

# MUNICIPAL AUDITING REPORT CITY OF ROANOKE



## Greater Roanoke Transit Company Revenue Collection

**January 26, 2016**

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*Municipal Auditing Department  
Chartered 1974*

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## AUDIT OBJECTIVES & SCOPE

### Audit Objectives:

1. Are adequate controls in place and operating effectively to ensure cash fares collected are accounted for and deposited timely?

**Yes** – Secure fareboxes prevent access to cash by GRTC personnel and passengers during the day and during the removal of cash from each bus nightly. Cash is properly secured in a locked safe until the semi-weekly cash count. Significant controls include:

- Fareboxes that record all cash payments and ridership data.
  - Three keys required to access the cash room; two additional keys required for the cash vault.
  - Requirement that three people count the cash and prepare the deposit.
  - Independent reconciliations of farebox data, cash counts and bank deposits.
2. Are adequate controls in place and operating effectively to ensure all sales of single fare tickets and passes at Campbell Court are accounted for and deposited timely?

**Yes** – Pre-numbered, magnetic tickets and passes can be purchased from Information Officers at the Campbell Court Transfer Center. The tickets and passes are encoded with information that can be read by the fareboxes on the buses. The farebox can determine if a ticket or pass is valid or expired.

A series of well controlled spreadsheets are used by Information Officers to account for the daily sales of tickets and passes. A series of formulas calculate daily sales and deposit data based on the pre-printed ticket and pass numbers entered by the Information Officers. Money is deposited in the bank daily. Unsold tickets and passes are returned to the Finance department. Finance personnel perform the following significant controls:

- Review unsold tickets and passes and agree pre-numbering sequence to records of sales spreadsheet from the Information Officers.
- Verify deposits were made timely and agree to the recorded sales in the spreadsheet.
- Reconcile daily sales data for each Information Officer to daily deposit postings in the general ledger system.

- Count the \$450 cash drawer maintained by each Information Officer on a weekly basis.

Audit Scope:

We reviewed processes and controls in place over the collection of cash fares, excluding specialized transit arranged rides between January 1, 2014 and December 31, 2015.

We reviewed processes and controls in place over the sale of tickets and passes by Information Officers at the Campbell Court Information Booth between January 1, 2014 and December 31, 2015.

**End of Audit Objectives and Scope**

## BACKGROUND

The Greater Roanoke Transit Company (GRTC) is a private, nonprofit, public service organization wholly owned by the City of Roanoke. The GRTC contracts with First Transit, Inc., to operate and maintain the system. The transit system is more widely known as “Valley Metro.”

There are 71 fulltime and three [3] part-time bus drivers which operate a bus fleet consisting of 42 buses which run 32 routes, with limited snow routes when necessary. Buses run Monday through Saturday with the exception of six [6] holidays including New Year’s Day, Memorial Day, Independence Day (July 4th), Labor Day, Thanksgiving Day and Christmas Day. Additionally, there are nine [9] mechanics, 28 full time and two [2] part-time staff who help support operations.

Valley Metro provides a comprehensive range of transportation services to the greater Roanoke area, primarily in the Cities of Roanoke and Salem, and the Town of Vinton. These services include:

- Bus service along sixteen [16] fixed routes all of which leave from the Campbell Court Transfer Center.
  - Monday – Friday service runs between 5:45 am and 8:45 pm
  - Saturday service runs between 5:45 am and 8:45 pm

A standard fare rate of \$1.50 is charged with 50% discount fares available.

- Smart Way service between Roanoke and Blacksburg leaves from Campbell Court Transfer Center with various stops prior to arrival in Blacksburg.
  - Monday – Saturday service runs between 5:15 am and 9:40 pm

A standard fare rate of \$4.00 is charged with 50% discount fares available.

- Smart Way Connector service between Roanoke and the Lynchburg Amtrak station leaves from the Campbell Court Transfer Center stopping in Bedford prior to arrival at the Lynchburg Amtrak station.
  - Sunday – Saturday service hours based on train schedules

A standard fare rate of \$4.00 is charged with 50% discount fares available.

- Specialized Transit Arranged Rides (S.T.A.R) are a contracted service with United Human Services Transportation, better known as RADAR, which provides curb to curb service for temporarily and permanently disabled individuals.
  - Monday – Saturday service runs between 5:45 am and 8:45 pm by reservation

There is a \$3.00 cost charged per trip.

