

1. Call To Order
Mr. Ferris will call the meeting to order and ask the Secretary to call the roll
2. Audit Report - City Council Expenditures For The Year Ending June 30, 2015
Annual audit of expenditures by Members of City Council and the City Clerk's Office

Documents: [COUNCIL EXPEND FINAL.PDF](#)
3. Audit Report - GRTC Revenue Collections
Audit of controls over bus fares and sales of passes

Documents: [GRTC REVENUE COLLECTION AUDIT REPORT.PDF](#)
4. Audit Update
Briefing on audit activity fiscal year to date and proposed budget

Documents: [AUDIT UPDATE.PDF](#), [BUDGET 2016-17.PDF](#)
5. Other Business
Mr. Ferris will ask if members of the committee or staff have any other business to bring before the committee.
6. Adjournment
Mr. Ferris will adjourn the meeting.

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



City Council Expenditures

January 25, 2016

Report Number: 16-008
Audit Plan Number: 16-002

*Municipal Auditing Department
Chartered 1974*

www.roanokeva.gov/auditing

Phone 540.853.5235

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BACKGROUND

On April 21, 2008, City Council passed a resolution approving the Travel and Expense Policy for City Council. This policy established that Council Members are subject to the City’s Administrative Procedures, while also addressing aspects of travel, business meals, outreach and budgeting that are unique to the their roles. The guidelines also included a requirement that Municipal Auditing review Council expenditures annually for compliance with provisions of the policy. During September 2011, City Council adopted revisions to the guidelines that provide for the acknowledgement of rewards and special recognitions.

General expenditures necessary to conduct City Council business are accounted for in a centralized City Council cost center. These general expenditures encompass items such as advertising notices for public meetings, hosting of special events, installing and replacing technology, and hiring appointed officers.

Each Council Member is provided a separate budget for individually incurred discretionary costs related to training, travel, business meals, and communications. All City Council costs centers are encompassed under the City Council Department [Dept 200]. Management has established a unique accounting unit for each Council Member as follows:

Unit	Unit Title	Adopted FY2015 Budget	Ending FY2015 Budget*	Actual FY2015 Expenditures*
1110	City Council	\$ 236,886	\$ 57,295	\$ 52,865
1111	Mayor Bowers	\$ 12,347	\$ 40,516	\$ 40,446
1113	Vice Mayor Trinkle	\$ 2,335	\$ 26,273	\$ 26,188
1112	Council Member Lea	\$ 3,690	\$ 23,956	\$ 23,727
1116	Council Member Price	\$ 5,875	\$ 27,138	\$ 27,081
1117	Council Member Rosen	\$ 2,165	\$ 28,784	\$ 28,257
1154	Council Member Bestpitch	\$ 1,500	\$ 29,229	\$ 29,149
1158	Council Member Ferris	\$ 1,375	\$ 29,082	\$ 29,073
	Total for Department 200	\$ 266,173	\$ 262,273	\$ 256,786

*Per AC532YE Report, December 31, 2015

Subsequent to Fiscal Year 2015 budget adoption, the approach to budgeting Council Members’ personal services expenditures was modified in order to bring additional consistency and transparency to individual members’ expenditures. The adopted salaries and fringe benefits budget for all Council Members was included in the City Council cost center. In August 2014, these budgets, along with corresponding expenditures, were moved to Council Members’ individual cost centers. This transfer between units had zero net effect on the total budget for the City Council department.

Budgets moved in relation to this change were as follows:

Object Code	Object Name	Budget
1002	Regular Employees Salaries	\$ 114,830
1056	Cell Phone Stipend	\$ 1,560
1105	City Retirement	\$ 25,873
1120	FICA	\$ 8,902
1125	Medical Insurance	\$ 22,992
1126	Dental Insurance	\$ 1,332
1130	Life Insurance	\$ 1,515
Total		\$ 177,004

The City Clerk’s Office serves as administrative support to Members of City Council. This includes securing travel arrangements, preparing required forms, obtaining approvals, and ensuring Council Members are generally informed as to policies and the status of their spending. The City Clerk is also responsible for reviewing Council Members’ monthly purchasing card statements and verifying receipts have been submitted to document the items or services purchased.

OBJECTIVES

1. To determine if Members of City Council substantially complied with the Travel and Expense Policy adopted September 6, 2011.
2. To determine if Council expenditures were appropriately classified and in accordance with the adopted budget for the Fiscal Year ending June 30, 2015.

SCOPE

Our review encompassed all City Council expenditures for the period from July 1, 2014 through June 30, 2015.

METHODOLOGY AND RESULTS

1. We reviewed 100% of budget transfers to verify each appeared reasonable and those related to Council travel were properly approved.

There were 12 budget transfers during the year including those that:

- *Re-allocated personal services costs, as described above [eight (8) transfers]*
- *Moved funds in relation to mandatory city-wide budget reductions [two (2) transfers]*
- *Provided additional funds to Council Members for training and travel [two (2) transfers]*

Budget transfers appeared reasonable and those related to Council travel were properly approved.

2. We compared actual expenditures to final amended budgets.

Total actual expenditures of \$256,786 were \$5,487, or 2.1%, less than the final amended budget of \$262,273. Line item variances were immaterial in amounts.

3. We reviewed 100% of "Training and Development" expenditures for each Council Member and verified compliance with the following requirements:

- a. Proper forms were completed
- b. Forms were signed by Council Member
- c. Forms were signed by Management and Budget
- d. Expenditures appeared related to City of Roanoke business
- e. Proper supporting documentation accompanied travel forms
- f. Expenditures were within City of Roanoke Travel and Purchasing Card Policy guidelines

Training and Development expenditures totaled approximately \$14,823 for Fiscal Year 2015. These disbursements were accompanied by properly signed and approved travel forms, were related to City business, had proper supporting documentation, and were substantially within the guidelines of the City of Roanoke Travel and Purchasing Card Policies.

4. We selected a 100% of "Business Meals and Travel" expenditures for each Council Member and verified compliance with the following requirements:

- a. Proper forms were completed
- b. Forms were signed by Council Member
- c. Forms were signed by Management and Budget
- d. Expenditures appeared related to City of Roanoke business
- e. Proper supporting documentation accompanied travel forms
- f. Expenditures were within City of Roanoke Travel and Purchasing Card Policy guidelines

Business Meals and Travel expenditures totaled approximately \$4,634 for Fiscal Year 2015. These disbursements were accompanied by properly signed and approved travel forms, were related to City business, had proper supporting documentation, and were within the guidelines of the City of Roanoke Travel and Purchasing Card Policies.

5. We reviewed 100% of expenditures posted to the City Council cost center (excluding postage and internal services) and verified compliance with the following requirements:

- a. Invoices were on file
- b. Expenditures appeared reasonable

- c. Expenditures were posted to the correct line item
- d. Monthly Purchasing Card statements were signed by the City Clerk

We reviewed 137 expenditures totaling approximately \$33,868. These disbursements appeared reasonable and supporting invoices were on file. Additionally, monthly Purchasing Card statements were reviewed and signed by the City Clerk. Eighty-five percent (85%) of expenditures were posted to the correct line item.

Twenty [20] out of the 137 items, or approximately 15%, were incorrectly posted. These expenditures totaled approximately \$4,877 and were recorded in the Training and Development line item. Disbursements were related to the National League of Cities Congressional City Conference held in Washington, D.C. in March 2015, and included:

- ∂ \$4,125 in travel costs for four (4) students and one (1) chaperone to attend the conference. These funds were approved and budgeted as part of the City's Youth Services program. Costs were temporarily posted to the City Council cost center in order to more easily facilitate travel arrangements. The reclassification of these charges to the appropriate line item was not completed in a timely fashion.*
- ∂ \$752 in hotel costs related to a Council Member's attendance. These costs were accidentally posted to the City Council cost center instead of the individual Council Member's unit.*

The City Clerk's Office, Department of Management and Budget [DMB], and Department of Finance were aware of the Youth Services issue and had planned to correct it during the year-end budget clean-up process. During the course of the audit, a journal entry was prepared by Finance to reclassify the entire amount to the appropriate line items.

Management Response:

City Clerk, Department of Finance and DMB staff will continue to monitor City Council activity. Beginning in Fiscal Year 2016, DMB will make necessary budget adjustments to reconcile City Council budgets to actual and anticipated travel on a quarterly basis. Additionally, the City Clerk will begin meeting with Council Member's quarterly to discuss budget status and anticipated needs.

- 6. We reviewed the City Clerk's correspondence with Council Members in order to verify each member was provided with a monthly report of detailed expenditures on a timely basis.

We determined that the City Clerk's Office provided Members of City Council a summary report of expenditures timely for 11 of the 12 months (92%). The February 2015 documentation was sent on March 25, 2015.

7. We requested that each Member of City Council sign a statement certifying that all of his or her expenditures were, to the best of his or her knowledge, in accordance with City policy and necessary to fulfill his or her duties.

All Council Members provided confirmation that their expenses were necessary to fulfill their duties and in accordance with City policy, to the best of their knowledge.

CONCLUSION

Members of City Council substantially complied with the Travel and Expense Policy and expenditures were materially classified correctly in accordance with the adopted budget for the Fiscal Year ending June 30, 2015.

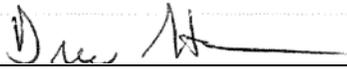
We would like to thank staff from the City Clerk's Office, Department of Management and Budget and Department of Finance, as well as the Members of City Council, for their assistance and cooperation in completing this review.



