellaneous fare collection items: The Transit Revenue Handling and Control Management policy has been updated to include steps to document initial counts of the miscellaneous fares during the money counting process. Staff will be trained on the new process and it took effect in February 2017. Refer to Transit Revenue Handling and Control Management Policy, Section D(ii), page 6.

Failure to provide adequate video surveillance of the money counting room: The Office of Transportation met with the video surveillance vendor. From the meeting, we discovered the equipment is outdated and little can be done to make changes to the current system. Therefore, we requested funding in our FY2018 budget to upgrade existing cameras and purchase new equipment and licenses for off-site monitoring capability. Refer to Attachment 3(d).

The Office of Transportation hopes to close out this item in FY2018. In the meantime, the additional oversight by County staff, through direct observation of the revenue activities, and limited access to the money room has provided additional security. In addition, Management will continue to conduct periodic reviews of the process.

ISSUE 4: Call-A-Cab

"Failure to adequately secure and make timely deposits of Call-A-Cab coupon collections." (Repeat Finding May 2002).

"Number 8b number 3 of County Administrative Procedure 346 states, "Collections over \$100 should be deposited daily before the bank closes for business."

"Number 8b number 6 states, "Collection not deposited should be maintained in a locked container."

REPORT RECOMMENDATION: We recommend that DPW&T staff follow the requirements of Administrative Procedure 346 and ensure that Call-A-Cab coupon collections in excess of \$100 are deposited daily in the designated County bank account. Furthermore, any collections awaiting deposit should be adequately stored in a secure location. Management should conduct periodic reviews of documentation (i.e., logs/forms) that support these activities to ensure compliance.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff concurs with the recommendation and will follow the requirements of Administrative Procedure 346.

We are in the process of requesting a quote from the armored car service to schedule weekly pick-up of Call-A-Cab revenues. In addition, we have added a safe to the office in order to secure cash under \$100. The safe will be secured in the Associate Director's office with limited access.

Management will continue to provide random periodic reviews.

ISSUE 5 (a): TheBus

"DPW&T staff did not have an effective record keeping system in place with respect to maintaining transit inspection reports."

REPORT RECOMMENDATION: DPW&T staff implement an effective record keeping system to ensure that all inspection reports are maintained, as well as all other pertinent documentation.

DPW&T RESPONSE:

DPW&T, Office of Transportation respectfully submits the inspection reports from our third-party vendor TRC and staff reports that speak to this finding and recommendation. Copies of the reports have been located back to 2013. See attached reports from various calendar years Attachment 5(a).

ISSUE 5 (b): *TheBus*

"The lack of a properly functioning NextBus system does not provide the County with a method of monitoring the contractor to determine whether they are providing efficient and effective services to the county."

REPORT RECOMMENDATION: DPW&T staff immediately work with the necessary parties (Transdev, NextBus support staff) to either correct the issues with the existing software used to track on-time performance or find another method to identify situations where the contractor failed to provide on-time performance in accordance with the contractual agreement. If a method other than the NextBus software is utilized, then a cost-

benefit evaluation should be conducted on the NextBus software to determine its viability. Once an effective method has been identified, it should be immediately implemented so that the County can monitor and enforce contractual provisions related to on-time performance of the contractor.

DPW&T RESPONSE:

DPW&T, Office of Transportation staff is in partial agreement with this recommendation.

As part of the enhanced oversight process, the Office of Transportation is downloading and reviewing daily On-Time Performance data from NextBus and evaluating anomalies regularly. In conjunction, Office of Transportation staff is coordinating with NextBus representatives to perform hardware diagnostics of equipment and making on-site repairs, as needed. To date, NextBus has evaluated equipment on 85 fixed-route in service buses, replacing broken knobs and fuses, as necessary. The goal is to have 100% of the fleet's in service Automatic Passenger Counter units evaluated and repaired by August 2017.

While the Office of Transportation agrees there were missed opportunities for assessing Liquidated Damages in relation to On-Time Performance (OTP), there were unforeseen factors that impacted both County and the Contractor and inhibited our ability make progress on the retiming effort, the most prevalent being the turnover of staff among the contractor and within DPW&T. In 2013, shortly after the agreement to review OTP in relation to Liquidated Damages, Veolia was purchased by Transdev. In this same period, DPW&T changed its Director and its Associate Director for the Office of Transportation,

along with several subordinate positions. The secondary factor is the condition in the agreement to not access damages in excess of \$20,000 monthly, which would be equivalent to an annual total not to exceed \$240,000 in Liquidated Damages.

Additionally, there is reference to potential Liquidated Damages in FY14 that have not been billed to the contractor. While DPW&T understands why this perception may exist, it is not based on fact. Any liquidated damages that were to be assessed would be based on a set of evaluation parameters that were envisioned, but never actually established. The liquidated damages were to be assessed based on failure to not meet OTP based on a timing measurement that were never put in place.

The Office of Transportation will be issuing a new RFP for the contract in operating *TheBus* which will more realistically address this concern.