- Star Line Trolley provides free public transportation along the Jefferson Street corridor between Carilion Clinic and downtown Roanoke. The trolley can also be chartered for special events such as weddings.
  - Monday – Friday service runs between 7:00 am and 7:00 pm

Riders may purchase tickets and passes at the Campbell Court Transfer Center or at Valley Metro's Administrative Offices using cash or checks. Riders who want to pay the fare as they ride must use cash with the fareboxes. Drivers are not allowed to take payments or provide change. Valley Metro does not accept credit card payments.

Discounted fares are available to riders with a photo identification issued by Valley Metro's Administrative Offices after being approved through an application process. The 50% discount from the regular rate is offered to the following persons:

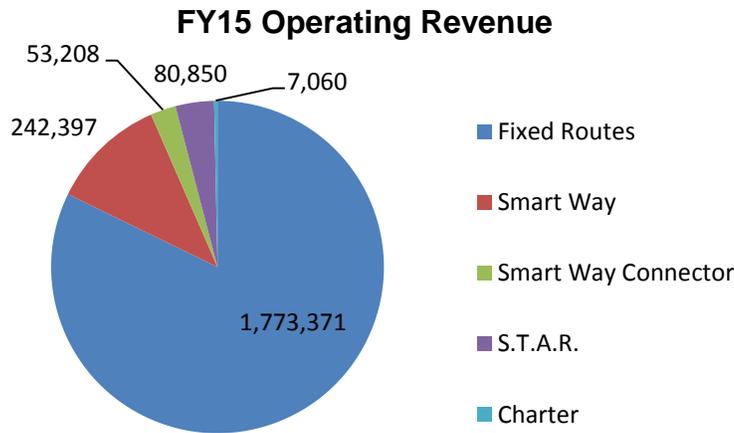
- Persons age 65 year or older
- Persons with disabilities

Students enrolled with Roanoke City Public Schools who are 11 to 18 years old receive a 50% discount if they have a valid student ID with their photo on it. Children 10 and younger ride free with a paying adult passenger.

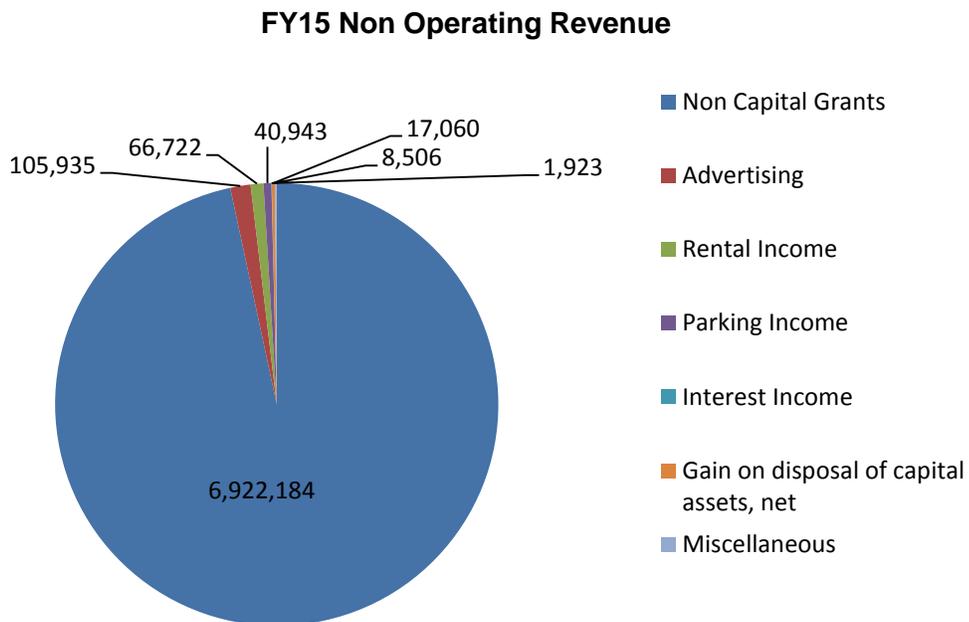
Students and faculty of Virginia Western Community College do not pay a fare at the time of service. Valley Metro invoices Virginia Western monthly for these riders.