Ann Clark, CPA
Senior Auditor



Dawn Hope Mullins, CPA
Assistant Municipal Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

**Exhibit 1
Council Members
Budget to Actual Expenditures
For Fiscal Year 2015**

Council Member	Personal Services	Telephone / Internet / Fax	Telephone - Cellular (1)	Administrative Supplies	Dues and Memberships	Training & Development	Business Meals & Travel	Total Expenditure	Final Budget	\$ Under Budget	% Under Budget
Mayor Bowers	\$ 28,175	\$ 694	\$ 853	\$ 12	\$ 5,269	\$ 4,110	\$ 1,333	\$ 40,446	\$ 40,516	\$ 70	0.2%
Vice Mayor Trinkle	\$ 22,086	\$ 378	\$ 901	\$ -	\$ -	\$ 2,748	\$ 75	\$ 26,188	\$ 26,273	\$ 85	0.3%
Council Member Bestpitch	\$ 26,601	\$ -	\$ 363	\$ -	\$ -	\$ 1,010	\$ 1,175	\$ 29,149	\$ 29,229	\$ 80	0.3%
Council Member Ferris	\$ 26,713	\$ -	\$ 605	\$ -	\$ -	\$ 1,010	\$ 746	\$ 29,074	\$ 29,082	\$ 8	0.0%
Council Member Lea	\$ 20,057	\$ 923	\$ 1,395	\$ -	\$ -	\$ 1,045	\$ 306	\$ 23,726	\$ 23,956	\$ 230	1.0%
Council Member Price	\$ 20,809	\$ 176	\$ 605	\$ -	\$ -	\$ 4,540	\$ 951	\$ 27,081	\$ 27,138	\$ 57	0.2%
Council Member Rosen	\$ 26,684	\$ 768	\$ 397	\$ -	\$ -	\$ 360	\$ 48	\$ 28,257	\$ 28,784	\$ 527	1.8%
Total:	\$ 171,125	\$ 2,939	\$ 5,119	\$ 12	\$ 5,269	\$ 14,823	\$ 4,634	\$ 203,921	\$ 204,978	\$ 1,057	0.5%

Per AC532YE Report, as of December 31, 2015.

(1) Includes both direct payments for cellular services and stipends paid to Council Members

**Exhibit 2
City Council Unit
Budget to Actual Expenditures
For Fiscal Year 2015**

Line Item	Actual Expenditures	Final Budget	\$ Under/(Over) Budget	% Under/(Over) Budget
Fees for Professional Services	\$ 561	\$ 2,800	\$ 2,239	80.0%
Administrative Supplies	\$ 3,064	\$ 3,641	\$ 577	15.8%
Expendable Equipment	\$ 2,431	\$ -	\$ (2,431)	(100.0%)
Dues and Memberships	\$ 8,496	\$ 8,500	\$ 4	0.0%
Training and Development (1)	\$ -	\$ 1,730	\$ 1,730	100.0%
Food	\$ 2,733	\$ 3,917	\$ 1,184	30.2%
Printing	\$ 78	\$ 469	\$ 391	83.4%
Special Events (2)	\$ 7,988	\$ 3,128	\$ (4,860)	(155.4%)
Gratuities	\$ 3,640	\$ 4,446	\$ 806	18.1%
Postage	\$ 82	\$ 220	\$ 138	62.7%
Internal Printing	\$ -	\$ 250	\$ 250	100.0%
Internal Services	\$ 23,792	\$ 28,194	\$ 4,402	15.6%
Total:	\$ 52,865	\$ 57,295	\$ 4,430	7.7%

Per AC532YE Report, as of December 31, 2015,

(1) City Council ended the year with a \$1,730 surplus of funds in the travel contingency.

(2) Special Events expenditures included an employee service breakfast and awards, a volunteer recognition celebration, a lunch reception celebrating the 50th anniversary of Sister Cities, and a domestic violence awareness event.

**CITY OF ROANOKE, VIRGINIA
REVISED
TRAVEL AND EXPENSE POLICY FOR CITY COUNCIL
September 6, 2011**

The purpose of this policy is to establish guidelines for the Members of City Council for the expenditure of City funds for travel and other expenses. Council recognizes the responsibility of its Members to represent the City on various occasions, and it is the intent of this policy to guide Council Members as to the appropriateness of incurring expenses for such occasions. Council also acknowledges the need for an equitable policy, one that is in keeping with its obligation to be accountable to the citizens of the City of Roanoke.

The following provisions relating to travel and other reimbursable expenses shall apply to the Members of City Council:

1. Members of City Council shall be subject to City Administrative Procedures pertaining to purchasing, travel, and business expenses, except as otherwise provided in Subsection 7.
2. Documentation: It shall be the duty of the City Clerk's Office to prepare the required documents for travel and business expenses for Members of Council as prescribed by administrative procedures. The Member of Council for whom forms are prepared shall review them for accuracy and personally sign the forms. The Director of Management and Budget shall review these forms for completeness and compliance with City policy before signing as approver.
3. Budgeting: Each Member of City Council shall be allocated funds for phone and internet services, dues and memberships, training, business meals, gratuities, and postage through the City's annual budgeting process. Budget transfer requests must be justified in writing and shall require approval by a simple majority of the other Members of City Council.
4. Meals with Members of Council, Council-Appointed Officers, or members of City boards and commissions will be reimbursed to the extent funding is available. Meals that are principally related to understanding and promoting the mutual interests of the citizens of Roanoke shall qualify for reimbursement to the extent funding is available. The names of the persons who dined, the purpose of the meeting and an itemized receipt must be provided to the City Clerk's Office for appropriate processing.

5. **Boards and Commissions:** Travel is authorized for Members to attend meetings of the Virginia Municipal League and the National League of Cities, and for service on committees or as officers of such organizations. In addition, the Mayor is authorized to attend the annual conference of the U. S. Conference of Mayors. Travel is also authorized for Council Members to attend meetings of organizations or groups to which they have been appointed by Council to represent the City. All other travel by Members of Council shall be approved in advance by the Council. If advance approval by Council is not feasible, advance approval from the Mayor shall be obtained. The City Clerk shall sign all travel vouchers submitted by Council Members certifying that the travel has been approved by Council and is in compliance with this policy.
6. **Community Events:** As government dignitaries, Members of City Council are expected to represent the City at events hosted by charities and other public service oriented organizations. The cost of admission to such events will be paid by the City to the extent provided for within each Council Member's budget. A printed invitation or announcement of the event indicating the date, sponsoring organization and costs must be provided to the City Clerk's Office for payment or reimbursement.
7. **Rewards and Special Recognition:** Roanoke City Council believes that, under certain circumstances, it is appropriate to recognize hard work, exceptional achievements and certain critical events relating to its employees and citizens. In this regard, Council's appreciation may be expressed through the provision of a tangible reward or a non-monetary expression of gratitude or sympathy. Therefore, City Council may elect to approve the expenditure of City funds for recognitions that generally fall within the following categories:
 - 1) Exceptional performance of an employee, individual, or group;
 - 2) Retirement of an employee or individual who has rendered exceptional service, extraordinary longevity, etc.;
 - 3) Serious illness or death;

- 4) Other: It is acknowledged that occasions may arise that are worthy of recognition by City Council which are not otherwise addressed in this Policy. In such cases, the City Clerk may expend funds for such purpose, after having obtained the informal concurrence of a majority of the members of City Council.
8. The City Clerk's Office shall provide an overview of appropriate administrative procedures and a copy of this policy to the Members of Council, as well as any future revisions.
 9. The City Clerk's Office shall provide Members of Council with a monthly report of detailed expenditures.
 10. The Municipal Auditing department shall review Council expenditures annually for compliance with this policy.

MUNICIPAL AUDITING REPORT CITY OF ROANOKE



Greater Roanoke Transit Company Revenue Collection

January 26, 2016

Report Number: 16-009
Audit Plan Number: 16-204

*Municipal Auditing Department
Chartered 1974*

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AUDIT OBJECTIVES & SCOPE

Audit Objectives:

1. Are adequate controls in place and operating effectively to ensure cash fares collected are accounted for and deposited timely?

Yes – Secure fareboxes prevent access to cash by GRTC personnel and passengers during the day and during the removal of cash from each bus nightly. Cash is properly secured in a locked safe until the semi-weekly cash count. Significant controls include:

- Fareboxes that record all cash payments and ridership data.
 - Three keys required to access the cash room; two additional keys required for the cash vault.
 - Requirement that three people count the cash and prepare the deposit.
 - Independent reconciliations of farebox data, cash counts and bank deposits.
2. Are adequate controls in place and operating effectively to ensure all sales of single fare tickets and passes at Campbell Court are accounted for and deposited timely?

Yes – Pre-numbered, magnetic tickets and passes can be purchased from Information Officers at the Campbell Court Transfer Center. The tickets and passes are encoded with information that can be read by the fareboxes on the buses. The farebox can determine if a ticket or pass is valid or expired.

A series of well controlled spreadsheets are used by Information Officers to account for the daily sales of tickets and passes. A series of formulas calculate daily sales and deposit data based on the pre-printed ticket and pass numbers entered by the Information Officers. Money is deposited in the bank daily. Unsold tickets and passes are returned to the Finance department. Finance personnel perform the following significant controls:

- Review unsold tickets and passes and agree pre-numbering sequence to records of sales spreadsheet from the Information Officers.
- Verify deposits were made timely and agree to the recorded sales in the spreadsheet.
- Reconcile daily sales data for each Information Officer to daily deposit postings in the general ledger system.

- Count the \$450 cash drawer maintained by each Information Officer on a weekly basis.

Audit Scope:

We reviewed processes and controls in place over the collection of cash fares, excluding specialized transit arranged rides between January 1, 2014 and December 31, 2015.

We reviewed processes and controls in place over the sale of tickets and passes by Information Officers at the Campbell Court Information Booth between January 1, 2014 and December 31, 2015.

End of Audit Objectives and Scope

BACKGROUND

The Greater Roanoke Transit Company (GRTC) is a private, nonprofit, public service organization wholly owned by the City of Roanoke. The GRTC contracts with First Transit, Inc., to operate and maintain the system. The transit system is more widely known as “Valley Metro.”

There are 71 fulltime and three [3] part-time bus drivers which operate a bus fleet consisting of 42 buses which run 32 routes, with limited snow routes when necessary. Buses run Monday through Saturday with the exception of six [6] holidays including New Year’s Day, Memorial Day, Independence Day (July 4th), Labor Day, Thanksgiving Day and Christmas Day. Additionally, there are nine [9] mechanics, 28 full time and two [2] part-time staff who help support operations.

Valley Metro provides a comprehensive range of transportation services to the greater Roanoke area, primarily in the Cities of Roanoke and Salem, and the Town of Vinton. These services include:

- Bus service along sixteen [16] fixed routes all of which leave from the Campbell Court Transfer Center.
 - Monday – Friday service runs between 5:45 am and 8:45 pm
 - Saturday service runs between 5:45 am and 8:45 pm

A standard fare rate of \$1.50 is charged with 50% discount fares available.

