



DATE: September 5, 2008

TO: KENNETH HAMM, Director of Transportation
Department of Transportation/FAX

THROUGH: RENENA SMITH, Budget Director
Budget and Management Studies Division

FROM: BOB KOURY, Principal Internal Auditor
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SUBJECT: FOLLOW-UP AUDIT - TRANSPORTATION-FAX FARE BOX AUDIT

Attached is the Final Follow-Up Audit Report with the current implementation status of the 16 recommendations made in the Transportation-Fare Box Final Audit Report issued October 2, 2007. This Follow-Up Audit was performed in accordance with AO 1-12 and Government Auditing Standards.

Internal Audit has concluded the current implementation status for the 16 audit recommendations as follows:

Implemented	7
In Progress	8
Will Not Be Implemented	<u>1</u>
Total	<u>16</u>

Thank you for your assistance during the course of this follow-up audit. If you have any questions, please contact Bob Koury, Principal Internal Auditor, at 621-7072.

Attachment

cc: Alan Autry, Mayor
Council Members
Andrew T. Souza, City Manager
Bruce Rudd, Assistant City Manager
Gary Watahira, Deputy City Manager
Kathleen Healy, Administrative Manager, Transportation/FAX
Karen Bradley, Interim Finance Director/City Controller
Vince Cantu, Budget Analyst



**FINAL FOLLOW-UP AUDIT REPORT
FOR THE
TRANSPORTATION-FAX FARE BOX AUDIT**

**Performed by:
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Budget and Management Studies Division – Internal Audit**

Issued on September 5, 2008

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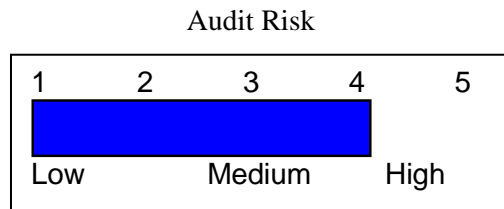
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Executive Summary

Internal Audit performed an audit of the Fresno Transportation-FAX Fare Box function during the period April through August 2007. The audit was undertaken to ensure that adequate controls are in place to safeguard monetary assets received by the FAX System and to accurately count, deposit and report these monetary assets. While performing the audit, we considered whether improvements could be made to strengthen internal controls over this monetary process and to enhance the operational efficiency and effectiveness of FAX.

Risk is the degree of or the lack of internal controls, management oversight and fiscal responsibility. Based upon Internal Audit's findings, Transportation-FAX's risk is high.



Key Issues Identified:

- All Fare Boxes (especially those reporting Road Call malfunctions) are not randomly pulled timely or semi-annually for service to ensure accuracy and reliability.
- The current FAX Vault Room does not provide adequate space for equipment and personnel to adequately and securely conduct the counting of Fare Box receipts, which ranged from \$250,408 to \$323,226 per month in 2006.
- The current Fare Box System is outdated and labor intensive to maintain.

Risk Identified:

- The lack of randomly checking Fare Box accuracy/reliability can increase bus Road Calls, delay passenger service and/or decrease Fare Box collections.
- The lack of adequate Vault Room space can possibly pose risks to an employee(s) and potentially cause inaccurate counting of Fare Box receipts.
- The current FAX Fare Box Disk Operating System (DOS) information reporting system will not be supported by the vendor in the near future, which will prevent accurate reporting of Fare Box revenue received.

Key Recommendations to Management:

- The Transportation Director should draft and implement a written policy on the frequency and randomness of pulling FAX Fare Boxes from Fixed Route buses to ensure an accuracy/reliability check is performed on each vehicle in service during a six month period at a minimum.
- The Transportation Director should evaluate the feasibility and cost of adding additional space to the total Vault Room to improve work place maneuverability and security during the counting of Fare Box receipts.
- The Transportation Director should continue to pursue the fact finding and potential purchase of a new Fare Box System for improved security, accountability and reporting of Fare Box receipts.

INTRODUCTION

Background

The Fresno Area Express (FAX) currently uses a Fare Box System called CENTSaBILL. The CENTSaBILL System is manufactured by GFI GENFARE, which was originally incorporated as General Farebox, Inc. GFI is the leading global supplier of bus Fare Boxes. GFI GENFARE is a wholly owned subsidiary of the SPX Corporation (whose global roots as an automotive supplier) include: Flow Technology, Test and Measurement, and Thermal Equipment and Services.