Several companies and organizations throughout the Roanoke Valley purchase weekly or monthly passes for use by individuals. Valley Metro invoices these organizations monthly for these riders.

Fares are classified as operating revenue and totaled \$2,156,886 for the year ending June 30, 2015



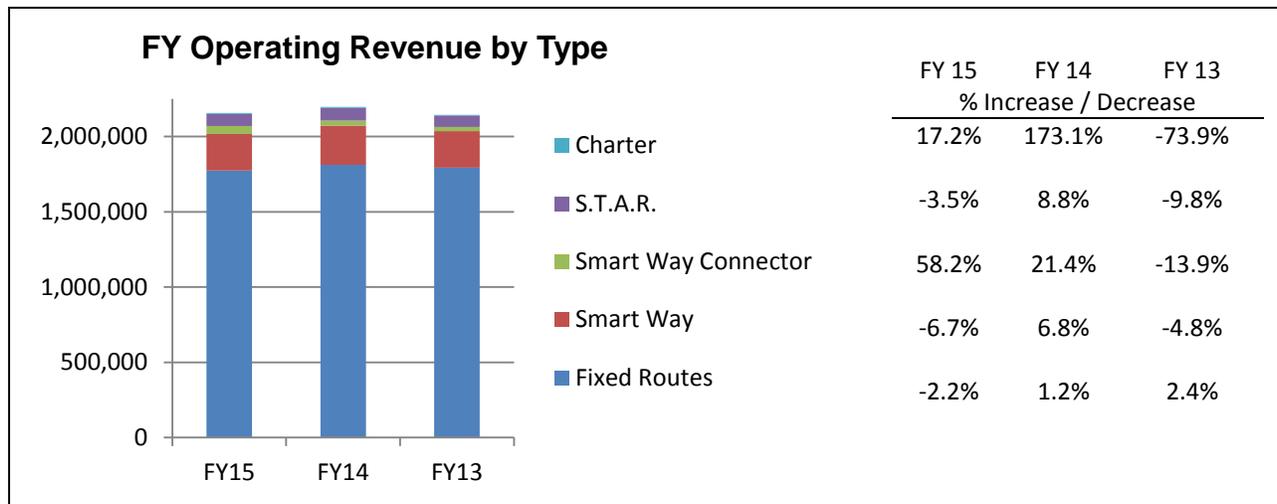
Non-Operating revenues for the year ending June 30, 2015 totaled \$7,163,274 and primarily consisted of grants, as shown here:



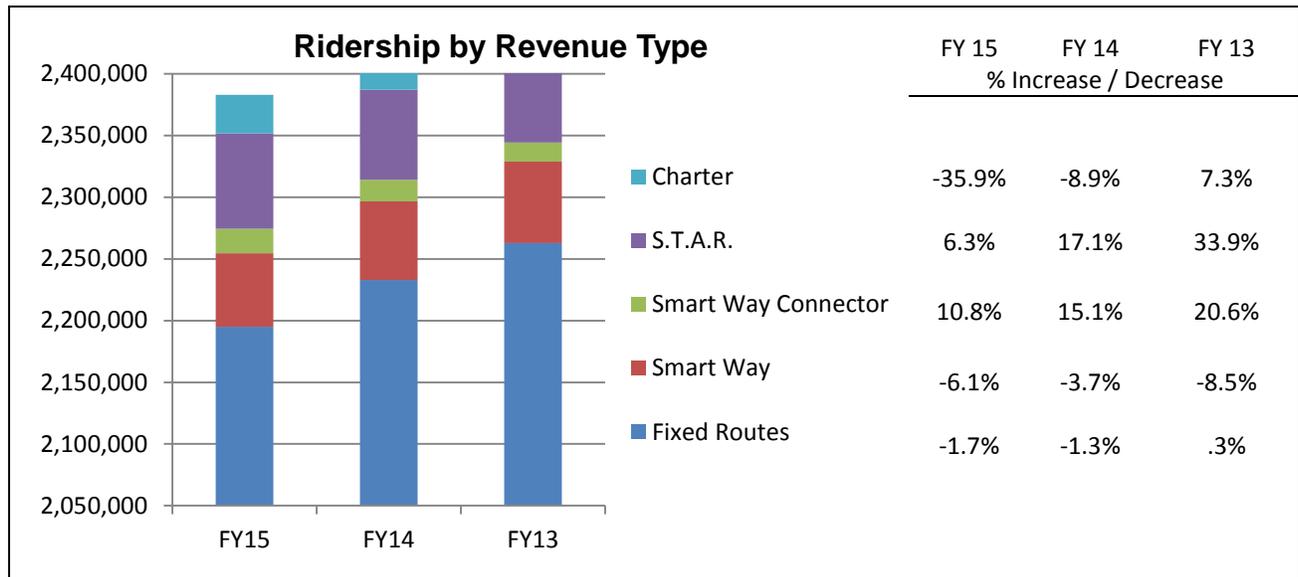
- Operating Assistance - Similar to other public transportation systems, government subsidies are required to fund operations. The company is the recipient of operating and capital grants from federal, state, and local agencies, including the Federal Transit Administration (FTA), the Virginia Department of Rail and Public Transportation, and the City.

