Retail Center Audit

Governance & Audit Report No. 2022-07

Report Issued October 3, 2022

EXECUTIVE SUMMARY

Background

In July 2022, the Director of Accounting in the Finance Department of IndyGo, requested a special review of the Retail Center sales and payment collection process. The Retail Center is in the Julia Carson Transit Center and is operated by RATP Dev contractor.

Objective, Scope, and Approach

The primary objective in performing this process review was to evaluate the fare pass point of sale process, reconciliation, and reporting. Accordingly, our scope included reviewing:

- Daily cashier sales reports including cash, check and credit card sales
- Daily cashier inventory counts reconciling inventory against reported sales
- Point of Sale system reports for all transaction types
- Retail Center sales variances
- Contractor monthly detailed report to IndyGo Management

Provide an update to IndyGo Management with recommended plan

Our approach included performing interviews with members of IndyGo Customer Service, IndyGo Finance, and the Retail Center contractor RATP Dev.

Overall Report Rating & Observations
(See Appendix A for definitions)

	Report Rating	Number of Observations by Rating		
		High	Medium	Low
Fare Counting & Reconciliation	**High**	**2**	**1**	**1**

Overall Summary and Highlights

As a result of the request to Audit the Carson Transit Center Retail Center, the Governance and Audit Team met with several members of the IndyGo Mobility Solutions Staff as well as the Contractor RATP Dev. These individuals were very cooperative and provided all documentation requested.

Our review of the Retail Center operation identified 4 observations which are presented in detail in this report.

Based on having two observations rated high, one medium and one low, the overall report rating for this Retail Center Audit is "High" risk.

After discussion with both the Mobility Solutions Department and the Finance Department, it is recommended that the oversight of the Retail Center be moved from Mobility Solutions to Finance.

We would like to thank IndyGo staff and all those involved in assisting us in connection with the audit. Questions should be addressed to the IndyGo Department of Governance and Audit at:
batkinson@indygo.net.

EXECUTIVE SUMMARY (CONTINUED)

OBSERVATIONS SUMMARY

Following is a summary of the observations noted. Definitions of the observation rating scale are included in Appendix B.

Governance and Audit Observations	
Recommendation Title	**Rating**
1. Point of Sale System	**High**
2. Documentation	**Low**
3. Inventory to Sales Reconciliation	**High**
4. Pass Distribution	**Medium**

IndyGo

1. Point-of-Sale System

Observation:	Recommendation:	
There is risk that not all sales are being captured in the Point-of-Sale System which increases the ability to commit fraud.	IndyGo should ensure the proper steps are in place to capture all tender types and transaction in the Point-of-Sale System for the Carson Transit Retail Center.	

Observation Rating: High

During the review of the daily transaction at the Retail Center, it was observed that transactions paid by a check are not being entered into the Point-of-Sale System. Only cash and credit card transactions are entered into the POS. The check transactions are being handled manually outside of the point-of-sale system and are to be added to the daily cashier sheets and daily inventory reconciliation spreadsheet.

There is an increased risk to commit fraud by not entering the transaction and switching out checks for cash from other sales and thereby not depositing the cash.

The sales paid by check are typically by community organizations who buy large quantities of passes for clients served by these organizations. IndyGo does not accept checks from the public. Check transactions from January – August 2022 totaled at $37K.

In addition, it was noted that check transactions are not being entered in the POS and are not captured in the Flowbird Portal, which is a reporting tool for all

IndyGo management should:

- Explore the ability to add a check tender type in the Flowbird Point-of-Sale System
- Until a check tender type is developed, checks should be entered as cash to ensure that all transaction types are entered into the POS, therefore keeping record of, and reporting all transaction types in the official system.

Management Action Plans:
The Point-of-Sale system was procured and implemented by Flowbird. The current system does not currently meet the needs of adequately recording inventory, cash value, and check collection, which includes manual tracking, documenting, and counting of products.

After meeting with Brian and the Governance and Audit team, a meeting was scheduled with all appropriate parties to implement a plan to improve the accuracy through proper controls and penmanship, to implement a system for checks and balances, and discuss the consistency of training for the contracted staff.

Weekly, my team will collect retail desk reconciliation to validate and check collection totals against product/inventory and cash sales. The Director and Business Analyst will provide Mike Roth, Senior Director of Mobility Solutions, with a report of their findings for review and, if applicable, have RATP Dev complete an Action Plan of immediate improvement for the collection processes.

transactions including the Ticket Vending Machines. Reports from this portal are under reporting revenue by not including check transactions.