- Smart Way service between Roanoke and Blacksburg leaves from Campbell Court Transfer Center with various stops prior to arrival in Blacksburg.
 - Monday – Saturday service runs between 5:15 am and 9:40 pm

A standard fare rate of \$4.00 is charged with 50% discount fares available.

- Smart Way Connector service between Roanoke and the Lynchburg Amtrak station leaves from the Campbell Court Transfer Center stopping in Bedford prior to arrival at the Lynchburg Amtrak station.
 - Sunday – Saturday service hours based on train schedules

A standard fare rate of \$4.00 is charged with 50% discount fares available.

- Specialized Transit Arranged Rides (S.T.A.R) are a contracted service with United Human Services Transportation, better known as RADAR, which provides curb to curb service for temporarily and permanently disabled individuals.
 - Monday – Saturday service runs between 5:45 am and 8:45 pm by reservation

There is a \$3.00 cost charged per trip.

- Star Line Trolley provides free public transportation along the Jefferson Street corridor between Carilion Clinic and downtown Roanoke. The trolley can also be chartered for special events such as weddings.
 - Monday – Friday service runs between 7:00 am and 7:00 pm

Riders may purchase tickets and passes at the Campbell Court Transfer Center or at Valley Metro's Administrative Offices using cash or checks. Riders who want to pay the fare as they ride must use cash with the fareboxes. Drivers are not allowed to take payments or provide change. Valley Metro does not accept credit card payments.

Discounted fares are available to riders with a photo identification issued by Valley Metro's Administrative Offices after being approved through an application process. The 50% discount from the regular rate is offered to the following persons:

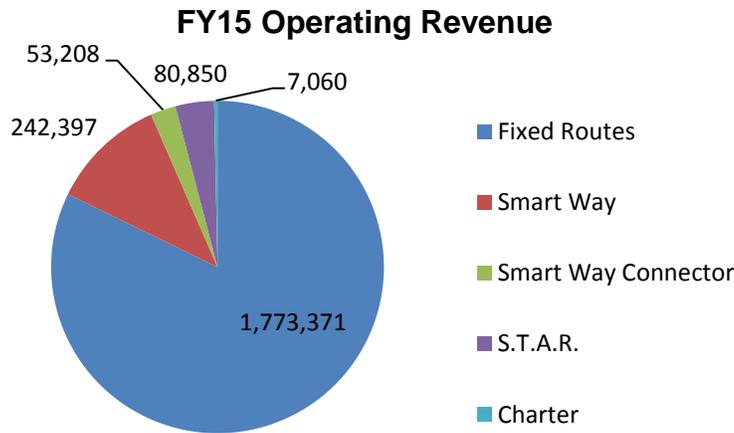
- Persons age 65 year or older
- Persons with disabilities

Students enrolled with Roanoke City Public Schools who are 11 to 18 years old receive a 50% discount if they have a valid student ID with their photo on it. Children 10 and younger ride free with a paying adult passenger.

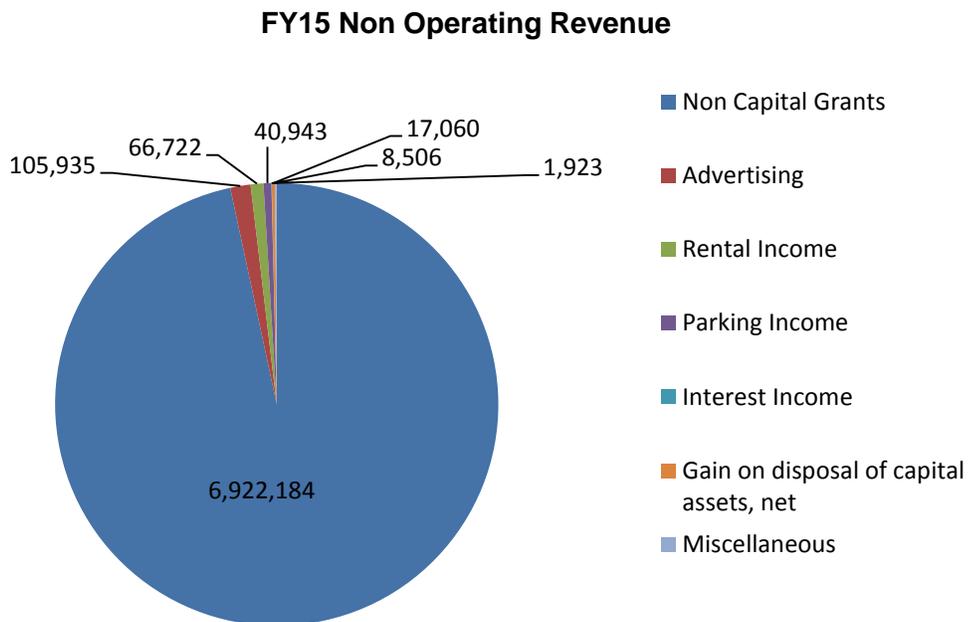
Students and faculty of Virginia Western Community College do not pay a fare at the time of service. Valley Metro invoices Virginia Western monthly for these riders.

Several companies and organizations throughout the Roanoke Valley purchase weekly or monthly passes for use by individuals. Valley Metro invoices these organizations monthly for these riders.

Fares are classified as operating revenue and totaled \$2,156,886 for the year ending June 30, 2015



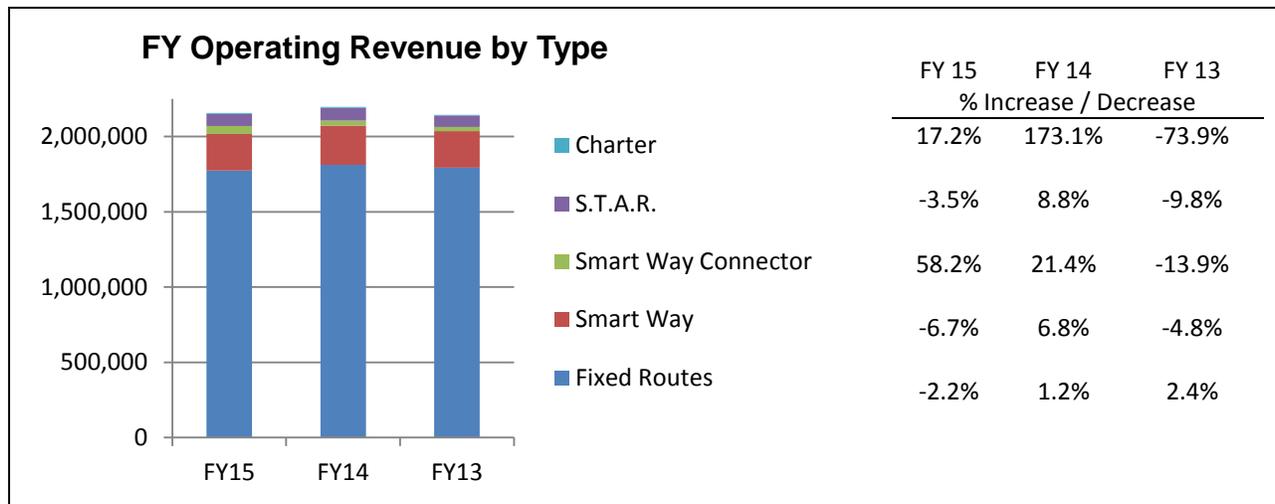
Non-Operating revenues for the year ending June 30, 2015 totaled \$7,163,274 and primarily consisted of grants, as shown here:



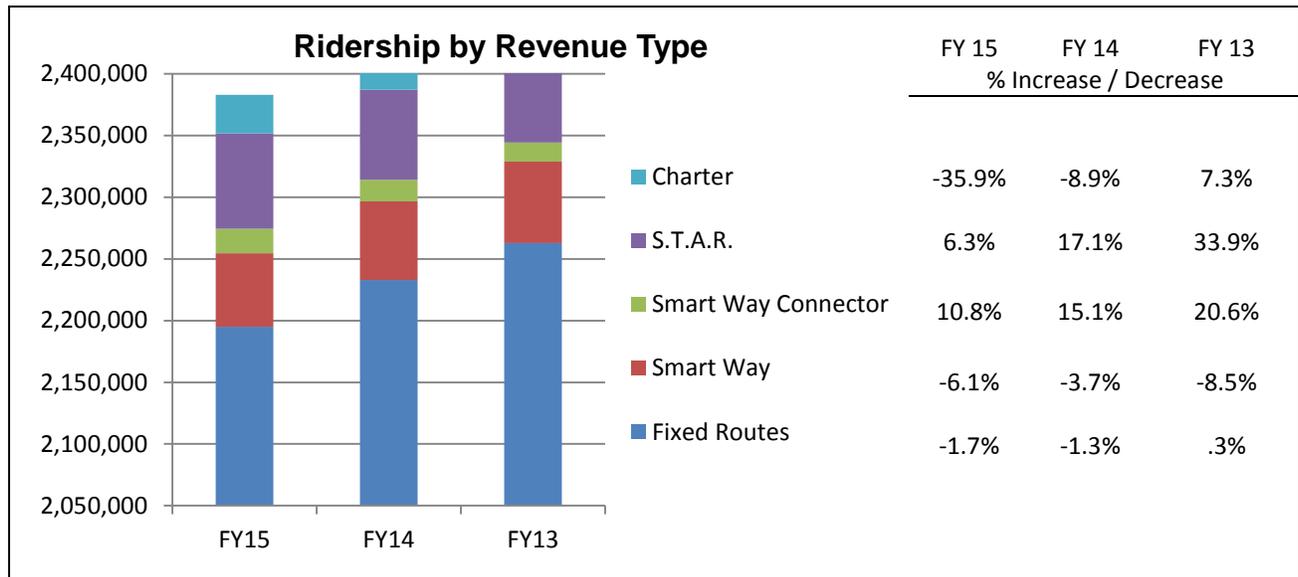
- Operating Assistance - Similar to other public transportation systems, government subsidies are required to fund operations. The company is the recipient of operating and capital grants from federal, state, and local agencies, including the Federal Transit Administration (FTA), the Virginia Department of Rail and Public Transportation, and the City.