The CENTSaBILL Fare Box System used by FAX was installed in 1984. This electronic registering System allows the Bus Drivers to register special or reduced fares by use of a 16 button keyboard. CENTSaBill allows passengers to pay the fare by coin(s), currency, token, and/or ticket. The coins pass by a LED screen to read the size of the coin to ensure proper fare payment before emptying into a coin receptor. The CENTSaBILL System can not read currency by denomination. The Bus Driver must verify the currency through a window on the Fare Box within ten to twenty seconds as it drops by into a receptor. All bus fare data collected is stored internally via a built-in electronic data port. GFI is discontinuing support of the DOS based electronic data reporting program for these Fare Boxes.

Per FAX personnel, rebuilt Fare Boxes can be purchased from GFI for approximately \$15,000 each. Therefore, FAX Administration and Maintenance personnel contact or are contacted by other Transit Agencies (who are phasing out this particular system for a newer or different type of system) to try to purchase CENTSaBILL Fare Boxes/Parts. Currently, approximately two FAX employees maintain the CENTSaBILL Fare Box System which is very labor intensive and costly to maintain. A process of elimination must be used to decipher the problem and then fix-it-time can be hours dependent upon the problem. Factors that can affect proper operation of a Fare Box are: Age; Lint; Dirty/Sticky coins or currency, or damaged currency.

Internal Audit was informed by the Transportation Department that they have budgeted to purchase a new Fare Box System (such as the Smart Card System) in FY08.

Audit Objectives

Internal Audit's primary audit objectives were:

- 1) To evaluate and ensure the Transportation Department has adequate controls in place to safeguard monetary assets received through FAX 's Fare Box System; and
- 2) To ensure accurate counting, depositing, and reporting of the monetary assets received by FAX.

Audit Scope and Methodology

Internal Audit performed the Fare Box audit during the period April through August 2007 in accordance with Administrative Order 1-12 and Generally Accepted Government Auditing Standards. Internal Audit reviewed the following FAX Fare Box functions and processes:

1. Operation of the Fare Box System by the Bus Drivers.
2. Removal and collection of the bus fare money from the various FAX buses/trolleys.
3. Removal and counting of the daily fares collected through the CENTSaBILL Fare Boxes and placed in the Receiver Vault.
4. Preparation of the Bank Deposit for the daily fares collected and counted.
5. Random removal of a FAX Fare Box to ensure accuracy and reliability.
6. Perform various audit procedures related to the Armored Car Service Agreement for pick-up of deposits from FAX.

During the course of the audit, Internal Audit discussed their findings and proposed audit recommendations for improvement with various FAX staff.

Audit Research

In preparation for and during this audit, Internal Audit researched the following:

1. City of Fresno Administrative Orders;
2. Fare Box/Revenue Audits performed by other governmental agencies such as: Volusia County; Citizens Planning and Housing Association of Metropolitan Baltimore; City of Albuquerque, New Mexico; City of Tallahassee, Oklahoma; City of Detroit, Michigan; and the City of Gainesville, Florida.
3. Internal Audit reviewed prior City audits conducted of the FAX.
4. Internal Audit conducted web research for Fare Box information.

Audit Conclusion

Based on the results of our audit, Internal Audit concluded that an adequate control environment exists over the Vault Room activities given the current space limitations. Internal Audit considers this section of the Operations Division to be effective in accomplishing their timely mission. Internal Audit believes this is attributed to motivated and knowledgeable Maintenance and Vault Room personnel.

Internal Audit has, however, identified several areas within the FAX Department that we feel require strengthened and enhanced internal controls, and operational efficiencies and effectiveness. These areas are addressed throughout this audit report.

AUDIT FINDINGS AND RECOMMENDATIONS

Finding 1 – FAX CENTSaBILL Fare Box Operational Accuracy and Reliability

FAX personnel installed the current CENTSaBILL System into FAX buses in 1984. Due to the age of the System, technology and daily use of the Fare Box in the various FAX buses and trolleys, the System is not always operationally reliable. When the Fare Box malfunctions, Bus Drivers have to Road Call a FAX Supervisor to come to their location to investigate and attempt to fix the malfunctioning Fare Box. If the Supervisor can not fix the Fare Box while the bus is enroute, the Supervisor has to call for a bus replacement (if available) or allow passengers to ride the bus route free for the rest of the day until the Maintenance personnel can diagnose and fix the Fare Box problem during the nighttime hours.

FAX has a fleet of 125 buses and trolleys operating weekdays and/or weekends. FAX has a duplicate Fare Box for each trolley and Quick Response Vehicle only. Therefore, Fare Boxes from the Trolleys and Quick Response Vehicles are counted daily to ensure accuracy and reliability of fare information.

