



HARFORD COUNTY, MARYLAND

Office of the County Auditor

AUDIT OF HARFORD TRANSIT CASH RECEIPTS CONTROLS

Report Highlights

Report Number: 2018-A-09

Date Issued: 12/20/2017

Why We Did This Audit

This audit was conducted as part of the County Auditor's risk-based Annual Audit Plan approved by the County Council for FY2018.

What We Found

Harford Transit's cash receipt controls are adequate.

Council Members and County Executive Glassman:

In accordance with Section 213 of the Harford County Charter, we have performed an audit of Harford Transit's cash receipts controls. The results of that audit and our conclusions are detailed in the attached report. We would like to thank the members of management for their cooperation during the audit.

The audit found Harford Transit has processes in place to ensure that fares are collected, deposited and recorded properly. We also noted that physical security controls for cash are adequate.

The audit team is available to respond to any questions you have regarding the attached report.

Sincerely,

Chrystal Brooks, CPA

Chrystal Brooks
County Auditor

cc: Ms. Karen Holt, Director, Economic Development
Mr. Robert Andrews, Administrator, Harford Transit
Mr. Robert Sandlass, Treasurer



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REVIEW RESULTS

We have audited the cash receipts controls of Harford Transit for the period of 7/1/2016 through 11/30/2017 to assess the processes and controls employed by the Harford Transit to charge, collect, record and deposit fare revenue and to examine related cash handling procedures. Our opinion, based on the evidence obtained, is Harford Transit has adequate controls in place to ensure cash collected is physically protected and deposited completely and timely. The audit approach focused on testing the key controls that address management's objectives for the process. Conclusions drawn are below.

Risk	Expected Control	Conclusion
Riders are not charged proper fares	<ul style="list-style-type: none"> • Drivers receive training to help identify out of date or counterfeit tickets and to confirm proper payment for each rider • Automated Passenger Count data is periodically compared to driver-recorded passenger counts 	<p>Satisfactory</p> <p>Implementation in progress</p>
Cash or tickets are lost or stolen	<ul style="list-style-type: none"> • On buses, fares are secured after each transaction and are not accessible by the driver or riders • In the office, cash and unsold tickets are kept in a secured room with limited access • Bank deposits are made daily 	<p>Satisfactory</p> <p>Satisfactory</p> <p>Satisfactory</p>
Revenue reported in financial records is incomplete and/or inaccurate	<ul style="list-style-type: none"> • A supervisor independently reviews and approves the daily deposit • Deposits are reconciled to the General Ledger monthly • Formal policies and procedures enumerate cash handling processes 	<p>Satisfactory</p> <p>Satisfactory</p> <p>Needs Improvement</p>

Although no response was required because there are no conditions requiring remediation, management has been provided an opportunity to respond to this report. The response provided is below.

MANAGEMENT RESPONSE

As stated during the initial entrance meeting, Management is currently in the process of developing improved written accounting procedures which will incorporate any required changes made necessary by our new computerized transit management system.

BACKGROUND INFORMATION

PROGRAM DESCRIPTION AND KEY STATISTICS

Harford Transit LINK is Harford County's public transportation bus system and a division under the Office of Economic Development. LINK is approved for operation by the Maryland Public Service Commission and operates Monday through Friday, with eight routes countywide and into Cecil County. In addition to regular fixed bus routes, Harford Transit operates on-demand transit services and vehicles are available for riders who are non-ambulatory or need other assistance.

During our review period, Harford Transit reported operating revenue of approximately of \$470,000 (about \$330,000 annually). Transit relies on Federal and State grant revenue to help fund the program. Receipt of grant revenue is dependent upon maintaining compliance with grant terms, including proper allocation of revenue.

REVIEW OBJECTIVE, SCOPE AND METHODOLOGY

The objective of this review was to determine if controls are adequate to ensure that cash collected for Harford Transit is physically protected and deposited completely and timely. The audit focused on activity during the period of 7/1/2016 through 11/30/2017. Our audit procedures included interviews with and observation of Transit drivers, accountants, and management to gather an understanding of the types of Transit services, the points of sale, as well as the daily cash counting, sales recordation, and deposit processes. We also examined functional responsibilities to ensure adequate segregation of duties.

We tested a sample of daily cash deposits to confirm if the cash deposited agreed to Transit system reports, the County's general ledger, and driver records and if the cash was deposited timely. In addition, we performed data analysis to confirm if the passenger counts tabulated by drivers reasonably approximated total passengers indicated by that day's cash receipts. No cost-effective control can prevent intentional fare shortages; however, deterrent controls are being implemented by Harford Transit. Automatic Passenger Count (APC) system data analysis will monitor the relationship between fares collected and the number of people on-and-off-boarding buses. Transit expects the system to provide consistent reliable data by summer 2018; accordingly, we did not test the APC system in this audit.

Harford County management is responsible for establishing and maintaining effective internal controls. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets and compliance with applicable laws, rules and regulations are achieved. Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected.

The audit was performed in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Team:

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County Auditor

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