

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

P/PSMTC
Comm. 1170
COUNTY CLERK
COUNTY OF HAWAII

Report No. 2018-02

Report Period: September 30, 2018

2018 NOV 19 AM 8:36

| Comment No. 1 Update the cash handling system | | | | | |
|---|--|--|---|--|---------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 1.1 | We recommend Mass Transit management equip each County bus and van with an updated electronic fare box to collect passenger fares and track ridership. | The MTA is currently assessing scope of proposed on-board technologies that could be implemented (as a scalable, modular approach), to effectively address fare revenue collection, passenger statistics, i.e. total ridership by route while being mindful of the financial constraints facing the entire County. | Bus specifications submitted included updated electronic fare boxes. Original bid sent out this quarter with no response. Revised bid being created estimated by end of October. | Bus specifications will include updated electronic fare boxes. | TBA |
| 1.2 | We further recommend Mass Transit pre-number bus tickets. As mentioned in recommendations 3.1 and 5.2 respectively, these tickets should be adequately secured and monitored for consecutiveness and completeness. | The MTA is exploring all viable options regarding this recommendation and the cost effectiveness of each option. | Continuing to use existing stock inventory. Once existing ticket stock is depleted, new ticket stock will be utilized. Specifications for the bid to purchase new ticket stock is being prepared which implements a design with pre-numbered bus tickets. | Using existing stock inventory. Once existing ticket stock is depleted, new ticket stock will be designed and ordered. | Dec. 2018 |

SUBMITTED BY: BRENDA CARREIRA MASS TRANSIT
ADMINISTER

Comm. No. 1170.1
Ref. To: P/PSMTC
Ref. Date 11/19/18

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| | | | | | |
|-----|---|--|--|--|-----------|
| 1.3 | We further recommend Mass Transit remove or alter the perforated stub at the top of the bus ticket sheets to ensure passengers pay the full fare. | The MTA is currently reviewing current practice, and identifying feasible options to minimize this issue. The MTA is also addressing this issue of minimizing the acceptance of non-valid payment with the contracted bus companies. | Preparing specifications for the IFB to purchase new ticket stock which implements a design with pre-numbered bus tickets. | Bus tickets are no longer sold by outside vendors such as KTA Superstore and are now sold directly by MTA or at the Mooheau Bus Terminal. The perforated stub at the top of the bus ticket sheets are removed by staff before sheets are given to customers. Once existing ticket stock is depleted, new ticket stock will be designed and ordered. | Dec. 2018 |
|-----|---|--|--|--|-----------|

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 2 Cash handling internal controls should be a priority | | | | | |
|---|---|--|---|--|------------------------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 2.1 | We recommend Mass Transit management prioritize cash handling internal controls. Management should be responsible for an effective internal control system and internal controls increase the likelihood that the organization will achieve their objectives. | Although the MTA agrees that improvements are needed to strengthen its internal controls over the handling of cash, the management of MTA has implemented various improvements in the past year and a half because it understands the importance of this issue. The Legislative Auditor's report indicates that <i>"Mass Transit received funding for an additional position to count bus fare cash receipts and prepare the bank deposit. While this position was filled in 2016, only one person was assigned to count cash."</i> MTA received funding for this position on July 1, 2016 and this position was filled on November 1, 2016. Later, the MTA began to require the presence of two staff members as the cash was counted and prepared for deposit and then effective February 7, 2018, the MTA now requires two employees to participate in the counting and recounting of the cash. | Standard Operating Procedure manual still being written. To be submitted to Finance, Human Resources, and Corporation Counsel for review, edits and approval. | Fare Collection and Sorting/Counting Procedures are being implemented. Standard Operating Procedures (SOP) is being developed to address duties and responsibilities. Additional staff requirements are also being addressed. | Sept. 2018 Dec. 2018 |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 3 Safeguard Assets | | | | | |
|--------------------------------|--|--|--|--|--|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 3.1 | We recommend Mass Transit management ensure physical security over manual receipts, cash , and cash equivalents (e.g., bus tickets, bus passes, taxi coupons). | The audit report states that <i>"some county-owned vans do not have locking fare boxes. When there is no fare box, a manila envelope or plastic bag is used."</i> All vans have locked cash boxes that have been redesigned to include a slot to allow for the insertion of payment. The MTA has already established adequate security upgrades and enhancements to address this issue, including secured rooms, video camera, and limited access. | Request submitted to Public works during second quarter. to date, waiting on the installation of the additional 2 cameras in the Mechanic tool room where evening fare boxes are secured in a locked safe. | <p>Prior to the audit report, measures were implemented that resolved the issue of locked fare boxes in county-owned vans as well as vehicles rented from other vendors.</p> <p>On May 24, 2018, 2 video cameras were installed in the MTA Finance room vault.</p> <p>The mechanic bay area that leads to the mechanic tool room is equipped with video cameras. A work order has been submitted to install additional 2 cameras in the Mechanic tool room where evening fare boxes are secured in a locked safe. The tool room is also locked at night.</p> <p>To be included in the SOP.</p> | <p>Sept. 2018 Dec. 2018</p> |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| | | | | | |
|-----|--|---|--|--|---------|
| 3.2 | We further recommend Mass Transit management ensure deposits are made timely, both for contracted bus services and cash received by Mass Transit. Ideally, deposits should be made within 24 hours, but at least within two business days. | The MTA has taken the necessary steps to ensure that cash deposits are made within the two business day requirement and implemented changes to facilitate the timely delivery of funds from the contracted bus service companies. | Working with HR to aquire additional finance staff. With tentative start date of October 2018. | on April 2, 2018 the Accounting Clerk position #OO-3356 was filled (position was vacant since August 2017)--strengthening the assurance that fare box monies are deposited timely. To be included in the SOP. | Ongoing |
|-----|--|---|--|--|---------|