Currently, FAX has no written Policy and Procedure for randomly pulling Fixed Route Fare Boxes to verify the recorded monetary amount to the actual counted amount. Periodically, the FAX Administration and/or Maintenance Divisions will randomly have the normal bus Fare Box pulled. A substitute Red or Blue Fare Box is inserted into the bus Fare Box vault while the regular Fare Box is counted for accuracy and reliability. Internal Audit was informed by FAX personnel that two bus Fare Boxes are pulled each Monday through Thursday (no holidays) to check the accuracy and reliability of the bus Fare Boxes.

Internal Audit reviewed random Administration FAX Fare Box Reports for buses that had Road Calls for Fare Box malfunctions, and the Administration/Maintenance Divisions request for a Fare Box check. Internal Audit noted the following:

- There were a total of 829 Road Calls for Fare Box malfunctions during November 2006 through May 2007 amongst the buses in operation. The number of Road Calls per individual bus ranged from zero to 23 per bus.
- The Maintenance Division does not have an electronic database that shows what Fare Box or Fare Box Mechanism was removed from a particular bus for repair, the type of repair performed and what bus the Fare Box or Fare Box mechanism was placed into after repair. The Maintenance Division maintains invoices on repairs for data retrieval and review.
- The Fare Box was never pulled and checked for accuracy and reliability on 35 of the buses that reported a Road Call for a Fare Box malfunction.
- The Administration Division requested 88 random Fare Box checks during November 2006 through May 2007 on the fleet of buses.
- Eight out of the 88 Fixed Route Fare Boxes requested by the Administration Division to be randomly pulled for actual count were checked twice during the review period.

- The Maintenance Division requested 93 random Fare Box checks during November 2006 through May 2007 on the fleet of buses.
- Four out of the 93 Fixed Route Fare Boxes requested by the Maintenance Division to be randomly pulled for actual count were checked twice during the review period.
- The Administration and Maintenance Divisions did not randomly pull each bus Fare Box for an accuracy/reliability check during the seven month period we reviewed.
- Two bus Fare Boxes are not always pulled each Monday through Thursday evening for random accuracy and reliability checks.

Audit Recommendation 1:

The Transportation Director should draft and implement a written policy on the frequency and randomness of pulling FAX Fare Boxes from Fixed Route buses to ensure an accuracy/reliability check is performed on each vehicle in service during a six month period at a minimum.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 1 AS OF OCTOBER 2, 2007

The Director of Transportation has assigned the task of drafting a written policy on the frequency and randomness of pulling FAX fare boxes from fixed route buses to the Administration Manager. The policy will be finalized in two months. The Director and Division Managers will implement the policy.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 1 AS OF SEPTEMBER 4, 2008

The Department has not yet modified the farebox policy. The Director recognizes that the Department originally planned to draft a new policy on farebox pulls within a ninety-day period. However, as a consultant and management staff evaluated the vault program more completely and visited other transit properties, it became apparent that FAX needed to "Raise the Bar".

The Department is undertaking a complete restructuring of the processes, security procedures, and facility to improve the vault room process. With this undertaking will come a rewritten set of policies, procedures, and protocols. The criteria and methods for fare box audits will be a part of this more thorough approach.

Currently, the Department is waiting to see where the State Budget ends up because money for these improvements is part of what the Governor is proposing to use to fill the State's financial crater. If the funds materialize, the Department hopes to have a new vault room and all that goes with it completed in 12-18 months. Right now, the Department is satisfied that our current procedures are adequate given all the other related considerations, but we continue to evaluate that day-to-day.

Current Status Per Internal Audit – In Progress

Audit Recommendation 2:

The Transportation Director should designate a minimum Tolerance Level for Road Call Fare Box malfunctions (Coins and Currency) prior to the Fare Box being pulled for accuracy/reliability testing.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 2 AS OF OCTOBER 2, 2007

The Department will establish a minimum tolerance level for road calls, based on past fare box failures. This tolerance level will be incorporated into the Department's written policy. Fare boxes that exceed the tolerance level will be evaluated for repair or audit.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 2 AS OF AUGUST 7, 2008

The Department continues to monitor the correlation between fare box malfunctions and discrepancies. The Department has hired a consultant to assess a number of operational practices and policies. With more data and industry research, the Department will establish tolerance levels and fare box protocols for road failures within 90 days.