- Advertising – Businesses pay for advertising displays inside buses as well as painted on the exterior of buses. GRTC employs an Advertising Sales Representative to handle all advertising. A copy of each contract is submitted to the Finance department who bills the vendor. There are approximately 15 to 20 contracts per year.
- Rental Income – Three vendors rent space in Campbell Court: Greyhound Bus, Pyxis Services and the 727 Market. A lease agreement exists for each vendor which is invoiced monthly by the Finance department.
- Parking Income - There are 105 parking spaces on two [2] decks at Campbell Court available to the public for a \$60 monthly rental. There are currently sixty-eight [68] spaces rented. Renters are invoiced monthly by the Finance department.
- Interest Income – This represents interest earned on bank deposits.
- Gain on Disposal of Capital Assets – Proceeds from sales of retired buses and other capital equipment.
- Miscellaneous – This includes income from sources such as coke machine receipts, waste oil receipts, and payroll deduction fees for wage assignments.

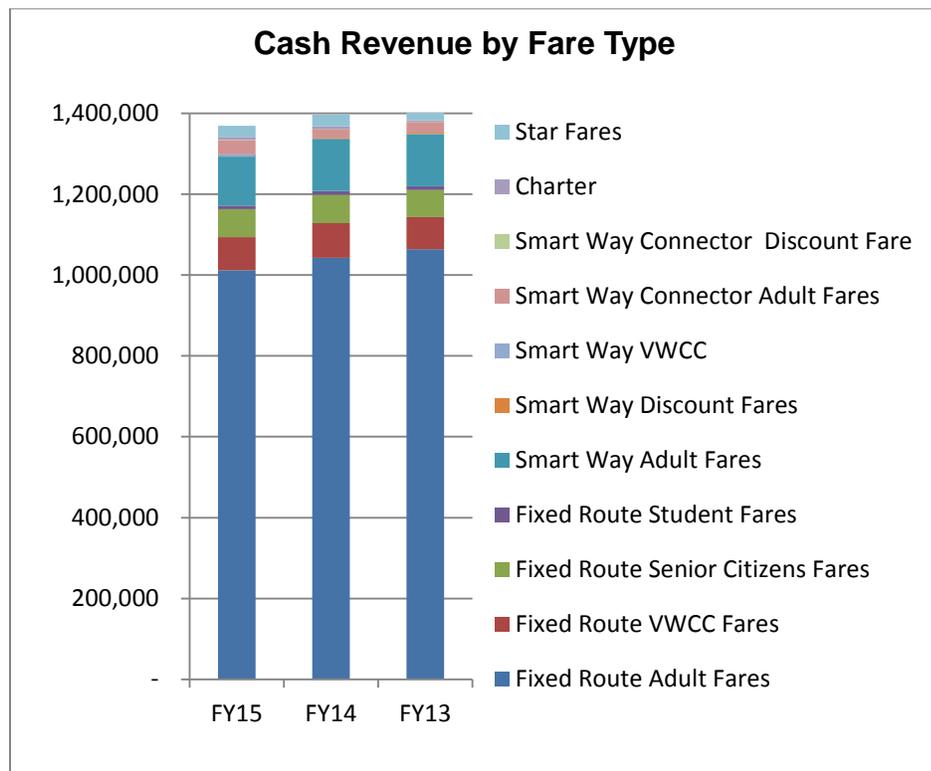
Total operating revenue by type for the prior three fiscal years is shown below:



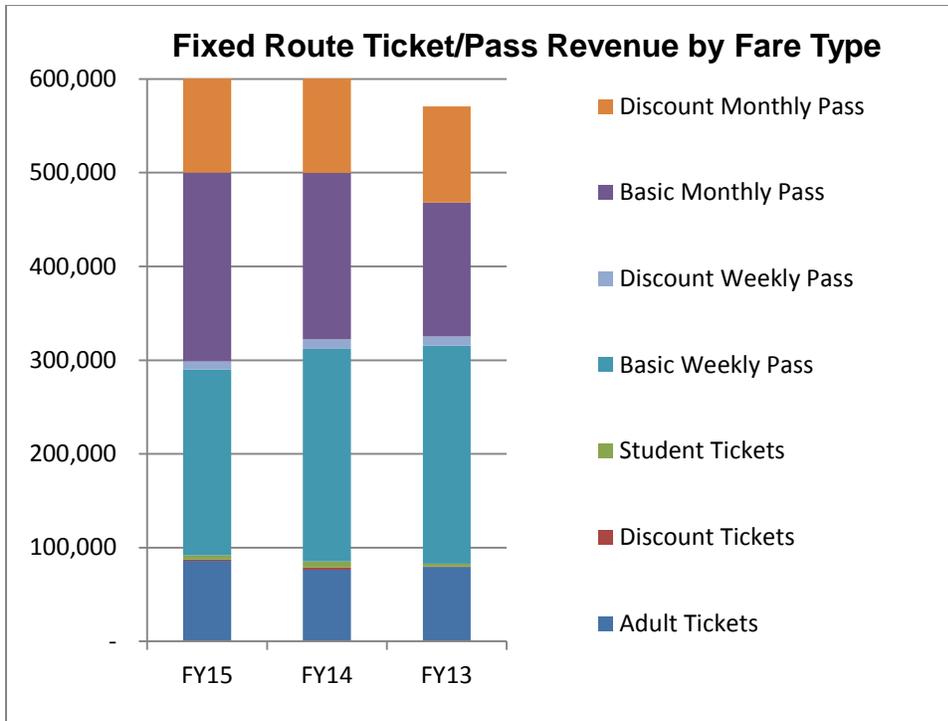
Ridership by revenue type for the prior three fiscal years is shown below:



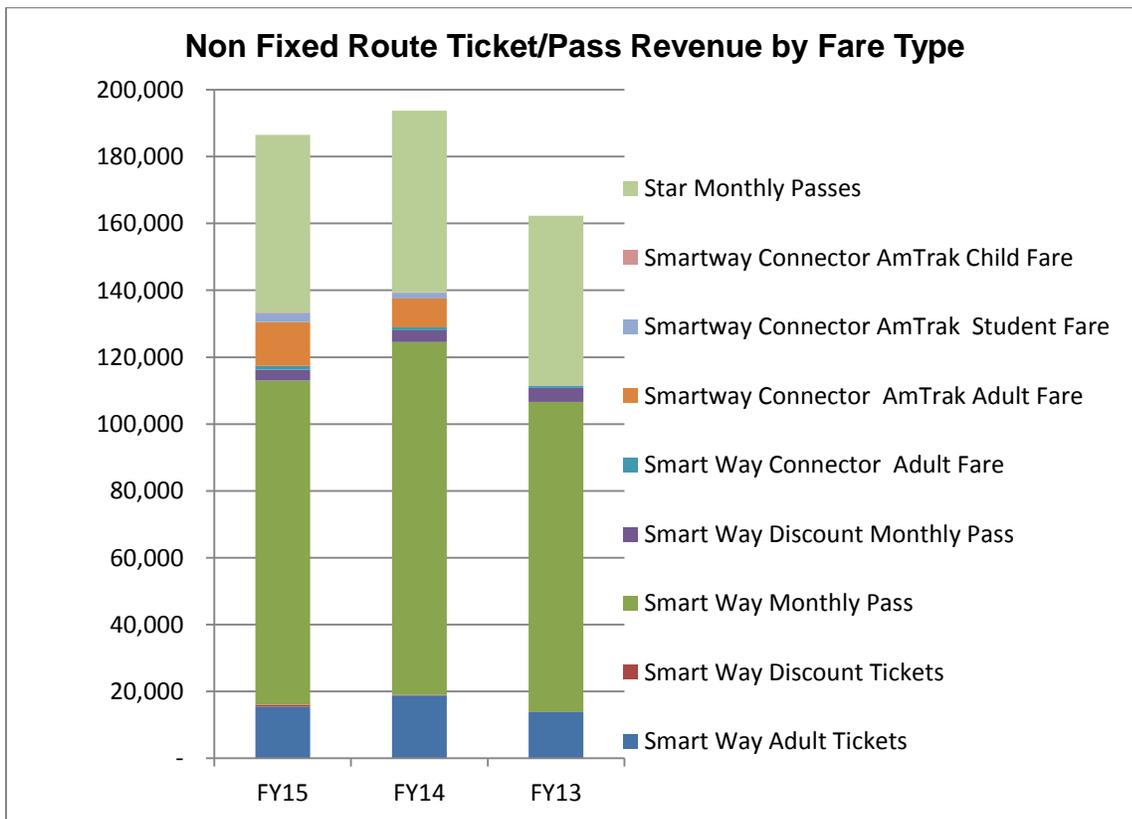
Cash revenue by route and fare type for the prior three fiscal years is shown below:



Fixed route ticket/pass revenue by fare Type for the prior three fiscal years is shown below:



Non fixed route ticket/pass revenue by fare type for the prior three fiscal years is shown below:



Valley Metro uses the Genfare Data system (GFI), a third party purchased system which uses electronic fareboxes and user applications providing reporting and monitoring of fare revenue and ridership.

End of Background

Objective 1: Cash Fares

Audit Objective:

Are adequate controls in place and operating effectively to ensure cash fares collected are accounted for and deposited timely?

Yes

Overview:

Upon boarding, passengers may pay cash for a single fare. The driver selects the appropriate fare rate; full, discount, youth, etc., from a keyboard on the farebox and the passenger inserts coins or bills. When the appropriate amount of monies is received, the cash drops into a secured cashbox and the cash fare is processed by the computerized Genfare farebox. Any change due is provided in the form of a change card which can be used for future fares. No cash change is provided. Cash is not accessible to the driver or passengers once inserted into the cashbox.

During the nightly servicing of the buses at the Valley Metro Administration Building, Bus Cleaners process the fareboxes. An electronic probe is lined up to an electronic eye on each farebox which performs two functions:

- Downloads detail transaction data including number of passengers and revenue by fare type and route
- Unlocks the cashbox from the farebox

The Bus Cleaner walks the sealed cashbox to a vault door located on the outside of the cash vault and places the cashbox in the door causing the monies in the cashbox to drop into the cash vault. This process is performed without any individuals having access to the cash.

After all buses are probed and the cashboxes are emptied, the information stored on the probe is uploaded into the main Genfare computer system. This system produces a daily fare report showing total revenue collected and ridership data by fare type for each bus.