It is noted that all revenue is being captured in the IndyGo official financial system Microsoft D365 because bank files including all deposits are uploaded.

Monthly reports are provided to Accounting from Customer Service identifying revenue types for the creation of revenue reclassification journals. It is possible that although all passenger revenue is being captured, if some of this data comes from the portal, there is a margin of error in reclassifying fare revenue. The best example is Fixed Route Pass/Ticket Sales Revenue and Mobility Services Revenue.

Because the POS does not contain record of check sales, the daily manual reconciliation of pass inventory held by the cashiers at the start of the day compared to the end of the day is the only way to prove the actual total sales. This is the only way to identify variances in money collected for pass types sold because of the lack of POS reports including all tender types.

Responsible Parties:

IndyGo Mobility Solutions

Due Date:

Current

2. Documentation		
Observation: Daily cashier sheets prepared by the Retail Center cashiers were reviewed from January – August 2022. There is no consistency in what data is maintained or recorded and there are multiple errors on the daily paperwork.	**Recommendation:** IndyGo Management should insist that the Contractor retrain cashiers on what to include in the daily cashier sheets along with the importance of accuracy and consistency.	
Observation Rating: Low		
Cashier sheets completed by the cashiers which summarize the daily transactions are not consistent from day to day. Many of the daily cashier sheets are not fully completed and include errors in listing amounts including mathematical errors and excluding totals. There is no consistency in what is maintained each day. Some cashier sheets have check copies, POS reports and deposit slip copies while others do not include this documentation. On most days the Retail Center Manager corrects the cashier sheets which summarized the daily totals. It was apparent that management spends a significant amount of time addressing issues in this paperwork.	Determine a standard of what is to be included in the cashier sheets daily. Management should stress the importance of the cashiers to proofread the paperwork and recheck for mathematical errors before turning in sheets to management at the end of their shift Until there is a method of tendering checks, it is recommended that copies of the checks along with deposit slips be included with the daily cashier sheets. Determine an accountability standard/requirement for accuracy in the work completed by the cashiers daily.	**Management Action Plans:** During our meeting with our Contractor RATP Dev to immediately correct some of the manual processes. This meeting occurred on September 22, 2022. IndyGo and our Contractor discussed the importance of consistent training and expectations regarding reconciliation from the retail desk agents and following up to ensure that processes are followed consistently. IndyGo will create an SOP for the Contractor as part of the review and validation process. This will become the process until further discussions with Flowbird to update the Point-of-Sale system currently used by IndyGo. **Responsible Parties:** IndyGo Mobility Solutions/RATP Dev **Due Date:** Current

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3.	Inventory to Sales Reconciliation

Observation:	**Recommendation:**	
The Retail Center Manager maintains a spreadsheet daily for each cash drawer that logs the inventory at the start of the day compared to the end of the day. This spreadsheet is used to determine the expected drawer total at the end of the day and to reconcile any variances.	The Retail Center contractor should continue to reconcile the cash drawer totals with inventory distributed daily but realize a pass shortage is the responsibility of the contractor to reimburse IndyGo.	

Observation Rating: High

The Retail Center Manager's cash drawer reconciliation spreadsheet is the only way to prove what is expected in sales totals at the end of the day because the checks are not being tendered in the POS. The spreadsheet is used to determine any variances in the total money collected compared to the passes distributed. There is an area in the spreadsheet to reconcile the variances. Regularly there is a reason for a shortage listed as passes "over sold". This means there were passes distributed in which no money was collected. This could be due to wrong pass types being distributed or more passed given than collected. The contractor is responsible to pay IndyGo any shortages. The current practice is that if a variance is explained in the reconciliation section of the spreadsheet, this variance is not provided to the Senior Director of Mobility Solutions to collect from the contractor at the time of monthly invoicing.	Continue the current or an improved spreadsheet for reconciling the pass inventory with cash collected by cash drawer until the POS can be set up to tender checks and track drawer inventory more accurately. Use the variance reconciliation section of the spreadsheet to determine the cause of the errors but hold the contractor responsible to reimburse IndyGo for all shortages. The shortages monthly could be part of assessing liquidated damages listing the amount as a credit on the contractor invoice to IndyGo. It would be necessary to list the credit amount on the invoice so that it can be correctly posted as Passenger Fare Revenue in the IndyGo Accounting System.	**Management Action Plans:** During the discussion between IndyGo and RATP Dev, the team problem-solved solutions to remedy the process, including reviewing the spreadsheet and discussing immediate improvement to lower the risk of error and provide more precise transaction money and product counts. Over the past month, the explanations improved. For example, if a passenger ticket was destroyed in the fare machine and a replacement pass was issued, the reason for the replacement of the ticket/pass is entered into the spreadsheet. The process for all missing products will have an explanation, and the amount of the product will be returned to IndyGo. The only exception to this rule is if a pass was stuck in a fare box and a replacement had to be given; as long as there is an explanation of what happened, then RATP Dev would not be held accountable for this product.