Current Status Per Internal Audit – In Progress

Audit Recommendation 3:

The Transportation Director should continue to pursue the fact finding and potential purchase of a new Fare Box System for improved security, accountability and reporting of Fare Box receipts.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 3 AS OF OCTOBER 2, 2007

The Department has been working with Purchasing on finalizing an RFP for the purchase and installation of a new fare box system. It is anticipated that the RFP will be "out on the street" in approximately 30 days.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 3 AS OF AUGUST 7, 2008

The RFP has been issued and two responsible bidders have responded. The two vendors have demonstrated their equipment at FAX as part of the procurement process. Both vendors meet the bid requirements. The vendors are currently preparing their final pricing proposals. The Department anticipates awarding the contract within 30 days, with implementation to begin within 60 days, and the project being fully completed in the next six to eight months.

Current Status Per Internal Audit – In Progress

Finding 2 – FAX Receiver System

Internal Audit conducted three observations of the removal and emptying of the FAX Fare Boxes at the end of each FAX day's route into a Receiver Vault. The first observation was on a Tuesday afternoon between 3 P.M. to 4 P.M. on four buses; then a Friday night between 9 P.M. and 10:30 P.M. on 47 buses; and finally a Saturday evening between 6 P.M. and 8 P.M. on 54 buses and one Trolley.

Internal Audit noted the following:

- Bus Drivers do not always pull up to the curb's edge in front of the designated Receiver for the day. Internal Audit witnessed drivers pulling behind or ahead of the designated receiver and/or pulled up to the Receiver but a distance from the curb. The failure to pull up to the curb's edge in front of the appropriate receiver could cause the Receiver employee to have a trip and fall type injury on the Receiver Wand cord used to obtain the electronic data and open the Fare Box bus vault and/or entering and exiting buses via steps with the Fare Box and Wand in hand.
- Three out of the 105 Fare Boxes to be emptied could not be removed from the FAX buses (one on Friday evening and two on Saturday evening). Maintenance personnel have to remove and empty the contents into the Receiver vault or place the money in an envelope and bring to the Vault Room for counting the next business day.
- Two out of the 54 Fare Boxes observed on Saturday evening did not completely empty into the Receiver Vault.
- The number on each FAX Fare Box did not always exactly match the bus number (possibly due to substitute Fare Boxes being used due to the age of the Fare Box System).

Audit Recommendation 4:

The Transportation Director should include in the Bus Drivers' Annual Training, safety information about proper stopping at the FAX Receiver System.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 4 AS OF OCTOBER 2, 2007

Beginning immediately, new driver and annual driver training will include instructions on proper stopping at the fare box receiver. Additionally, the Maintenance Division will post a sign at the fare box receiver notifying drivers of the proper place to stop the bus.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 4 AS OF SEPTEMBER 4, 2008

During the training of bus drivers, there is no material distributed regarding stopping at the vault receiver location. As drivers return to the yard after field training, the training supervisor drives them through the vault deposit area and reviews with them where the vault receiver is located and how to properly pull up to it for vaulting. A stop line has been painted and operators have been instructed to pull up to the line. We consider this issue to be satisfactorily addressed.

Current Status Per Internal Audit – Implemented

As confirmed with the Transportation Director and FAX Operations Manager, appropriate training is now being provided to new FAX Bus Drivers regarding the proper stopping at the FAX Receiver location. However, there is currently no supporting documentation being maintained of such training. The FAX Operations Manager should immediately establish and maintain adequate documentation for each Bus Driver receiving both classroom and actual “hands-on” instructions from FAX Trainers for future reference and/or audit trail purposes.

Audit Recommendation 5:

The Transportation Director should continue to pursue the fact finding and potential purchase of a new Fare Box System that would potentially eliminate the malfunctions identified in bullets two through four in Finding 2 above.

MANAGEMENT’S ORIGINAL RESPONSE TO RECOMMENDATION 5 AS OF OCTOBER 2, 2007

Please refer to the Response to Audit Recommendation #3.

MANAGEMENT’S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 5 AS OF AUGUST 7, 2008

A new fare box procurement is underway and should be completed within six to nine months.

Current Status Per Internal Audit – In Progress

Finding 3 – Vault Room Space

The Vault Room where Fare Box receipts are secured and counted consists of two areas. One area is a locked storage area approximately six feet by six feet where supplies, some equipment and the money are stored after counting. The second area is approximately ten feet by ten feet that contains a large automated coin counting machine, desk and work shelves. The Fare Box receipts are counted in the second area.