- Advertising – Businesses pay for advertising displays inside buses as well as painted on the exterior of buses. GRTC employs an Advertising Sales Representative to handle all advertising. A copy of each contract is submitted to the Finance department who bills the vendor. There are approximately 15 to 20 contracts per year.
- Rental Income – Three vendors rent space in Campbell Court: Greyhound Bus, Pyxis Services and the 727 Market. A lease agreement exists for each vendor which is invoiced monthly by the Finance department.
- Parking Income - There are 105 parking spaces on two [2] decks at Campbell Court available to the public for a \$60 monthly rental. There are currently sixty-eight [68] spaces rented. Renters are invoiced monthly by the Finance department.
- Interest Income – This represents interest earned on bank deposits.
- Gain on Disposal of Capital Assets – Proceeds from sales of retired buses and other capital equipment.
- Miscellaneous – This includes income from sources such as coke machine receipts, waste oil receipts, and payroll deduction fees for wage assignments.

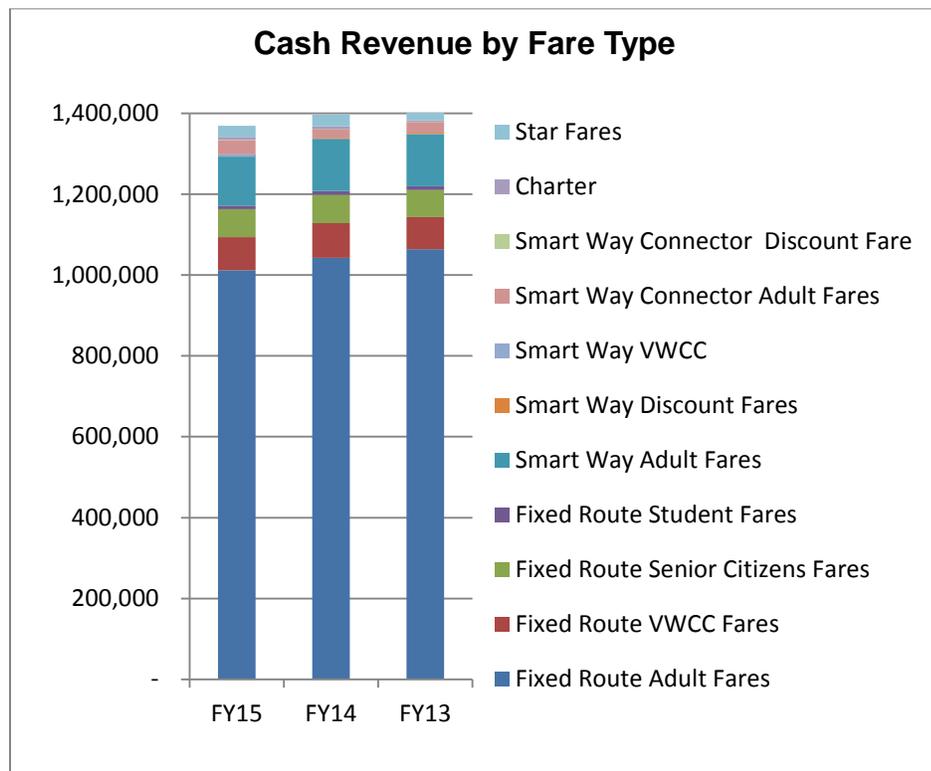
Total operating revenue by type for the prior three fiscal years is shown below:



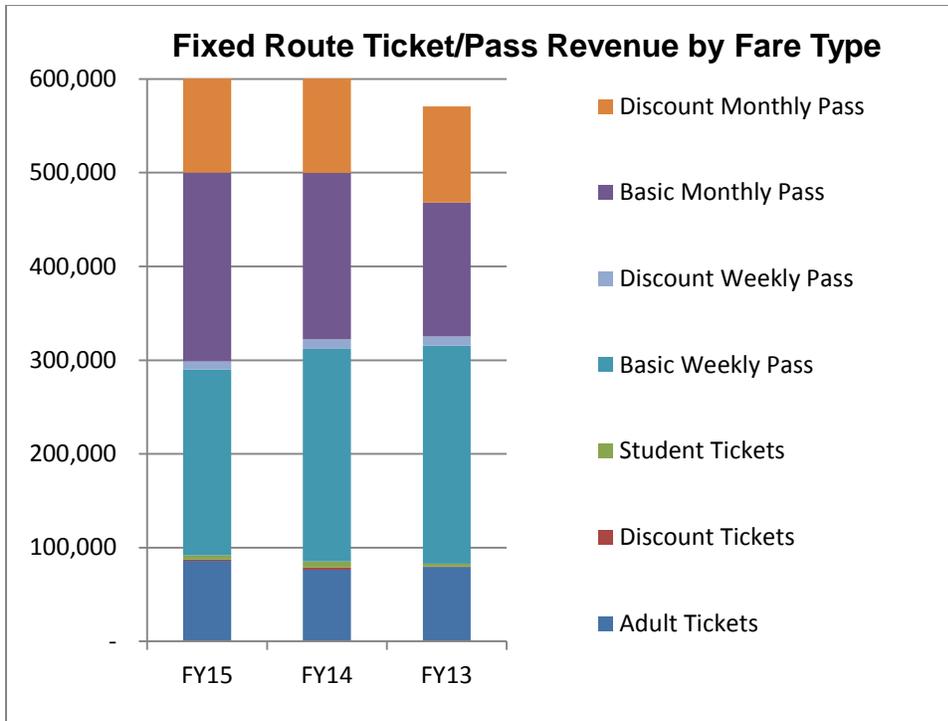
Ridership by revenue type for the prior three fiscal years is shown below:



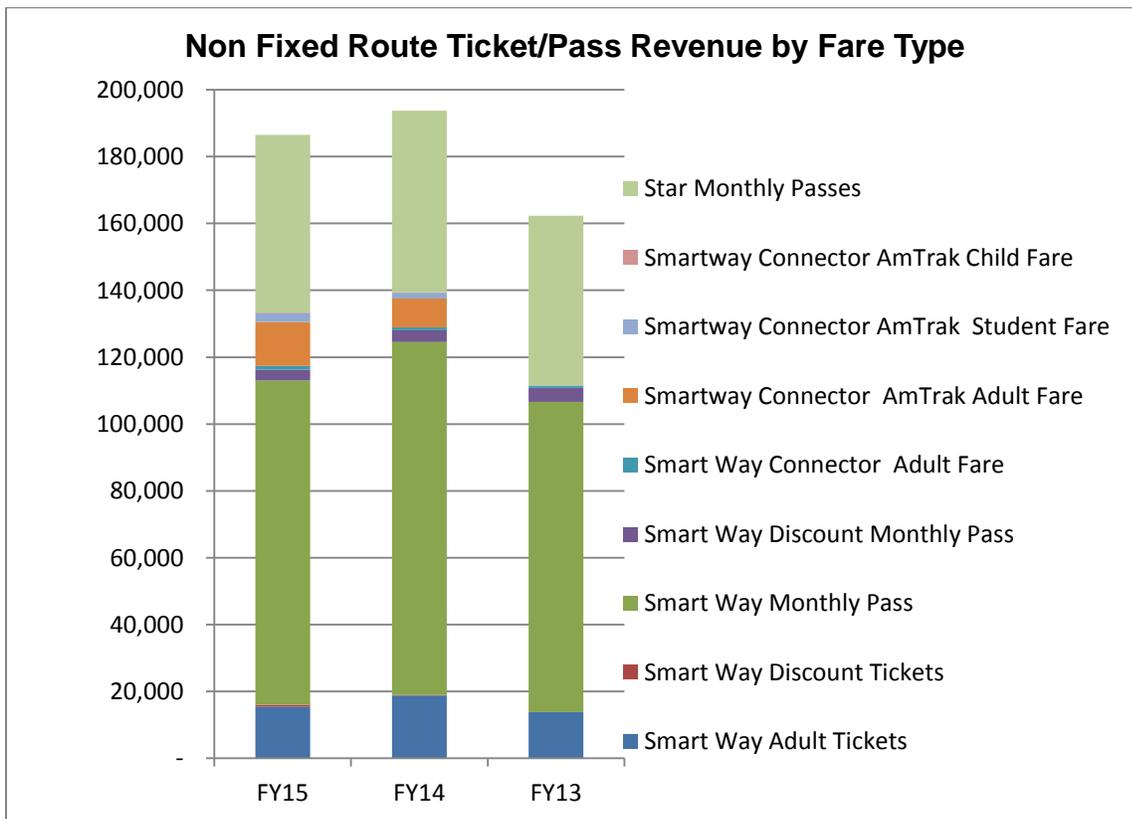
Cash revenue by route and fare type for the prior three fiscal years is shown below:



Fixed route ticket/pass revenue by fare Type for the prior three fiscal years is shown below:



Non fixed route ticket/pass revenue by fare type for the prior three fiscal years is shown below:



Valley Metro uses the Genfare Data system (GFI), a third party purchased system which uses electronic fareboxes and user applications providing reporting and monitoring of fare revenue and ridership.

**End of Background**

## Objective 1: Cash Fares

### Audit Objective:

Are adequate controls in place and operating effectively to ensure cash fares collected are accounted for and deposited timely?

Yes

### Overview:

Upon boarding, passengers may pay cash for a single fare. The driver selects the appropriate fare rate; full, discount, youth, etc., from a keyboard on the farebox and the passenger inserts coins or bills. When the appropriate amount of monies is received, the cash drops into a secured cashbox and the cash fare is processed by the computerized Genfare farebox. Any change due is provided in the form of a change card which can be used for future fares. No cash change is provided. Cash is not accessible to the driver or passengers once inserted into the cashbox.

During the nightly servicing of the buses at the Valley Metro Administration Building, Bus Cleaners process the fareboxes. An electronic probe is lined up to an electronic eye on each farebox which performs two functions:

- Downloads detail transaction data including number of passengers and revenue by fare type and route
- Unlocks the cashbox from the farebox

The Bus Cleaner walks the sealed cashbox to a vault door located on the outside of the cash vault and places the cashbox in the door causing the monies in the cashbox to drop into the cash vault. This process is performed without any individuals having access to the cash.

After all buses are probed and the cashboxes are emptied, the information stored on the probe is uploaded into the main Genfare computer system. This system produces a daily fare report showing total revenue collected and ridership data by fare type for each bus.

Cash remains stored in the secured cash vault within in the locked cash room until counted. The cash vault contains separate coin and bill sides which are accessed with separate keys. The cash room has three separate locks, one of which is connected to an alarm. All keys are stored in a safe in the Finance department. We reviewed controls over access to the safe and found the key and combination access properly controlled.

Each Monday and Thursday, keys to the cash room and cash vault are obtained and three employees enter the cash room to perform a blind cash count. The cash count is considered to be blind as the counters do not know the expected amount of cash based on ridership counts and fare rates. We randomly selected four [4] months between January 1, 2014 and December 31, 2015 for a total of 40 cash count days and determined the keys to the cash room and cash vault were properly signed out and returned the same day.

The three counters are periodically rotated, are prohibited from bringing personal money into the room and are required to wear a provided jacket with no pockets. Three counters are required to be in the cash room during the entire count process. A cash counting machine is used to assist in the count. The employees document and attest to the amount of cash counted by denomination. The counted cash is stored in a locked safe in the cash room to await pickup by Loomis Armored Transport the following day. The key to the safe is stored in the safe in the Finance department. A surveillance camera monitors the cash count activity which can be viewed if any cash shortages are noted.