Cash remains stored in the secured cash vault within in the locked cash room until counted. The cash vault contains separate coin and bill sides which are accessed with separate keys. The cash room has three separate locks, one of which is connected to an alarm. All keys are stored in a safe in the Finance department. We reviewed controls over access to the safe and found the key and combination access properly controlled.

Each Monday and Thursday, keys to the cash room and cash vault are obtained and three employees enter the cash room to perform a blind cash count. The cash count is considered to be blind as the counters do not know the expected amount of cash based on ridership counts and fare rates. We randomly selected four [4] months between January 1, 2014 and December 31, 2015 for a total of 40 cash count days and determined the keys to the cash room and cash vault were properly signed out and returned the same day.

The three counters are periodically rotated, are prohibited from bringing personal money into the room and are required to wear a provided jacket with no pockets. Three counters are required to be in the cash room during the entire count process. A cash counting machine is used to assist in the count. The employees document and attest to the amount of cash counted by denomination. The counted cash is stored in a locked safe in the cash room to await pickup by Loomis Armored Transport the following day. The key to the safe is stored in the safe in the Finance department. A surveillance camera monitors the cash count activity which can be viewed if any cash shortages are noted.

We randomly selected 25 cash count days between January 1, 2014 and December 31, 2015 and determined the cash was:

- noted as being verified by three counters,
- agreed to the coin/bill counting machine batch tape,
- posted to General Ledger within five [5] business days and,
- deposited to the bank within two [2] business days.

Upon completion of the cash count, a Finance department employee who is independent from the count compares the counted cash by denomination to the Genfare daily cash revenue report. This procedure ensures the actual cash on hand agrees to the expected cash. We randomly selected 15 cash count days between March 1, 2015 and December 31, 2015 and determined the review was performed.

Throughout the month a Finance department employee, who does not participate in the cash count, compares the expected cash revenue per the Genfare system to the bank deposit by denomination. Any variances over \$200 are reviewed. We randomly selected four [4] months for a total of 42 cash count days between January 1, 2014 and November 30, 2015 and determined an individual independent from the cash count compared revenue per the Genfare system to the actual cash deposited by the twenty-first of the following month. Immaterial variances up to \$8.62, or .07% were noted.

During the month-end close out process, a Finance department employee performs a recalculation of expected cash fares for all routes including fixed route, Smartway and

Smartway connector, based on ridership counts and compares to both the expected Genfare system fares and actual cash collected. We randomly selected three [3] months between March 1, 2015 and November 30, 2015 and reviewed to determine the recalculations are being performed in a timely manner with any significant variances researched. The following minor differences were noted:

Month	Fare per Genfare	Calculated Fare	Cash Collected	Dollar Difference	Percent Difference
May 2015	84,990.00	84,990.00	85,673.31	683.31	.80%
July 2015	88,886.25	88,886.25	89,583.34	697.09	.78%
September 2015	85,207.50	85,207.50	85,761.79	554.29	.65%

During the month-end close out process, a Finance department employee performs the bank reconciliation which reconciles cash from various sources to the bank statement. The reconciliation is reviewed by a second individual. Bus revenue for cash fares and ticket/pass sales is included in the reconciliation. We randomly selected five [5] months between January 1, 2014 and November 30, 2015 and verified:

- monthly cash receipts from cash and ticket/pass sales to supporting documentation,
- reconciliation performed by the 21st of the following month, and
- review performed by a second individual within ten [10] days.

Because two [2] months were noted when either the reconciliation was not completed timely or not reviewed, the remaining 18 months in scope, for a total of 23 months were reviewed for timely completion and review with the following results:

- 18 months were completed after the 21st of the following month,
- three [3] months were not reviewed and
- seven [7] months were reviewed ten [10] or more days after the reconciliation date.

Although the goal for completion and review of the bank reconciliations is not always met, all reconciliations were completed with no material reconciling items noted. The timeliness of completion and review are not considered as significant as the completion.

Controls in place over the collection and subsequent accounting for cash fares are well designed and functioning adequately.

End of Objective 1

Objective 2: Ticket and Pass Fares

Audit Objective:

Are adequate controls in place and operating effectively to ensure cash for single fare tickets and passes sold at Campbell Court are accounted for and deposited timely?

Yes

Overview:

Individual fare tickets or passes can be purchased at the Campbell Court Information booth Monday through Friday between the hours of 6:00 am and 8:15 pm and Saturday between 8:30 am through 5:30 pm with cash or check from an Information Officer. Inventory is ordered annually from an outside vendor, currently Genfare, and stored in various safes at the Valley Metro Administration building. Inventory ready to be distributed to an Information Officer is moved to a safe in the Finance Department. We determined access to the key and combination to be properly controlled.

Effective January 5, 2016 a new pass system was implemented. The audit reviewed the pass system in effect as of our November 30, 2015 audit date which included passes for adult, discount and youth priced fares including:

- single fare ticket,
- weekly pass, and
- monthly pass.

Weekly and monthly passes were valid based on the calendar week or month.

The new pass system also includes adult, discount and youth fares with 24 hour, 7 days, 31 day and 15 single ride options. Passes are activated the first time they are used and expire based on the length of the purchased pass, with the exception of the 15 single ride pass which expires based on the number of rides used.

The number of tickets and passes issued to the Campbell Court Information Officers was based on prior sales history of each fare type. Single fare tickets did not expire and were distributed as needed. Weekly and monthly passes were distributed prior to the date pass became valid to allow presale.

With the implementation of the new V-Pass system on January 1, 2016, all ticket/pass types are now distributed as needed.

A log is used to document the distribution of tickets/passes to Information Officers. Prior to January 2016, this log was also used to document the return of any unsold expired passes. We randomly selected ten [10] days throughout January 1, 2014 and December 31, 2015 when tickets/passes were issued and determined the Information Officer initialed for receipt of the tickets/passes. We also determined an employee in the Finance department initialed for receipt of any subsequently returned unsold passes.

Each Information Officer maintains a \$450 cash drawer to provide change. Finance counts each Information Officer's cash drawer on a weekly basis but does not document the results of the counts. Periodic surprise counts are an important part of internal control procedures which encourage honesty and should be conducted on a surprise basis by someone independent of the cash operation.

A series of excel spreadsheets have been developed for use by the Information Officers to document ticket/passes on hand and sold. Various macros are used to populate sales data while formulas calculate sales information by fare type. The spreadsheets have been protected to prevent modifications to cells which automatically fill or perform calculations. We obtained a copy of the spreadsheet templates and determined all spreadsheets were adequately protected to prevent modifications to the data. Throughout the individual tests we selected a sample of calculations for accuracy.

To determine the Information Officers appropriately accounted for tickets/passes and cash, we randomly selected 25 days between January 1, 2014 and December 31, 2015 from the six [6] Information Officers who worked at the Campbell Court Information Booth and determined the:

- ticket/pass sales figures for the day were accurate based on the sequence number of tickets/passes sold and on hand, and
- bank deposits were accurate and timely.

A Finance department employee performs a weekly review of each Information Officer's daily sales reports to verify accuracy of sales and deposit data. Four [4] of 24 days selected between January 1, 2014 and December 31, 2015 either included no evidence of review or the review was performed up to 23 days after the sales day.

A monthly summary form comparing total daily sales and deposit data for each Information Officer to daily deposit postings in the Great Plains general ledger system is prepared and reviewed during the month-end close out process. We randomly selected ten [10] months throughout January 2014 and November 2015 for documentation of the review with the following results:

- two [2] months were initialed as being reviewed, however not dated, and

- three [3] months were reviewed after the 21st of the following month.

Overall, controls in place over the sale of single fare tickets and passes and subsequent accounting are well designed and functioning adequately.

End of Objective 2

SUMMARY OF MANAGEMENT ACTION PLANS

Management Action Plan – Weekly Cash Drawer Count	
<p>In order to document the cash drawer on a weekly basis for each Information Officer, the Finance Department intends to create a log that will include the date of the cash drawer count, amount counted, and the initials of the counter and the Information Officer. It also intends to perform periodic surprise counts that will also be documented on the log.</p>	
Assigned To	Target Date
Sarah Godsey	3/1/16

Management Action Plan – Weekly Sales Activity Review	
<p>The Finance Department intends to update the supervisory review process to include that each sales form has been reviewed to ensure that the sales form contains the signature of the reviewer and the date of completion. To ensure that the work is completed within seven (7) days of receipt of the sales form, the supervisor signs and dates the accounting system posted reports completed by the employee each week.</p>	
Assigned To	Target Date
Sarah Godsey	3/15/16

ACKNOWLEDGEMENTS

We would like to thank the employees of the Greater Roanoke Transit Company, specifically Stephanie Giles, Director of Finance, Sarah Godsey, Accounting Supervisor and Tammy Fisher, Accounting Associate, for their assistance and cooperation throughout the audit. We would also like to thank Marlene Thomas, Information Officer, John Thompson, Director of Maintenance, Bob Broughman, Director of Transportation, Doug Thompson, Assistant Director of Transportation, Katy De Meglio, Director of Human Resources, Sandy Shedwell, Transportation Supervisor, Margaret Craig, Purchasing Agent, and Chris Viglai, Maintenance Foreman.