Prior to the actual count process, a Receiver Vault is rolled into the count area, unlocked and coins/currency is emptied from the Receiver. Two or more people work in this small space to sort and stack the currency for counting and count the coins using an automated coin counting machine. Space and maneuverability for the staff is limited at best during the counting process, and money and bus passes may fall on the floor but are retrieved by the staff at various times throughout the count process and during the count closing process. Fare Box receipts ranged from \$250,408 to \$323,226 per month in 2006.

Audit Recommendation 6:

The Transportation Director should evaluate the feasibility and cost of adding additional space to the total Vault Room to improve work place maneuverability and security during the counting of Fare Box receipts.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 6 AS OF OCTOBER 2, 2007

The Director of Transportation is preparing to contract with a facilities specialist, with experience in transit facilities, for a complete evaluation and study. The purpose of the evaluation and study will be to determine if modifications can be made to the existing transit facilities to accommodate the significant growth the Department has experienced over the last two years. The vault room will be a key piece of this evaluation and study, as the Department's growth has significantly impacted vault room operations.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 6 AS OF AUGUST 7, 2008

A consultant was hired to assist the Department with a number of operational focuses. The consultant has been working with staff on prospective improvements to the existing facility for the past three months as part of his scope of work. The proposal includes improvements to the current building with the construction of a new vault room. Preliminary drawings are being reviewed by staff at all levels for comment at this time. Provided the fiscal resources remain available, the improvements are scheduled to be completed by the end of FY 2009.

Current Status Per Internal Audit – In Progress

Finding 4 – Vault Room Security

Internal Audit observed the following security measures for the Vault Room:

1. Good key control for access to the Administration hallway Vault Room door and the inside storage area.
2. Use of cameras over the Receiver Vault area and in the Vault Room count area.
3. Camera surveillance of the Vault Room.
4. Alarm System to summon help in the Vault Room.
5. A peephole in the door leading from the Vault Room into the FAX Administration hallway.

During Internal Audit's observations of the Fare Box receipts counting process by the Vault Room Staff, the following was noted.

- Permanently assigned Vault Room Staff and/or temporary light duty staff do not always use the peephole in the Administration hallway door or inquire who is at the door prior to opening the hallway door during the count process.

- The Vault Room door leading to the south side parking lot does not have a peephole for Vault Room staff to identify who is requesting entrance from outside the facility. Vault Room staff open the parking lot door during the count process if someone knocks. Opening the outer door could expose the monetary assets to a loss due to theft and/or weather conditions.
- There is no actual locked metal vault in the Vault Room areas. After the money is counted, the money is stored in the smaller Vault Room Storage area (which is secured only with door locks) until the money is picked up by an armored car (daily Monday through Friday).

Audit Recommendation 7:

The Transportation Director should complete a feasibility study and cost benefit analysis to purchase a locked metal safe/vault (appropriate enough to hold all monetary assets until picked up by armored car) in the Vault Room for strengthened internal control and security of Fare Box receipts.

MANAGEMENT’S ORIGINAL RESPONSE TO RECOMMENDATION 7 AS OF OCTOBER 2, 2007

The Department agrees that a large, metal safe or vault is needed to accommodate the increase in fare box revenue, ensure the safety of transit personnel and maintain the security of fare box revenues. Currently, the vault room is not able to accommodate this type of safe. The facilities study, mentioned in the Response to Audit Recommendation #6, will include an evaluation on how a safe can be incorporated into the facility.

MANAGEMENT’S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 7 AS OF AUGUST 7, 2008

A safe with adequate capacity is planned as part of the new vault room.

Current Status Per Internal Audit – In Progress

Finding 5 – Vault Room Safety Concerns

Internal Audit witnessed and commends the Vault Room Staff for using safety equipment such as latex gloves when handling currency and a back support brace when moving the roller vaults and removing coins bags from the Money System Technology (MST) machine and into the inner Vault Storage Area after completing the Bank Deposit slips.

Internal Audit was informed by the Vault Room Staff and noted that the temperature in the Vault Room becomes colder as the day progresses. Therefore, the Vault Room Staff uses an old, small floor space heater to make the working environment more comfortable during the count process. Due to the limited working space, Fare Box receipts and tickets fall to the floor (possibly near the floor space heater). Internal Audit noted there was no Fire Extinguisher in the Vault Count Area where the floor heater is used around falling money and tickets.

Internal Audit also noted that shelf space in the Vault Count Area is high and narrow. The location of the shelf space causes staff to reach overhead to obtain objects which could fall and injure them.

