

COUNTY OF MILWAUKEE
Inter-Office Communication

Date: September 8, 2011
To: Supervisor Johnny Thomas, Chairman, Committee on Finance and Audit
From: Jerome J. Heer, Director of Audits
Subject: Status Report - Audit of MCTS Fare & Data Collection Systems (File No. 09-84/INF 11-127)

At its meeting on March 12, 2009, the Committee on Finance and Audit passed a motion to receive and place on file our audit report entitled, "An Audit of the Milwaukee County Transit System's Fare and Data Collection Systems."

Since issuance of our audit report, a series of status reports regarding the progress toward implementation of our audit recommendations were provided to the Committee. The meeting dates in which the status reports were presented and Committee actions taken, are noted as follows:

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.

The current status report is attached. As indicated in the report, five of our eight recommendations are completed. Of the three outstanding recommendations, two relate to implementation of the proposed automated fare collection system.

In the final outstanding recommendation (No. 5), we indicate that a schedule of periodic inventory counts of finished products should be instituted in the print shop. In response, management incorporated additional recordkeeping procedures to better track fare form production and noted the periodic inventory process would be developed following implementation of the new fare system.

While we initially had no concern with this approach, we now advise MCTS management that it should no longer wait to take action on this matter, due to the increasing passage of time since our audit report was issued (aprox. 2-1/2 years) and the fact that system implementation will not even begin until after the contract is awarded, presumably in October 2011.

This status report is informational and unless instructed otherwise, we will continue to monitor management's progress with a request that it provide an updated status report in March 2012.

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Jerome J. Heer

JJH/PAG/cah

Attachment

cc: Finance and Audit Committee Members
Chris Abele, Milwaukee County Executive
Pat Farley, Director, Department of Administrative Services
Jack Takerian, Director, Department of Transportation & Public Works
Anita Gulotta-Connelly, Managing Director, Milwaukee County Transit System
Terrence Cooley, 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
File Number: 09-84

Audit Date: February 2009 **Status Report Date: September 1, 2011** **Department: MTS/DTPW**

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	<p>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 contact-less 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.</p> <p>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.</p> <p>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.</p> <p>Our goal continues to limit driver interaction with the system to the extent possible with available technology.</p>
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>Auditee: 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.</p>

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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		Auditee: New fare collection equipment will be procured using Federal ARRA funds. This item is included in the County's 2010 Capital Budget.
4. Install additional security cameras in the interior of the print shop to record and deter potential theft, vandalism or sabotage.	N/A				X		Auditee: Security cameras were installed in the Print Shop in January 2011.
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	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.
6. Void or mutilate previously redeemed CVCs upon receipt at MTS for storage until they are destroyed.	N/A				X		Auditee: All Commuter Value Certificates are stamped VOID when remitted to the Cashier's Division.
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.