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Because the cause of the variance is determined, it should still be the responsibility of the contractor to make up the dollar shortage to IndyGo.		**Responsible Parties:** IndyGo Mobility Solutions/RATP Dev. **Due Date:** Current

4. Pass Distribution		
Observation: Based on the daily cash drawer inventory reconciliation it is noted that errors on pass distribution are regularly made. Cashiers issue more passes than are purchased or issue the wrong type of pass than what was purchased by the customer.	**Recommendation:** The importance of counting the passes accurately and taking the time to double check the inventory being distributed should be reemphasized to the cashiers. Develop a method to track pass distribution more accurately.	
Observation Rating: Medium		
Passes are regularly counted wrong when distributing them to customers or the type of pass issued is wrong compared to the money collected. There were examples found regularly where the money for one pass type was short and another pass type was over by the same variance amount. This seems to mean the wrong pass type was distributed. In one particular case money was collected for six 1-day passes but six 10-day passes were distributed. This means a client could ride for 60 days at the price of 6 days. One instance the cashier had a difference of passes distributed compared to money collected in every pass type. The current POS allows the cashier to select the pass type and enter a quantity, but it does not ensure that the cashier takes the correct pass type from inventory.	Require cashiers to count the pass types being issued more than one time to minimize errors. Research the ability to scan the actual pass or enter the pass serial number into the POS to ensure that the passenger is paying the correct amount for what is received.	**Management Action Plans:** IndyGo and RATP Dev agree that counting passes accurately and taking the time to double-check will be reemphasized to the cashiers. The SOP will also include recommendations to develop a method to track pass distribution more accurately and work with Flowbird to improve the current Point-of-Sale system, not a daily manual count. RATP Dev will retrain the staff on all types/dollar value of tickets/passes and ensure they understand each type of ticket/pass. Our Contractor will re-reconcile, since October 1, 2021, the number of lost products (tickets/passes) monthly and repay IndyGo for any associated cost, which will be noted on monthly invoices as a credit to IndyGo. **Responsible Parties:** IndyGo Mobility Solutions/RATP Dev **Due Date:** Current

PENDIX A – RATING DEFINITIONS

Observation Rating Definitions		Report Rating Definitions	
Rating	**Definition**	**Rating**	**Explanation**
Low	Process improvements exist but are not an immediate priority for IndyGo. Taking advantage of these opportunities would be considered best practice for IndyGo.	**Low**	Adequate internal controls are in place and operating effectively. Few, if any, improvements in the internal control structure are required. Observation should be limited to only low risk observations identified or moderate observations which are not pervasive in nature.
Medium	Process improvement opportunities exist to help IndyGo meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception. This opportunity should be considered in the near term.	**Medium**	Certain internal controls are either: 1. Not in place or are not operating effectively, which in the aggregate, represent a significant lack of control in one or more of the areas within the scope of the review. 2. Several moderate control weaknesses in one process, or a combination of high and moderate weaknesses which collectively are not pervasive.
High	Significant process improvement opportunities exist to help IndyGo meet or improve its goals, meet or improve its internal control structure, and further protect its brand or public perception presents. This opportunity should be addressed immediately.	**High**	Fundamental internal controls are not in place or operating effectively for substantial areas within the scope of the review. Systemic business risks exist which have the potential to create situations that could significantly impact the control environment. 1. Significant/several control weaknesses (breakdown) in the overall control environment in part of the business or the process being reviewed. 2. Significant non-compliance with laws and regulations. 3. High observations which are pervasive in nature.
Not Rated	Observation identified is not considered a control or process improvement opportunity but should be considered by management or the board, as appropriate.	**Not Rated**	Adequate internal controls are in place and operating effectively. No reportable observations were identified during the review.