Audit Recommendation 8:

The Transportation Director or Operations Manager should ensure the space heater meets current electrical standards prior to continued use and/or replace the heater with one that meets electrical standards.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 8 AS OF OCTOBER 2, 2007

The Maintenance Manager has evaluated the space heater in the vault room. The Maintenance Manager is pursuing modification of the electrical outlet and the purchase of a safe and acceptable heater. The electrical modifications and heater purchase will be complete within 30 days. The temperature in the room, and any building modifications needed to address this, will be evaluated by the facilities specialist mentioned in Response to Audit Recommendation #6.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 8 AS OF AUGUST 7, 2008

The facilities team removed the old space heater and replaced it with a safer, more acceptable model. All issues, including electrical outlets and building modifications, will be addressed in the construction of a new vault room. Completion is anticipated by the end of FY 2009.

Current Status Per Internal Audit – Implemented

Audit Recommendation 9:

The Transportation Director or Operations Manager should purchase a Fire Extinguisher and instruct all staff working in the Vault Room on the use of the fire extinguisher to prevent any unforeseen accident involving heat and paper.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 9 AS OF OCTOBER 2, 2007

A fire extinguisher has been installed in the vault room. Vault room staff has received two trainings on the use of fire extinguishers in the last two years.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 9 AS OF AUGUST 7, 2008

A fire extinguisher has been installed in the vault room. Vault room staff has received two trainings on the use of fire extinguishers in the last two years.

Current Status Per Internal Audit – Implemented

Finding 6 – Currency Counting

Per the FAX Maintenance staff, currency inserted into the Fare Box by a rider is automatically stacked within the Fare Box. When the Fare Box is temporarily removed from the CENTSaBILL Fare Box Vault in the bus and dumped into the Vault Receiver, the currency then becomes one gigantic pile of bills going in every direction. FAX does not have a spare Fare Box for each operating bus; therefore, each day's Fare Box receipts must be dumped into the Vault Receiver for manual counting.

The dumping of currency into the Vault Receiver creates a manual problem for the Vault Room staff. The currency must be removed from the Vault Receiver; all bills must be straightened out flat, including the corners. Damaged, scotch taped, or stapled bills must be removed, as well as currency denominations greater than \$1.00. All Bus passes must be removed for counting by Light Duty Staff or other FAX personnel. The Vault Room staff uses a currency counting machine manufactured by Glory to count the currency into stacks of \$100.00 each. The machine can only detect \$1.00 bills versus other denominations. If a bill is not straight and flat or if the bill has been damaged, the machine will shut off and send an error message. The stack of bills must be rechecked and the currency machine restarted. If the Vault employee operating the currency machine does not see a bill denomination greater than \$1.00, the machine will count the \$5.00 or \$20.00 bills as \$1.00 which will cause an inaccurate bank deposit when the Bank recounts the currency. The FAX Fixed Bus Fare was increased from \$0.75 to \$1.00 effective July 1, 2001 via Amendment 383 to the Master Fee Schedule. The increase in bus fare has caused an increase in Vault Room employees' time to prepare the currency for counting and complete the entire monetary counting process prior to 2 P.M. each weekday.

At times, Light Duty personnel (FAX employees that have sustained an injury and can not work their permanent duty assignment) are assigned to assist the full-time Vault Room Staff to prepare the currency for counting. On Mondays, the Vault Room Staff have to count three days of Fare Box receipts (Friday – Sunday) prior to 2 P.M. Internal Audit observed the processing and counting of Fare Box receipts for a three day period which totaled approximately \$32,000. Internal Audit witnessed that some Light Duty personnel are not able to stand to perform the currency tasks and/or are not as vigilant about getting bill denominations greater than \$1.00 out of the currency stack prior to counting.

Audit Recommendation 10:

The Transportation Director should evaluate the use of Light Duty personnel in the Vault Room to ensure they can perform the Fare Box counting duties accurately and timely in preparation for Armored Car pick-up.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 10 AS OF OCTOBER 2, 2007

Based on the schedule and changing nature of "light duty assistance", it is not practical to provide these employees with the level of training recommended. The Department will address

this issue through the pricing, evaluation and purchase of a currency counter that differentiates between denominations, as mentioned in Response to Audit Recommendation #11.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 10 AS OF AUGUST 7, 2008

With help from the vault room staff, the Department has priced and evaluated three different currency counters that differentiate between denominations. In the Department's FY 2009 Budget, money has been designated for the purchase of a new currency counter. The Department anticipates having this purchase made in conjunction with the construction of a new vault room. The practice of using light duty personnel continues. Budget constraints do not provide revenue for a third full-time account clerk.

