



**June 10, 2015**

**To:** Finance and Administration Committee

**From:** Darrell Johnson, Chief Executive Officer

Janet Sutter, Executive Director  
Internal Audit

**Subject:** Review of Farebox Revenue Reconciliation and Agreement No. C-3-1723 with Los Angeles Federal Armored Services, Inc.

### **Overview**

The Internal Audit Department has completed a review of farebox revenue reconciliation and Agreement No. C-3-1723 with Los Angeles Federal Armored Services, Inc. Based on the review, the Internal Audit Department has concluded that controls over reconciliations are adequate and invoices are paid in accordance with the terms of Agreement No. C-3-1723.

### **Recommendation**

Receive and file the Review of Farebox Revenue Reconciliation and Agreement No. C-3-1723 with Los Angeles Federal Armored Services, Inc.

### **Background**

The Orange County Transportation Authority (OCTA) collects approximately \$48 million annually in fare revenue, of which approximately \$28 million is comprised of cash and coins received through the farebox. Farebox equipment and software is provided by SPX Genfare (GFI). The amount of cash and/or coins deposited into the farebox is electronically recorded by the farebox. At the end of the day, OCTA service workers remove the locked cash and coin boxes from the buses, release the cash into locked vaults at the bus service bays, and extract the fare data using an electronic probe. The probed data is automatically uploaded into the GFI system.

The locked cash and coin vaults are transported by armored car service workers from the bus service bays to the Los Angeles Federal Armored

Services, Inc. (LA Federal) facility in Los Angeles for counting. Once the cash and coins are counted, LA Federal transports and deposits the amounts into a designated OCTA bank account. LA Federal then submits count reports to the OCTA Revenue Section, reflecting the amount counted and deposited. Once reconciled to the bank deposit information, the deposit data is entered into the GFI system and the accounting system.

LA Federal is paid a fixed amount each month for transport and deposit services and a fee per hundred dollars in cash and coin that is counted. For the twelve months ended December 31, 2014, OCTA paid approximately \$30,000 per month.

***Discussion***

The Internal Audit Department (Internal Audit) reviewed evidence of farebox revenue monthly reconciliations for the period January through December 2014, and found that reconciliations are performed timely and follow-up is performed in compliance with policies and procedures.

In addition to monthly reconciliation activities, Revenue Section staff conducts periodic cashbox counts in an attempt to identify and address any equipment or software issues related to recording of revenues. Internal Audit reviewed evidence of these cashbox counts and found that they are performed as described.

Finally, Internal Audit reviewed invoices from LA Federal and found that these are paid in compliance with contract terms.


***Summary***

Based on the review, Internal Audit has concluded that controls over reconciliations are adequate and invoices are paid in accordance with the terms of the agreement.

**Attachment**

- A. Review of Farebox Revenue Reconciliation and Agreement  
No. C-3-1723 with Los Angeles Federal Armored Services, Inc.

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**Orange County Transportation Authority  
Internal Audit Department**



**Review of Farebox Revenue Reconciliation and  
Agreement No. C-3-1723 with  
Los Angeles Federal Armored Services, Inc.**

**Internal Audit Report No. 15-510**

**June 1, 2015**



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**Distributed to:** Andrew Oftelie, Executive Director, Finance & Administration  
Sean Murdock, Vicki Austin

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## **Conclusion**

The Internal Audit Department (Internal Audit) has completed a review of farebox revenue reconciliation and Agreement No. C-3-1723 (Agreement) with Los Angeles Federal Armored Services, Inc. (LA Federal). Based on the review, Internal Audit has concluded that controls over reconciliations are adequate and invoices are paid in accordance with the terms of the Agreement.

## **Background**

Annually, the Orange County Transportation Authority (OCTA) collects about \$48 million in fare revenue, of which approximately \$28 million is comprised of cash and coins received through the farebox. While the use of cash and coins to pay bus fare has decreased over time, it still accounts for about 58 percent of the revenues received. The remainder is represented by electronic fare media, such as pre-paid bus passes.

### Farebox Revenue Collection

OCTA uses farebox equipment and software provided by SPX Genfare (GFI) for the collection and recording of revenues. The amount of cash and/or coins deposited into the farebox is electronically recorded by the system. The coach operator manually enters the type of fare as regular, senior, youth, etc. into the system at the time the cash/coins are deposited. At the end of the day, OCTA service workers remove the locked cash and coin boxes from the buses, release the cash into locked vaults at the bus service bays, and extract the fare data using an electronic probe. The probed data is automatically uploaded into the GFI system.

The locked cash and coin vaults are transported by LA Federal armored car service workers from the bus service bays to the LA Federal facility in Los Angeles for counting. Once the cash and coins are counted, LA Federal transports and deposits the amounts into a designated OCTA bank account. LA Federal then submits count reports to the OCTA Revenue Section, reflecting the amount counted and deposited. Once agreed to the bank deposit information, the OCTA Accounts Receivable clerk will enter the deposit data into the GFI system and the Integrated Financial and Administrative Solution (IFAS) system.

### Armored Car Transport and Counting Services

OCTA maintains the Agreement with LA Federal for cash and coin collection, transport, and counting services. The Agreement became effective December 1, 2013, and continues through November 30, 2020. LA Federal collects the locked cash and coin vaults from the bus bases six days per week. LA Federal also provides transport, counting, and deposit services for amounts collected at OCTA headquarters and at the 91 Express Lanes offices. LA Federal is paid a fixed amount each month for the

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transport and deposit services and a fee per hundred dollars in coin and currency that is counted. For the twelve months ended December 31, 2014, OCTA paid approximately \$30,000 per month. Invoices are reviewed and approved each month by both the OCTA Accounting Manager and the Toll Road Manager for the 91 Express Lanes.

### Revenue Reconciliation

The Revenue Section supervisor in the Accounting Department performs a monthly reconciliation of farebox revenues. The reconciliation involves comparing the farebox revenue recorded in the GFI system to the deposit recorded in the IFAS system, which is later reconciled to the bank statement by General Accounting. Differences outside of a predetermined tolerance of one percent are investigated further. Differences can be the result of mechanical problems with the farebox equipment, problems with the electronic probing process, GFI software issues, or timing differences between the collection of data and receipt of cash. When variances exceed the predetermined tolerance, OCTA staff will investigate.

In addition to monthly reconciliation activities, OCTA Revenue Section staff conducts periodic cashbox counts. The cashbox is the locked metal bin inside of the farebox on each bus where the cash and coins are stored. The cashbox audit serves as a process to monitor multiple functions; it serves as a specific system integrity test by comparing the physical count with system totals for the individual cashboxes which could help identify mechanical or electrical issues in the system, and it also serves as a method to test against theft by comparing system, physical, and contractor counts. The audit uses the same level of tolerance as the monthly reconciliation policy of one percent. Variances outside of the range are investigated further.

### **Objectives, Scope, and Methodology**

The objective of this review was to evaluate the adequacy of controls over reconciliation of farebox cash and coins and to assess compliance with key terms of the Agreement. The scope of the review included invoices and monthly farebox reconciliations for the twelve months ending December 31, 2014, and periodic cashbox audits completed August 2014 through February 2015. The review methodology included, but was not limited to, interview of applicable personnel, review of policies and procedures, review of monthly reconciliation documentation for evidence of compliance with the OCTA Farebox Reconciliation Policy, review of documentation supporting a sample of periodic cashbox audits, and review of invoices from LA Federal for evidence of compliance with key terms of the Agreement.

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We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.