Ann Clark, CPA
Senior Auditor



Drew Harmon, CPA, CIA
Municipal Auditor

MUNICIPAL AUDITING UPDATE

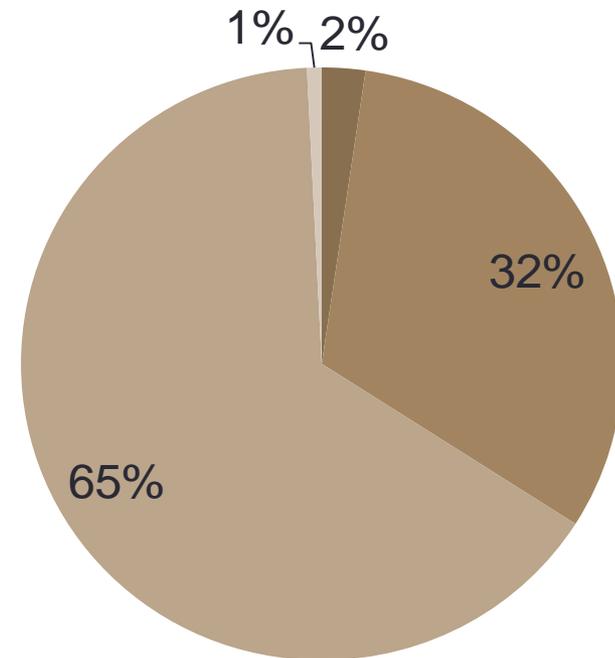
March 2, 2016 Audit Committee

[Activity from 7/1/15 thru 2/22/16]

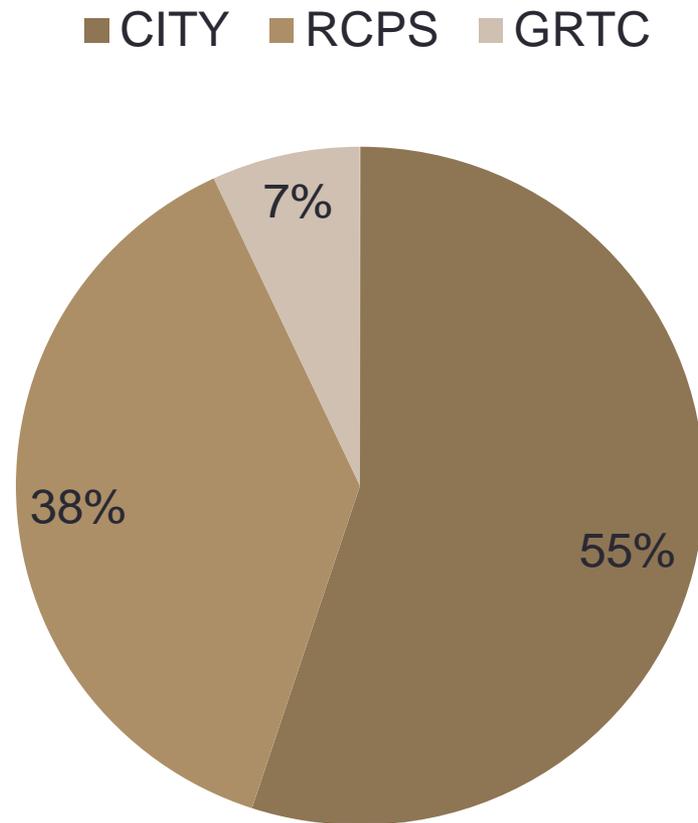
Activity by Service Type

- Audit Follow Up – Verifying that action plans were effectively completed.
- Audit Support – Consulting with management, participating on committees, and other assistance of an advisory nature.
- Performance Audits – Auditing departmental operating, reporting and compliance responsibilities.
- Investigations – Investigating potential fraud, waste or abuse.

■ Follow Up ■ Support
■ Performance ■ Investigations



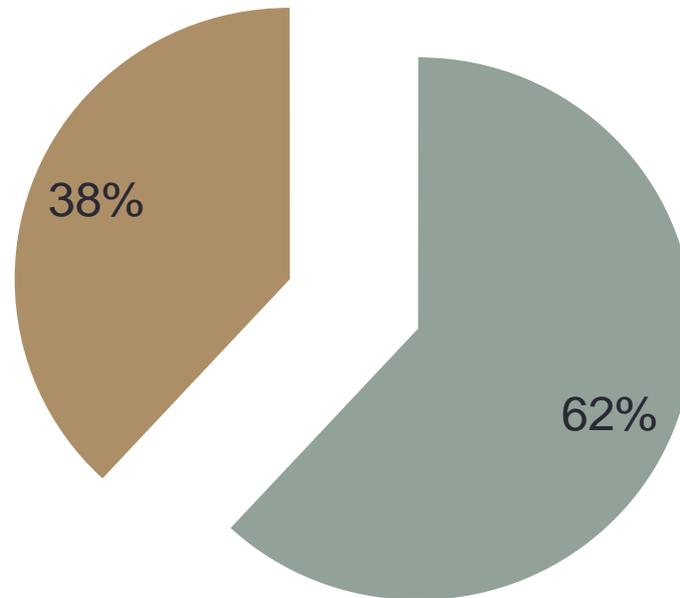
Activity by Entity



FY16 Assignment Status

Budgeted >100 Hours

■ Open ■ Closed



Closed Projects > 300 Hours

Project	Description
External Audit	Coordinated the annual financial audit, assisting the auditors and city departments.
RCPS Student Health Services	Audited controls over medications, medical records, and contract administration for outsourced nurses.
RCPS Workers Compensation	Audited processes for new employee physicals, safety training, reporting injuries, medical and indemnity claims.
RCPS Time and Attendance	Audited processes for reporting overtime, paid leave, and extra duties.
RCPS 21 st Century CLC Grant	Reviewed compliance with specific requirements of grant awards for 21 st century community learning center grants.

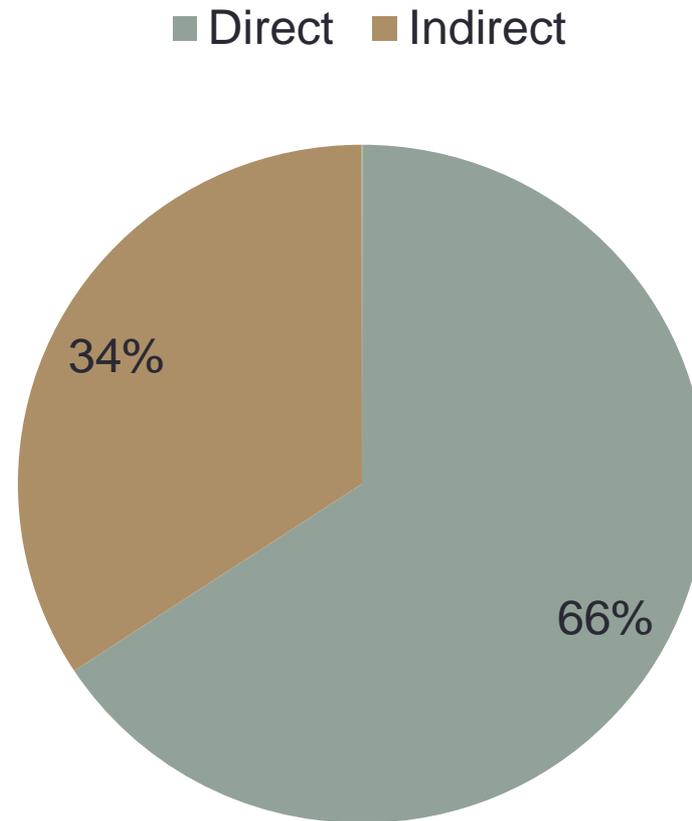
Closed Projects > 300 Hours

Project	Description
PLAY After School Program	Audited processes for managing after school programs held at Grandin Court, Preston Park and Eureka recreation centers.
City Council Expenditures	Audit of expenditures by members of City Council and the City Clerk's Office for the fiscal year ending 6/30/15.
GRTC Revenue Collections	Audit of processes for collecting cash fares on the fixed route buses and payments for passes at the Campbell Court Transfer Center.

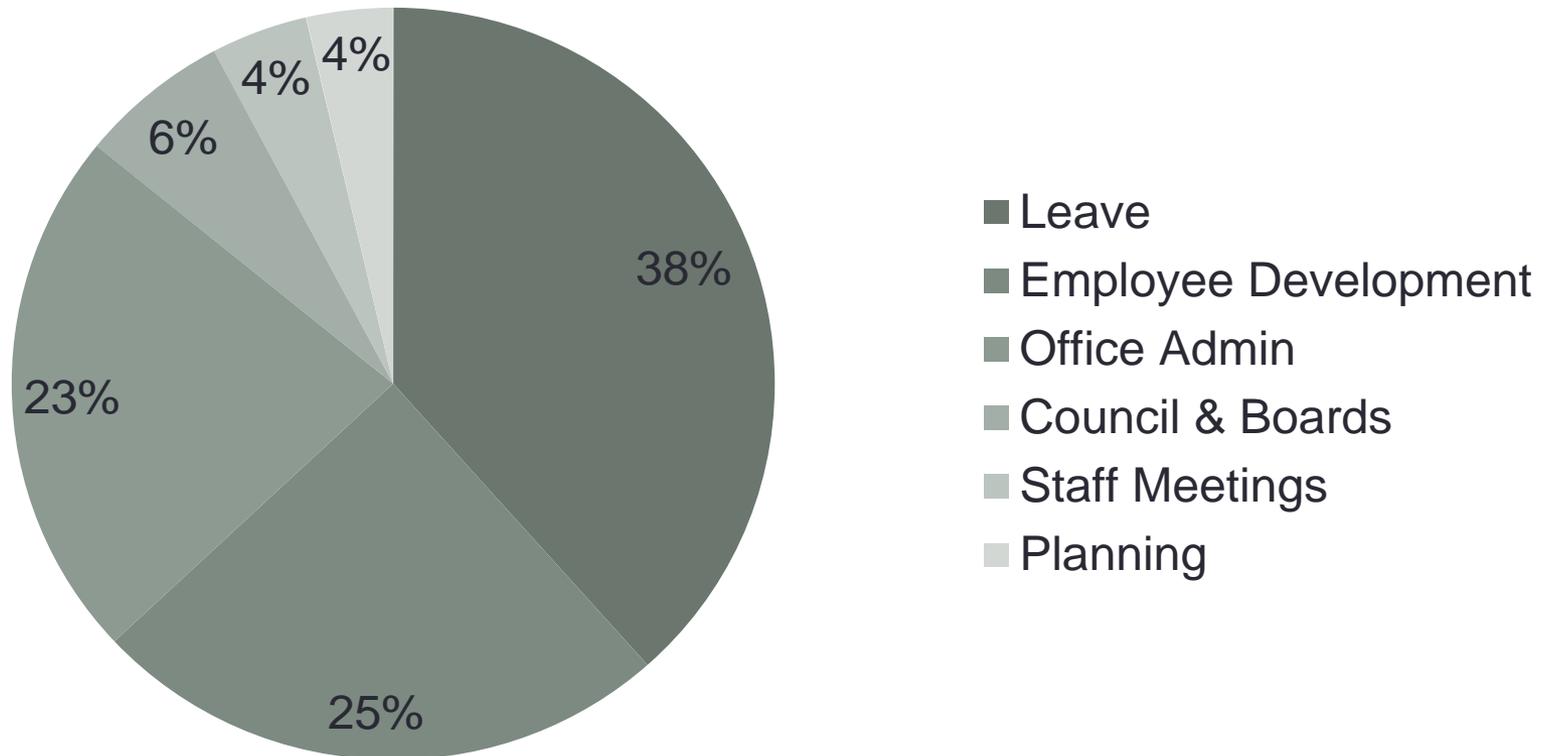
Open Projects > 300 Hours [Budgeted]

Project	Description
Revenue	Facilitating the development of a revenue leadership team to effectively govern tax and treasury functions through regular communication, joint decision making, and shared accountability.
RCPS Fixed Assets	Audit of processes to account for fixed assets costing more than \$500.
Risk Management – Liability Claims	Audit of processes for administering general liability and auto claims.
Transportation - Right of Way and Landscape Maintenance	Audit objectives and scope are being developed.