Current Status Per Internal Audit – In Progress

Audit Recommendation 11:

The Transportation Director should evaluate the need and benefits of purchasing a Currency Counting Machine that counts denominations greater than and/or just \$1 bills for improved accuracy and efficiency.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 11 AS OF OCTOBER 2, 2007

The Department will seek input from the vault room staff and purchase a currency counter that differentiates between denominations. Currency counters will also be evaluated for other features that could streamline the cash counting process. This purchase will occur within one to three months. (Purchase of a more complex currency counter would require more time and result in increased benefits.)

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 11 AS OF AUGUST 7, 2008

Please refer to the Response to Audit Recommendation #10. The vault room staff has been included in discussions about the new facility, including all equipment needs.

Current Status Per Internal Audit - In Progress

Finding 7 - Automated Coin Counting

The Vault Room staff uses an automated coin counting machine manufactured by MST. One Vault staff employee turns on the machine and logs into MTS to create the daily coin report. Coins are automatically drawn up a conveyor belt through a trough to the machine which denotes the size of the coins (Dollars, Half-dollars, Quarters, Dimes, Nickels, Pennies, Bus Tokens and Foreign Currency) for sorting into the proper heavy plastic coin bags.

Internal Audit observed occasional coin jams in the trough which causes coins to dislodge from the trough either onto the top of the machine and/or onto the floor. Some coins hitting the floor may roll behind and/or under the machine (which is too large and cumbersome to move each day). Internal Audit noted that due to time constraints to count all the money, a Vault Room employee may have to initiate the coin counting process simultaneously during the currency sorting, stacking and counting process. The simultaneous processing of currency and coins prevents the Vault Room Staff from visualizing the coins being dislodged.

Audit Recommendation 12:

The Transportation Director should evaluate and implement some type of mechanism (cardboard, Plexiglas cover, or other material) that would prevent the coins from dislodging from the MST trough and falling to the floor for improved accountability and security of Fare Box receipts.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 12 AS OF OCTOBER 2, 2007

The Maintenance Division will fabricate a barrier to prevent the coins from dislodging from the MST. The barrier will be completed and installed within two weeks.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 12 AS OF AUGUST 7, 2008

The Maintenance Division has fabricated and installed a deflector to prevent the coins from dislodging from the money counting machine (MST).

Current Status Per Internal Audit - Implemented

Finding 8 – Token Machine

The FAX bus token machine is located in the vault storage area. Bus tokens from the plastic bag on the MST machine are dumped into the upper portion of the Token Counting machine. Vault Room staff initially sorts out non-Fresno tokens. Then the token machine is turned on to fill rolls of tokens for future use at the FAX Manchester and Downtown Sales locations.

Internal Audit noted on several occasions that bus tokens accidentally fall to the floor and roll under storage areas in this inner vault storage area.

Audit Recommendation 13:

The Transportation Director should instruct the Vault Room staff to place a card board box or some type of container on the floor to catch bus tokens that become dislodged from the machine and fall to the floor for improved accountability and security of bus tokens.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 13 AS OF OCTOBER 2, 2007

A box has been provided to the vault room staff to catch tokens as they fall to the floor.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 13 AS OF AUGUST 7, 2008

A box is still being provided and utilized by the vault room staff to catch tokens as they fall to the floor. A better solution is sought from the consultant for the new vault room application.

Current Status Per Internal Audit - Implemented

Finding 9 – Armored Car Service

The Finance Department, in conjunction with other City Departments, has a contract with an Armored Car Service for pick-up of monetary assets at various City locations, including FAX. Internal Audit reviewed the five and a half year Contract with the Armored Car Service (effective August 24, 2006) with a contract total of \$171,308 Citywide; the Request For Proposal (RFP) document dated April 25, 2006; an Amendment to the contract dated December 28, 2006; as well as payments to the Armored Car Service for the period of June 2006 through July 2007.