We randomly selected 25 cash count days between January 1, 2014 and December 31, 2015 and determined the cash was:

- noted as being verified by three counters,
- agreed to the coin/bill counting machine batch tape,
- posted to General Ledger within five [5] business days and,
- deposited to the bank within two [2] business days.

Upon completion of the cash count, a Finance department employee who is independent from the count compares the counted cash by denomination to the Genfare daily cash revenue report. This procedure ensures the actual cash on hand agrees to the expected cash. We randomly selected 15 cash count days between March 1, 2015 and December 31, 2015 and determined the review was performed.

Throughout the month a Finance department employee, who does not participate in the cash count, compares the expected cash revenue per the Genfare system to the bank deposit by denomination. Any variances over \$200 are reviewed. We randomly selected four [4] months for a total of 42 cash count days between January 1, 2014 and November 30, 2015 and determined an individual independent from the cash count compared revenue per the Genfare system to the actual cash deposited by the twenty-first of the following month. Immaterial variances up to \$8.62, or .07% were noted.

During the month-end close out process, a Finance department employee performs a recalculation of expected cash fares for all routes including fixed route, Smartway and

Smartway connector, based on ridership counts and compares to both the expected Genfare system fares and actual cash collected. We randomly selected three [3] months between March 1, 2015 and November 30, 2015 and reviewed to determine the recalculations are being performed in a timely manner with any significant variances researched. The following minor differences were noted:

Month	Fare per Genfare	Calculated Fare	Cash Collected	Dollar Difference	Percent Difference
May 2015	84,990.00	84,990.00	85,673.31	683.31	.80%
July 2015	88,886.25	88,886.25	89,583.34	697.09	.78%
September 2015	85,207.50	85,207.50	85,761.79	554.29	.65%

During the month-end close out process, a Finance department employee performs the bank reconciliation which reconciles cash from various sources to the bank statement. The reconciliation is reviewed by a second individual. Bus revenue for cash fares and ticket/pass sales is included in the reconciliation. We randomly selected five [5] months between January 1, 2014 and November 30, 2015 and verified:

- monthly cash receipts from cash and ticket/pass sales to supporting documentation,
- reconciliation performed by the 21<sup>st</sup> of the following month, and
- review performed by a second individual within ten [10] days.

Because two [2] months were noted when either the reconciliation was not completed timely or not reviewed, the remaining 18 months in scope, for a total of 23 months were reviewed for timely completion and review with the following results:

- 18 months were completed after the 21<sup>st</sup> of the following month,
- three [3] months were not reviewed and
- seven [7] months were reviewed ten [10] or more days after the reconciliation date.

Although the goal for completion and review of the bank reconciliations is not always met, all reconciliations were completed with no material reconciling items noted. The timeliness of completion and review are not considered as significant as the completion.

Controls in place over the collection and subsequent accounting for cash fares are well designed and functioning adequately.

**End of Objective 1**

## Objective 2: Ticket and Pass Fares

### Audit Objective:

Are adequate controls in place and operating effectively to ensure cash for single fare tickets and passes sold at Campbell Court are accounted for and deposited timely?

Yes

### Overview:

Individual fare tickets or passes can be purchased at the Campbell Court Information booth Monday through Friday between the hours of 6:00 am and 8:15 pm and Saturday between 8:30 am through 5:30 pm with cash or check from an Information Officer. Inventory is ordered annually from an outside vendor, currently Genfare, and stored in various safes at the Valley Metro Administration building. Inventory ready to be distributed to an Information Officer is moved to a safe in the Finance Department. We determined access to the key and combination to be properly controlled.

Effective January 5, 2016 a new pass system was implemented. The audit reviewed the pass system in effect as of our November 30, 2015 audit date which included passes for adult, discount and youth priced fares including:

- single fare ticket,
- weekly pass, and
- monthly pass.

Weekly and monthly passes were valid based on the calendar week or month.

The new pass system also includes adult, discount and youth fares with 24 hour, 7 days, 31 day and 15 single ride options. Passes are activated the first time they are used and expire based on the length of the purchased pass, with the exception of the 15 single ride pass which expires based on the number of rides used.