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 3 Safeguard Assets | | | | | |
|--------------------------------|---|---|--|---|---------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 3.4 | We further recommend Mass Transit management change lock or safe combinations once an employee who has access leaves the organization or is reassigned to another position. | The MTA is reviewing and updating all existing procedures, to ensure compliance with this and that similar recommendations are fully addressed. | No additional actions required/taken at this time. | Since audit, MTA has relocated to new building equipped with lock & combinations. Any changes to personnel moving forward will be addressed with policy-changing of locks and combinations. To be included in the SOP. | Ongoing |
| 3.7 | We further recommend Mass Transit staff empty fare boxes frequently to ensure the automatic locking mechanism works. | Although the MTA acknowledges that improvements are needed regarding the frequency of the emptying of fare boxes, the audit report's statement that " <i>when the Account Clerk is unavailable or absent from work, no one empties the bus's fare boxes, sometime for several days</i> " does not provide a correct portrayal of the situation. | No additional actions required/taken at this time. Procedures implemented remain applicable. | Fare Collection and Sorting/Counting Procedures have been implemented that include the requirement that a minimum of two (2) staff are present at all times in the fare box collection phase and Sorting/Counting phase Prior to the audit reporting, alternate staffing had been implemented in the absence of the Account Clerk position #OO-04125 to ensure fare boxes of county-owned vehicles arriving at the MTA base during regular business hours (7:45 am to 4:30 pm) are emptied/changed out timely. In addition, in May 2018, evening fare box collections by staff was implemented. To be included in the SOP. | Ongoing |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 3 Safeguard Assets | | | | | |
|--------------------------------|---------|--|-------------------------------|--|---------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 3.7 cont'd | | To the extent possible, other MTA staff members have always supported the Account Clerk when she is unable to empty the fare boxes. Additional changes have been made and alternative options are being considered to further the MTA's efforts. | | | |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