Internal Audit noted the following:

- The RFP/Contract includes a yearly escalating monthly service charge which Internal Audit verified as charged and paid correctly.
- Per the RFP/Contract, there is a Weekend/Holiday Service Charge of \$45 per location. Internal Audit noted FAX was charged and did not pay \$35.00 for one Holiday Service Charge and paid \$40.00 on four different occasions resulting in an apparent underpayment of \$20.00.
- The current RFP/Contract states the Excess Liability Charge over the Base Contract Rate is \$0.40 per \$1,000.00 over \$1 million. FAX was charged a total of \$646.00 for the months of July 2006 through December 2006 for a monetary pick-up greater than the Base Rate Contract Amount on various days of the week (not just Mondays). Internal Audit was given prior Armored Car Service documents dated April 10, 2001 and June 11, 2002 for review that stated the Excess Liability Charge was \$0.40 per \$1,000 or fraction thereof that exceeds the Liability Coverage per Shipment Amount. The current and prior language is confusing and can possibly result in over payments by the City.
- The current RFP/Contract states Excess Premise Time (Waiting Time) will be billed at \$3.50 per minute over four minutes. Per the Armored Car Service Invoice, Internal Audit noted FAX had incurred an Excess Premise time charge on 17 different days (not just Mondays and not always prior to 1600). Internal Audit was unable to conclude whether the time periods listed on the Invoice included or did not include the four minute grace period. Internal Audit noted FAX was charged \$0.32 to \$1.75 per minute per Excess Premise Time. Internal Audit calculated the total Excess Premise Time from the Invoices

for the period of June 2006 to July 2007 to be 241 minutes. Internal Audit calculated the Excess Premise Time should have been \$843.50 but FAX was charged and paid \$248.50 for an apparent under payment of \$595.00 by the City.

Audit Recommendation 14:

The Transportation Director, in conjunction with the Finance Department, should contact the Armored Car Service to clarify the amount owed for the Additional Charges of Excess Liability; Excess Premise Time and Weekend/Holiday Service. An amendment to the current RFP/Contract should be entered into to clarify the above charge amounts if different than written in the current RFP/Contract for clarification and contract compliance.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATIONS 14 AS OF OCTOBER 2, 2007

The Administration Manager will communicate with the City Treasurer to evaluate how the discrepancies in armored car service charges should be addressed, within 30 days.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 14 AS OF AUGUST 7, 2008

The Department of Transportation and the City's Treasury Department have discussed the discrepancies in armored car service charges and evaluated the contract. The Departments both agree that the discrepancies are not significant enough to amend the current contract.

Current Status Per Internal Audit - Implemented

Audit Recommendation 15:

The Transportation Director, in conjunction with the Finance Department, should ensure proper payment to the Armored Car Service Company for all billable charges, in accordance with the City/Armored Car Service contract terms and provisions.

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATIONS 15 AS OF OCTOBER 2, 2007

The Administration Manager will communicate with the City Treasurer to evaluate how the discrepancies in armored car service charges should be addressed, within 30 days.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 15 AS OF AUGUST 7, 2008

Please refer to the Response to Audit Recommendation #14.

Current Status Per Internal Audit - Implemented

Audit Recommendation 16:

The Transportation Director should research and evaluate the potential for cost-effective benefits of having the FAX Police escort the transport of FAX receipts to the Bank versus using Armored Car Service (especially after FAX determines the feasibility, and possible installation of, a metal vault in the Vault Room).

MANAGEMENT'S ORIGINAL RESPONSE TO RECOMMENDATION 16 AS OF OCTOBER 2, 2007

As part of the facility evaluation study mentioned in Response to Audit Recommendation #6, the Department will evaluate the feasibility of having fare box receipts transported by City staff, with a police escort. The Department is concerned about safety and liability issues. These issues will be evaluated during the study.

MANAGEMENT'S FOLLOW-UP RESPONSE/STATUS OF RECOMMENDATION 16 AS OF AUGUST 7, 2008

The Department of Transportation discussed allowing staff to transport fare box receipts with a police escort with the City's Treasury Department. Both departments agree that the best course of action is to continue with the current armored car service contract.

Current Status Per Internal Audit – Will Not Be Implemented

FAX Management, in conjunction with the City's Treasury Division, has elected not to change the current Armored Car Pick-Up process.

Additional Information

Internal Audit was informed by the Transportation Director and Management Staff that the Transportation/FAX location/facility at 'G' Street does not provide appropriate operational space for staffing to perform their duties, and the current layout does not provide for operational effectiveness and efficiency. For example, after a bus pulls into the Receiver Area to have the Fare Box emptied, the Bus Driver parks the bus. Then a Maintenance worker must drive the bus from the parked location to the refueling/washing station. After the bus is refueled and washed, the Maintenance worker must re-park the bus in a location ready to operate on the designated route in the morning.

As stated by the Transportation Director at our audit exit meeting on September 11, 2007, he is currently in the process of pursuing a Request For Proposal to have an architectural and operational review of the entire Transportation/FAX facility. The results of such an independent review may help identify areas for improved efficiencies and effectiveness at Transportation/FAX that could also address many of the inefficiencies noted in this audit report.