The number of tickets and passes issued to the Campbell Court Information Officers was based on prior sales history of each fare type. Single fare tickets did not expire and were distributed as needed. Weekly and monthly passes were distributed prior to the date pass became valid to allow presale.

With the implementation of the new V-Pass system on January 1, 2016, all ticket/pass types are now distributed as needed.

A log is used to document the distribution of tickets/passes to Information Officers. Prior to January 2016, this log was also used to document the return of any unsold expired passes. We randomly selected ten [10] days throughout January 1, 2014 and December 31, 2015 when tickets/passes were issued and determined the Information Officer initialed for receipt of the tickets/passes. We also determined an employee in the Finance department initialed for receipt of any subsequently returned unsold passes.

Each Information Officer maintains a \$450 cash drawer to provide change. Finance counts each Information Officer's cash drawer on a weekly basis but does not document the results of the counts. Periodic surprise counts are an important part of internal control procedures which encourage honesty and should be conducted on a surprise basis by someone independent of the cash operation.

A series of excel spreadsheets have been developed for use by the Information Officers to document ticket/passes on hand and sold. Various macros are used to populate sales data while formulas calculate sales information by fare type. The spreadsheets have been protected to prevent modifications to cells which automatically fill or perform calculations. We obtained a copy of the spreadsheet templates and determined all spreadsheets were adequately protected to prevent modifications to the data. Throughout the individual tests we selected a sample of calculations for accuracy.

To determine the Information Officers appropriately accounted for tickets/passes and cash, we randomly selected 25 days between January 1, 2014 and December 31, 2015 from the six [6] Information Officers who worked at the Campbell Court Information Booth and determined the:

- ticket/pass sales figures for the day were accurate based on the sequence number of tickets/passes sold and on hand, and
- bank deposits were accurate and timely.

A Finance department employee performs a weekly review of each Information Officer's daily sales reports to verify accuracy of sales and deposit data. Four [4] of 24 days selected between January 1, 2014 and December 31, 2015 either included no evidence of review or the review was performed up to 23 days after the sales day.

A monthly summary form comparing total daily sales and deposit data for each Information Officer to daily deposit postings in the Great Plains general ledger system is prepared and reviewed during the month-end close out process. We randomly selected ten [10] months throughout January 2014 and November 2015 for documentation of the review with the following results:

- two [2] months were initialed as being reviewed, however not dated, and

- three [3] months were reviewed after the 21<sup>st</sup> of the following month.

Overall, controls in place over the sale of single fare tickets and passes and subsequent accounting are well designed and functioning adequately.

**End of Objective 2**

**SUMMARY OF MANAGEMENT ACTION PLANS**

<b>Management Action Plan – Weekly Cash Drawer Count</b>	
<p>In order to document the cash drawer on a weekly basis for each Information Officer, the Finance Department intends to create a log that will include the date of the cash drawer count, amount counted, and the initials of the counter and the Information Officer. It also intends to perform periodic surprise counts that will also be documented on the log.</p>	
<b>Assigned To</b>	<b>Target Date</b>
Sarah Godsey	3/1/16

<b>Management Action Plan – Weekly Sales Activity Review</b>	
<p>The Finance Department intends to update the supervisory review process to include that each sales form has been reviewed to ensure that the sales form contains the signature of the reviewer and the date of completion. To ensure that the work is completed within seven (7) days of receipt of the sales form, the supervisor signs and dates the accounting system posted reports completed by the employee each week.</p>	
<b>Assigned To</b>	<b>Target Date</b>
Sarah Godsey	3/15/16

**ACKNOWLEDGEMENTS**

We would like to thank the employees of the Greater Roanoke Transit Company, specifically Stephanie Giles, Director of Finance, Sarah Godsey, Accounting Supervisor and Tammy Fisher, Accounting Associate, for their assistance and cooperation throughout the audit. We would also like to thank Marlene Thomas, Information Officer, John Thompson, Director of Maintenance, Bob Broughman, Director of Transportation, Doug Thompson, Assistant Director of Transportation, Katy De Meglio, Director of Human Resources, Sandy Shedwell, Transportation Supervisor, Margaret Craig, Purchasing Agent, and Chris Viglai, Maintenance Foreman.



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