Comment No. 4 Segregate incompatible duties

| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
|-----|--|--|---|---|---------------------|
| 4.1 | We recommend that Mass Transit management separate incompatible duties. One individual should not be in charge of all of the cash handling elements: physical custody of cash, depositing cash, recording/adjusting transactions in the system, and reconciling the revenue accounts. If duties cannot be sufficiently segregated, mitigating controls, such as independent monitoring could be implemented. | The audit report cites specific concerns with the duties of the County Transportation Specialist (Specialist). The report states that the Specialist " <i>maintain the master Word document for some in-house receipts</i> " but this is limited to receipts used by the independent contractor that sells MTA tickets and passes for which the cash receipts are maintained by the contractor on a daily basis. The report states that the Specialist " <i>performs over-the-counter sales</i> " but this is only done as a last resort if no other staff is available to service the customer, which is due to the relatively small staff size of the MTA. The report states that the Specialist " <i>reviews end-of-day cash receipts and reconciles to the treasury receipt</i> " but her role is primarily as a secondary reviewer because the initial review and reconciling of receipts at the end of the day is the responsibility of the Account Clerk. If the MTA finds that it is short-staffed on a particular day, the Specialist may be the initial reviewer but there is always a secondary reviewer as a mitigating control. | New procedures to follow the closing of the MTA Satellite office and staff relocation to MTA base yard that is estimated by December 2018 | Ongoing discussion for policies being considered. Mitigating controls have been implemented. To be included in the SOP. | Ongoing |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 5 Implement monitoring and oversight | | | | | |
|---|---|---|--|--|----------------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 5.1 | We recommend Mass Transit management perform ongoing monitoring of their internal control system as part of the normal course of operations. Ongoing monitoring includes regular management and supervisory activities, daily reconciliation of cash receipts, and other routine actions. | The MTA has begun to review and revise its existing practices and implement improvements based on need and viability. | New procedures to follow the closing of the MTA Satellite office and staff relocation to MTA base yard that is estimated by December 2018 | Internal controls and monitoring procedures are being used. These procedures pertain to the MTA Satellite Office, Daily reconciliation is always verified by a secondary reviewer as the mitigating control. To be included in SOP. | Ongoing |
| 5.2 | We further recommend Mass Transit Management specifically implement ongoing monitoring procedures of the cash handling process including both comparisons and reconciliations. For example, someone independent of the cash handling process should review and/or reconcile: | Certain points above are already being addressed by the MTA including monitoring over/shorts and the trip sheets and others are being considered by the MTA in relation to the feasibility of implementation. | New procedures to follow the closing of the MTA Satellite office and staff relocation to MTA base yard that is estimated by December 2018 No changes this quarter for the internal controls and monitoring procedures at the MTA Base yard. | Internal controls and monitoring procedures are being used. These procedures pertain to both the MTA Satellite Office and MTA Base yard. Since audit, procedures have been implemented to ensure daily reconciliations are always verified by a secondary reviewer as a mitigating control. To be included in SOP. | Ongoing |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 5 Implement monitoring and oversight | | | | | |
|---|--|--|--|---|---------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 5.3 | We further recommend Mass Transit management and staff monitor cash bags for patterns and inconsistencies (e.g., repeated over/shorts, inaccurate and incomplete trip sheets, cash bags with no trip sheets, cash bags with trip sheets and no cash, invalid ticket stubs). If Mass Transit discovers unexpected patterns and/or inconsistencies, they should follow up with the respective bus driver or person responsible for the cash. | With the hiring of the Account Clerk in 2016, procedures were developed regarding the monitoring of the trip sheets and over/shorts. Although improvements were needed regarding the adherence to these procedures, the MTA has implemented revised and stronger procedures. | No additional actions required/taken at this time. | Procedures have been implemented to address discrepancies to respective vendors or persons responsible for the cash so that corrective actions can be taken. In the near future, weekly reports to the administrator will include any discrepancies for that week. To be included in the SOP. | Ongoing |
| 5.4 | We further recommend Mass Transit management conduct analytical procedures and financial relationship analysis to monitor controls, revenue, and budget expectations. One example of an analytical procedure is comparing ridership counts to revenue (ridership x fare = revenue). | The MTA will include additional analytical procedures and financial analysis in its review procedures. | New accounting templates have been developed and are being tested to streamline the reporting process. | Calculation of ridership x fare = revenue are currently done. In the near future these calculations will be included in weekly reports to the administrator. To be included in the SOP. | Ongoing |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No. 2018-02

Report Period: September 30, 2018

| Comment No. 6 Control manual cash receipts | | | | | |
|--|--|--|---|---|-----------------------------------|
| | Comment | Initial Management Response | Actions This Reporting Period | Actions Completed Prior to Report Period | Expected Completion |
| 6.1 | We recommend Mass transit staff use official pre-numbered and pre-printed receipts. If Mass Transit wants to continue the practice of printing in-house receipts, this file should be maintained by someone outside the cash handling system. As mentioned in recommendation 5.2, these receipts should be monitored for consecutiveness and completeness. | The MTA has begun to research the cost of pre-numbered and pre-printed receipts. | Specifications and receipt template redesign in process due to tentative closure of MTA satellite office. | The use of custom receipts, with consecutive numbering on pre-printed on carbonless paper is being researched. The specifications for the custom receipts will go to the purchasing department for submittal for the vendor bidding process. by 8/15/18. Use of custom receipts to be included in the SOP. | Oct. 2018 Dec. 2018 |

ACTIVITY ON RECOMMENDATIONS FOR
CASH HANDLING AT MTA
LEGISLATIVE AUDITOR
(Report No. 2018-01)

Report No.

2018-02

Report Period:

September 30, 2018