

**COUNTY OF MILWAUKEE**  
**Inter-Office Communication**

**Date:** October 8, 2012

**To:** Supervisor Willie Johnson, Jr., Co-Chair, Committee on Finance, Personnel and Audit  
Supervisor David Cullen, Co-Chair, Committee on Finance, Personnel and Audit

**From:** Jerome J. Heer, Director of Audits

**Subject:** Status Report - Audit of MCTS Fare & Data Collection Systems (File No. 09-84)

At its meeting in March 2009, the Committee on Finance and Audit passed a motion to receive and place on file our audit report, "An Audit of the Milwaukee County Transit System's Fare and Data Collection Systems."

Subsequently, six status reports noting the progress made toward implementation of our audit recommendations were submitted to the Committee. Dates the status reports were presented to the Committee, along with actions taken are listed below.

- 01/28/10:** Receive and place on file with a six-month status report.
- 06/17/10:** Receive and place on file with a report in September or at the call of the Chair.
- 09/23/10:** Receive and place on file with a follow up report in March 2011.
- 03/10/11:** Report was informational, no action taken.
- 09/22/11** Report was informational, no action taken.
- 03/08/12** Report was informational, no action taken.

The current status report is attached for your review. Milwaukee Transport Services, Inc. (MTS) management indicates in the report that all eight recommendations have been fully implemented. However, to ensure all steps outlined are fully carried-out by MTS, we will request a final status report that includes timelines associated with recommendations 1 and 2, for the Finance, Personnel and Audit Committee meeting in January 2013.

This status report is informational.

  
Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Scott Manske, Milwaukee County Comptroller  
Finance, Personnel and Audit Committee Members  
Chris Abele, Milwaukee County Executive  
Pat Farley, Director, Department of Administrative Services  
Frank Busalacchi, Director, Department of Transportation  
Lloyd Grant, Jr., Managing Director, Milwaukee County Transit System  
Kelly Bablitch, Chief of Staff, County Board Staff  
Steve Cady, Fiscal & Budget Analyst, County Board Staff  
Carol Mueller, Chief Committee Clerk, County Board Staff

**STATUS OF IMPLEMENTING DEPARTMENT OF AUDIT REPORT RECOMMENDATIONS**

**Audit Title: An Audit of the Milwaukee County Transit System's Fare and Data Collection Systems**

**Audit Report File Number: 09-84**

**Audit Date: February 2009**

**Status Report Date: September 2012**

**Department: MTS/DOT**

Number & Recommendation	Deadlines Established		Deadlines Achieved		Implementation Status		Comments
	Yes	No	Yes	No	Completed	Further Action Required	

1. Develop strategies for verifying, on a spot-check basis, key elements of its ridership profile, including the number of rides per week for various weekly pass fare categories, ratios and percentages used for allocating cash receipts, as well as those affecting transfer and free ride estimates. This should involve seeking resources outside of MTS for incorporating sound sampling techniques.

X

X

Auditee:

*Transit has retained the services of IBI Group as a consultant for the fare collection project. The consultant has reviewed the current fare policy and made a recommendation to proceed with a fare collection system that utilizes contactless fare media (smart cards). The consultant is currently developing a specification for that technology and we expect to have a draft copy of the specification by the end of February 2011.*

*After review and approval of the specification, a request for proposal will be issued and a contract awarded to a qualified vendor in late spring/early summer.*

*The new system will provide statistical data for all ridership. This data will be used to update the current ridership profile, including rides per pass, ratios for cash receipts, and free ride calculations. Our goal continues to limit driver interaction with the system to the extent possible with available technology.*

February 2012 Update:

*Meetings to hear vendor presentations were held in December 2011 and as a result of these presentations, a request for modified offers was issued to the respondents. Modified offers were received on January 31, 2012 and are currently being reviewed by the evaluation committee. The goal is to have a Letter of Intent to Award issued by the end of the 1<sup>st</sup> quarter 2012. The validating fare box and smartcard technology will allow MCTS to collect key elements of its*

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2. Once a sound and reliable strategy for verifying key elements of its ridership profile is implemented, use a consistent ridership profile for calculating revenue-ride estimates, fare structure analyses and for estimating the fiscal impact of route and service level adjustments.	X			X			<p><b>Auditee:</b>  <i>New fare collection equipment will provide ridership data by route which will be used when costing the fiscal impacts of route or service level adjustments.</i></p> <p><u>February 2012 Update:</u>  <i>Bidder responses to the proposed fare collection system RFP include the requirement to provide ridership data by route to be used to calculate fiscal impacts of service adjustments.</i></p> <p><b>September 2012 Update:</b>                      The new fare collection system will provide 100% sampling of ridership and revenue statistics by route. The resulting ridership profile will then be used for fare structure analysis and to calculate the fiscal impacts on route and service level adjustments.</p>
3. Work with the County Executive and County Board to establish a capital expenditure plan for implementing a swipe-care system for MCTS buses.	N/A			X			<p><b>Auditee:</b>  <i>New fare collection equipment will be procured using Federal ARRA funds. This item is included in the County's 2010 Capital Budget.</i></p> <p><b>Auditee:</b>  <i>Security cameras were installed in the Print Shop in January 2011.</i></p>
4. Install additional security cameras in the interior of the print shop to record and deter potential theft, vandalism or sabotage.	N/A			X			

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5. Institute a schedule of periodic inventory counts of finished products in the print shop that can be matched against source documents for greater accountability.

X

X

X

**Auditee:**  
*The Print Shop manager has incorporated additional recordkeeping of finished fares to better track fare form production. If it is determined that the Print Shop will continue to be involved with the production or handling of fare forms after the new automated fare collection system is implemented, a procedure will be developed to periodically inventory the finished fare forms against source documents for greater accountability.*  
 February 2012 Update:  
*The MCTS Accounting Department has developed an audit plan that measures starting paper inventory, tracks finished products through the printing process, and accounts for the scrap sheets that result from the printing process. In addition, scrap stock will be secured in a locked room in the Print Shop and Accounting staff will be present at the time of destruction of the scrap pieces. Comprehensive unannounced audits will continue on a quarterly basis, rotating through all the different fare forms and an audit report will be submitted to the Managing Director.*  
**September 2012 Update:**  
 To date, the MCTS Accounting Department has conducted two audits. The first reviewed the January – August 2012 Monthly Pass production and the second reviewed the production of the Fall 2012 UPASS for Marquette University. Comprehensive unannounced audits will continue on a quarterly basis. A schedule of future audits has been prepared and submitted to the Managing Director.

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	6. Void or mutilate previously redeemed CVCs upon receipt at MTS for storage until they are destroyed.	N/A				X	
7. Initiate a competitive bidding process for contracted ticket and revenue transport services.	N/A				X		Auditee: A competitive bidding process was carried out earlier this year and an award was made to the most qualified bidder.
8. Employ a written contractual agreement for ticket and revenue transport services.	N/A				X		Auditee: A written contract has been issued as a result of the competitive bidding process for delivery services.