Direct and Indirect Time



Indirect Time



Performance Measures

Measure	Target	Thru 2/22/16	Projected 6/30/16
Assignments Completed / FTE	8	3	6
Client Satisfaction [1 to 5]	4	4.83	4.5
Client Action Plans Completed	80%	100%	100%

QUESTIONS
OR
COMMENTS

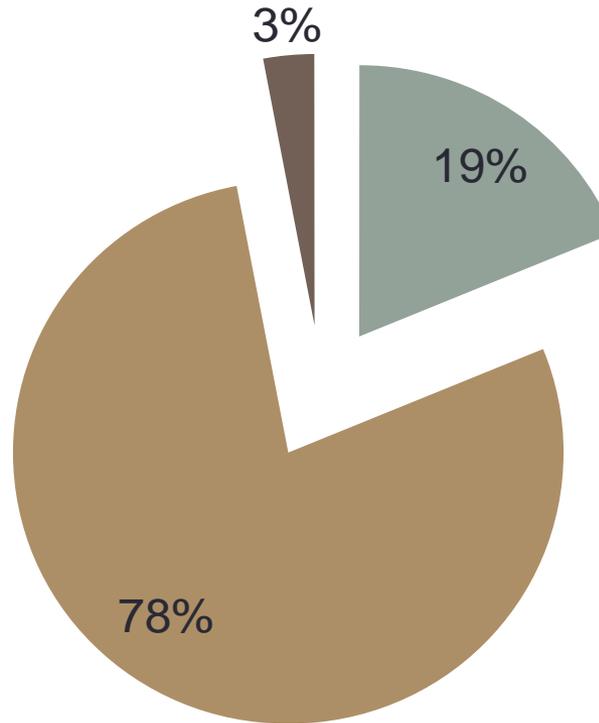
MUNICIPAL AUDITING BUDGET REVIEW

March 2, 2016 Audit Committee

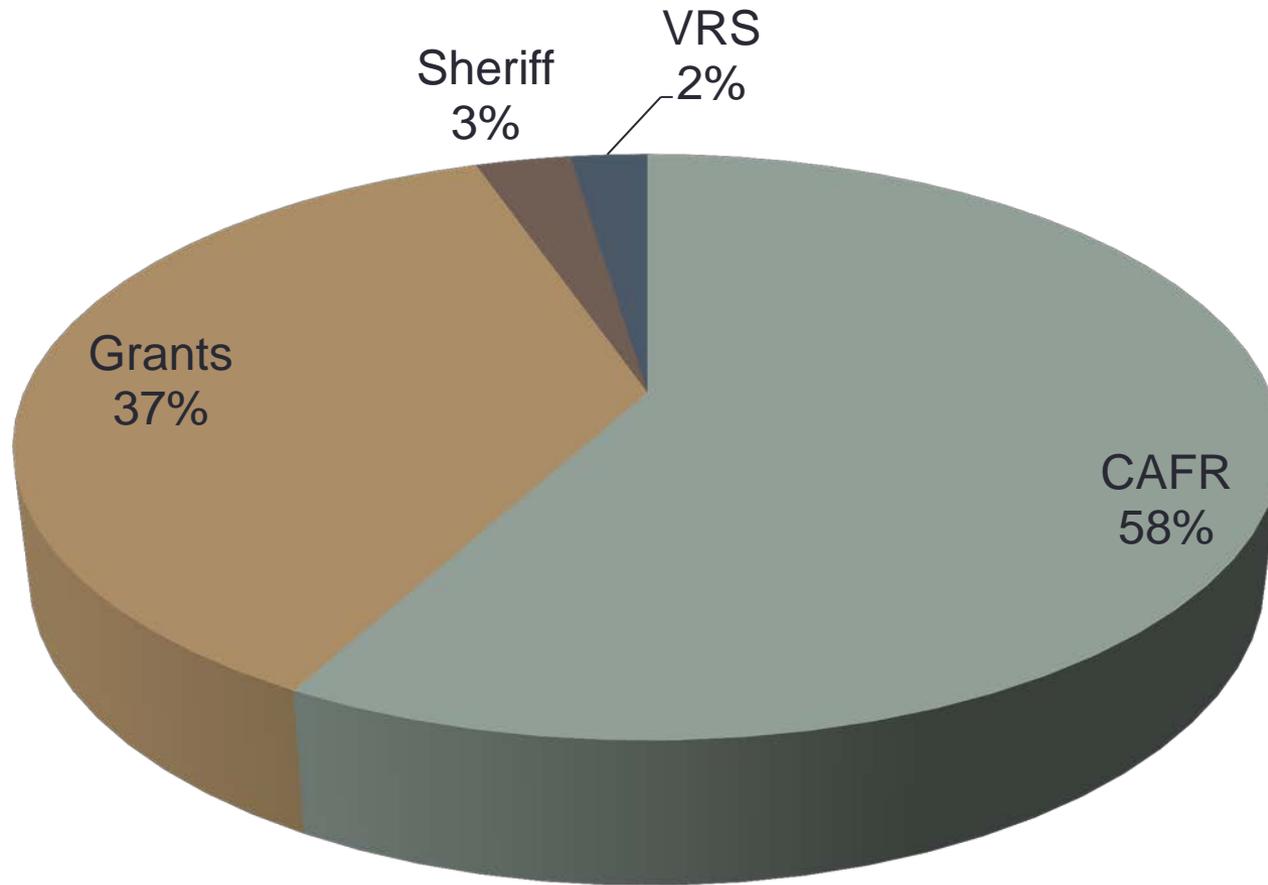
FY17 Proposed = \$751,309

Expenses

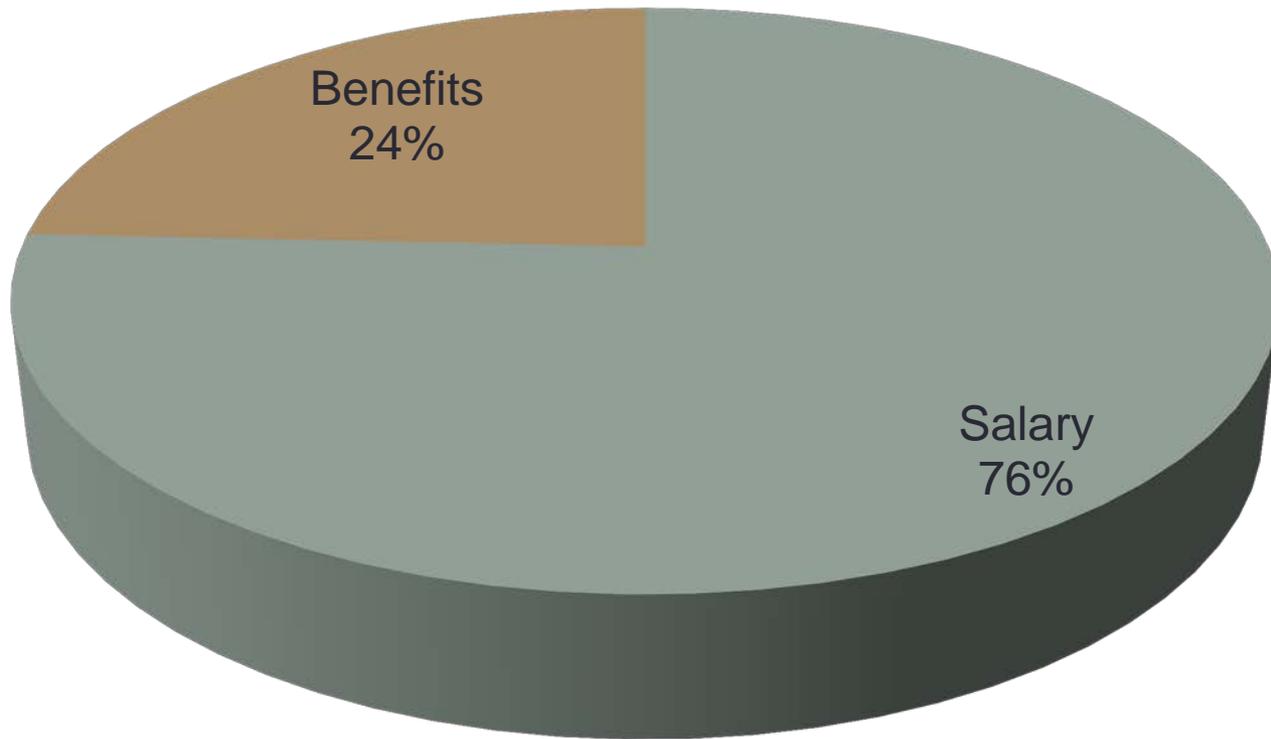
■ External Audit ■ Personnel ■ Operating