Thank you for allowing the Department of Public Works & Transportation the opportunity to review and respond to your findings. Please do not hesitate to contact me or D'Andrea Walker, Associate Director of Transportation, if you have additional questions. We can be reached at 301-883-5600.

cc: Martin L. Harris, Deputy Director, DPW& T
D'Andrea L. Walker, Associate Director of Transportation, DPW&T

Attachment 1(a), Transit and Call-A-Bus Revenue Handling and Control Policies
Attachment 1(b), Call-A-Cab Program
Attachment 1(c), Call-A-Bus Revenue Handling and Control
Attachment 2, Email Correspondence
Attachment 3, Transit Revenue Handling and Control
Attachment 3(a), Sample Log Book Sheet
Attachment 3(b), Locksmith Invoice
Attachment 3(c), Letter to Transdev, January 2017
Attachment 3(d), Scope of Work, Money Count Room
Attachment 5(a), TRC Inspection Reports
Attachment 5(b), Sample OTP Report

NOTE: DPW&T's referenced attachments in their responses can be reviewed in the PDF report version on-line at A&I website at <http://pgccouncil.us/374/Reports-Issued> under the 2017 tab.

**Auditor's Comments on the Department of Public Works and Transportation (DPW&T)
June 22, 2017 Response to the Audit Findings**

We have received the responses to our audit of the Department of Public Works and Transportation's Transit System and wish to thank everyone involved for their efforts. However, we would like to provide clarity with respect to some of the DPW&T's responses to our findings and recommendations. Our specific comments to their responses, which we feel need some clarity, are as follows:

Audit Finding- Failure to secure access keys, complete designated logs/forms and ensure only necessary items were stored in the money counting room:

Audits and Investigations' Recommendation (3): We recommend that DPW&T staff follow their established policies and procedures with respect to securing access keys, completing designated logs/forms, storage of necessary items in the money counting room, rotating fare counting staff, the authorized removal of the mobile vault, and conducting initial counts of miscellaneous fare collection items. Additionally, the proper steps should be taken to ensure that the entire area of the money counting room is captured during video surveillance and that only necessary items are stored in the room. Management should conduct periodic reviews of documentation (i.e. logs/forms) that support these activities along with visual inspections to ensure compliance.

DPW&T Response: "...We noted that the report mentions 165 Dunbar sign-ins to the money counting room without oversight of a County employee. This is actually a misconception, likely exacerbated by the old logbook format. In the format, Dunbar is noted in the "purpose" column of the log. Then there are initials in the "initials" column, and it is natural to believe that those would be the initials of the Dunbar employee. However, they are not. It is actually county staff initials that are notated in the "initials" column..."

Audits and Investigations' Comment: The report actually states that "A review of the money counting room log for FY 2014 revealed a total of 165 entries made, of which 160 entries were instances where DPW&T or the contractor (TransDev) staff documented their entrance to the money counting room when Dunbar employees came to pick-up money for TheBus or Call-A-Bus fare collections to be deposited. The remaining five (5) entries in the money counting room log were for instances when money counts were conducted or counting equipment was accessed. Since fare counts for TheBus are conducted on a daily basis, with the exception of weekends and holidays, and there are periodic counts for Call-A-Bus, there should have been a greater number of entries made into the log for FY 2014.

Audit Finding- Failure to maintain supporting documentation for bus inspections, and implement a process of monitoring contractor on-time performance in a timely manner:

Audits and Investigations' Recommendation (5a): DPW&T staff implement an effective record keeping system to ensure that all inspection reports are maintained, as well as all other pertinent documentation. **(5b):** DPW&T staff immediately work with the necessary parties (TransDev, NextBus support staff) to either correct the issues with the existing software used to track on-time performance or find another method to identify situations where the contractor failed to provide on-time performance in accordance with the contractual agreement. If a method other than the NextBus software is utilized, then a cost-benefit evaluation should be conducted on the NextBus software to determine its viability. Once an effective method has been identified it should be immediately implemented so that the County can monitor and enforce contractual provisions related to on-time performance of the contractor.

DPW&T Response: “DPW&T, Office of Transportation staff is in partial agreement with this recommendation...While the Office of Transportation agrees there were missed opportunities for assessing Liquidated Damages in relation to On-Time Performance (OTP), there were unforeseen factors that impacted both the County and the Contractor and inhibited our ability to make process on the retiming effort, the most prevalent being the turnover of staff among the contractor and within DPW&T. In 2013, shortly after the agreement to review OTP in relation to Liquidated Damages, Veolia was purchased by Transdev. In this same period, DPW&T changed its Director and its Associate Director for the Office of Transportation, along with several subordinate positions. The secondary factor is the condition in the agreement to not access damages in excess of \$20,000 monthly, which would be equivalent to an annual total not to exceed \$240,000 in Liquidated Damages. Additionally, there is reference to potential Liquidated Damages in FY 14 that have not been billed to the contractor. While DPW&T understands why this perception may exist, it is not based on fact. Any liquidated damages that were to be assessed would be based on a set of evaluation parameters that were envisioned, but never actually established. The liquidated damages were to be assessed based on failure to not meet OTP based on a timing measurement that were never put in place”

Audits and Investigations' Comment: Although staff turnover and contractor changes could inhibit progress in addressing on-time performance evaluations, they should not totally prevent this assessment from going forth. To date, which is over four years after the targeted completion date of July 1, 2013, there isn't a mechanism in place to assess liquidated damages.

Furthermore, as mentioned in the report, the \$20,000 monthly cap on liquidated damage claims against the contractor was never formally included either as an addendum or addition to the initial contract between the County and the contractor. The reference to potential liquidated damages for FY 2014 that were never billed to the contractor was mentioned in the report for informational purposes, and to highlight the flawed information contained within the NextBus software.