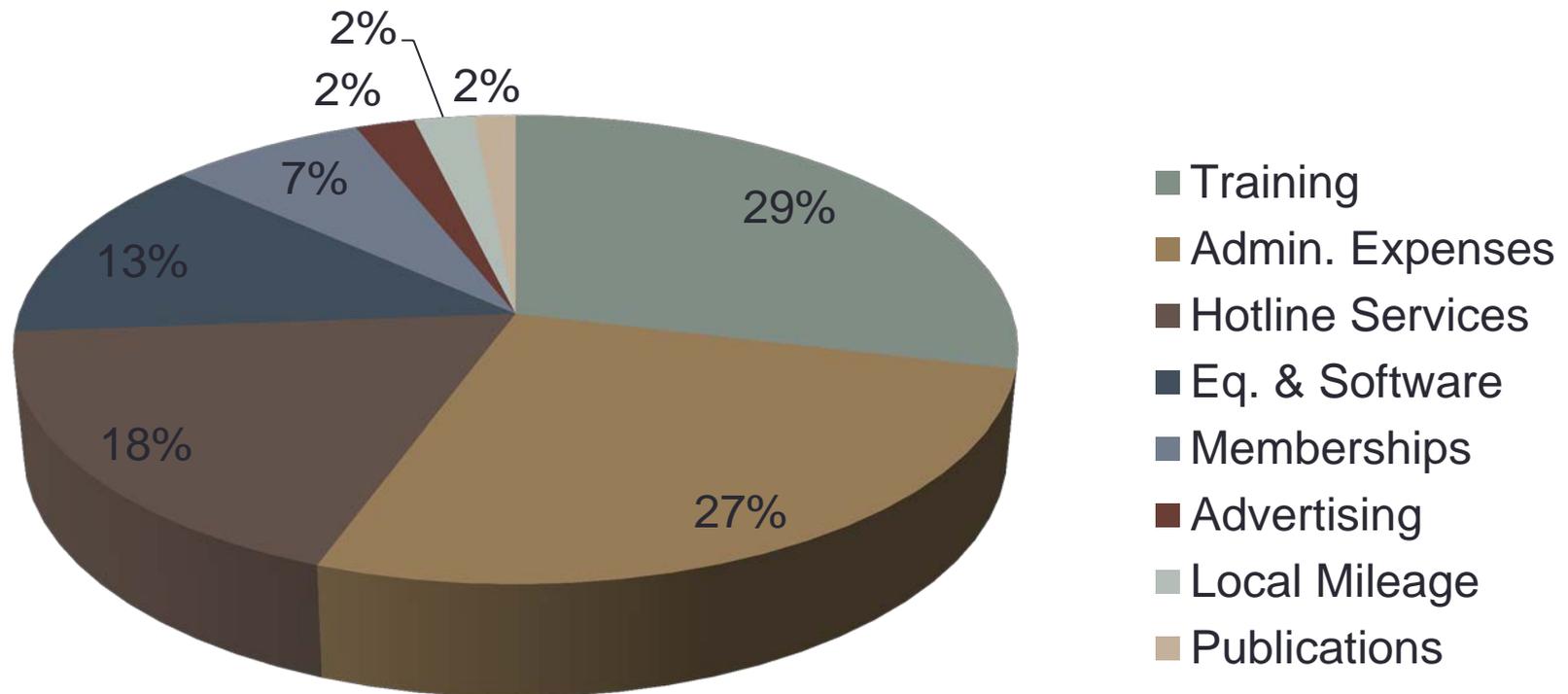
External Audit = \$140,995



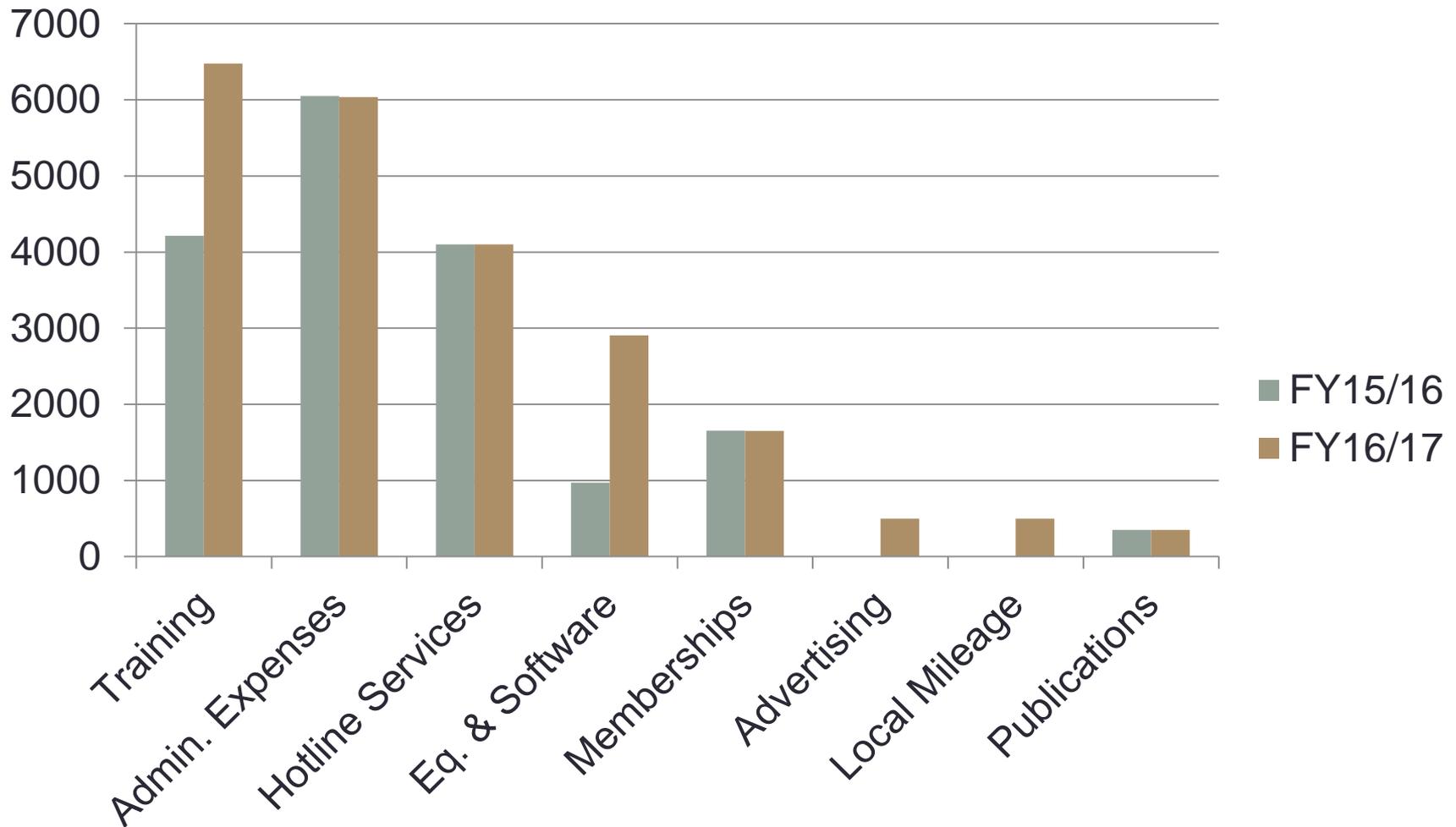
Personnel = \$587,797



Operating Expenses = \$22,517



Operating Expenditures – Year Over Year



Training

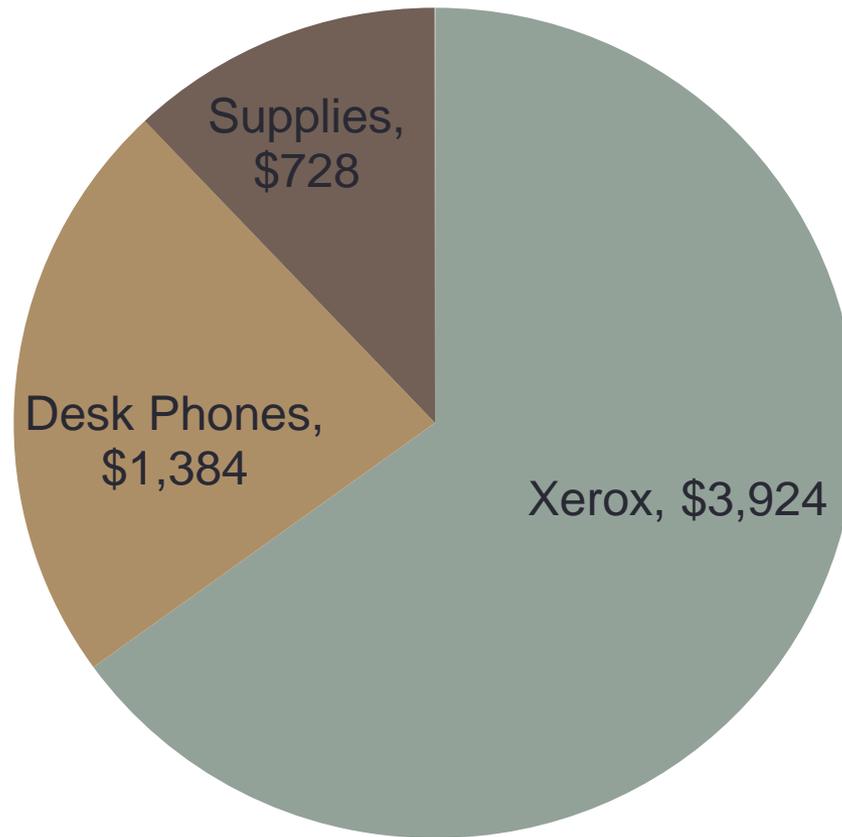
Protiviti Knowledge Center Subscription:

- Audit Programs, Checklists, Questionnaires, etc.
- Continuing Professional Education
- Publications on Latest Trends and Techniques
- Costs = \$625 / person = \$3,750 [Annually]

Two Day Conference in Roanoke:

- Professional Speakers on Auditing Topics
- Opportunity to Meet Other Auditors in the Area
- Costs = \$300 / person = \$1,800

Administrative Expenses



Equipment and Software

ACL Software:

- Data Analysis Program Specifically Designed for Auditing
- Works with All Major File Formats
- Includes Web Support and Access to Scripts, Etc.
- Cost = \$350 / license x 2 = \$700 [Annually]

Adobe Pro:

- Enables Auditors to Work with Scanned Documents
- First Step Towards Paperless Work Papers
- Cost = \$314 / license x 4 = \$1,256 [One Time]

Equipment and Software

Laptop Replacement:

- Dell Latitude E6410 [May 2011]
- Cost = \$650 [DoT Covers 50% of \$1,300 Total Cost]

Smartdraw Software:

- Flowcharting and Visualization Program
- Cost = \$50 / license x 6 = \$300 [Annually]

QUESTIONS
OR
COMMENTS