EXECUTIVE SUMMARY

TRANSIT ADVERTISING AUDIT #14-05

In the last five years, transit advertising revenue has increased over 240% from $292,416 in FY2010 to $993,693 in FY2013 and is expected to exceed $1,000,000 in FY2014. While transit revenue is increasing, it still remains less than 1% of the total operating revenue for FY2013.

MANAGEMENT HAS AGREED TO:

- Verify monthly transit advertising invoices and aging report for accuracy and completeness.
- Establish transit advertising signature delegation authority to define thresholds for negotiating advertising rates with clients.
- Clarify and approve the Account Sales Executive compensation structure.
- Utilize contract reference numbers for managing ad installation/removal contract. IMPLEMENTED.

Is the Authority maximizing its earnings potential?

Avenues to increase transit related revenues exist but have not been pursued. However, since Capital Metro is not in a “Top 20” media market it is inherently more challenging to increase transit advertising revenues.

Because peer information is not readily available, Capital Metro only compares annual performance internally to prior years.

Are transit advertising sales calculated and billed accurately and collected timely?

- Generally, advertising contracts were invoiced and collected timely.
- Two sampled contracts totaling $16,320 had not been correctly invoiced which has since been corrected.
- Four invoices had been inadvertently billed twice using different invoice numbers resulting in erroneous receivables of $38,000 on the aging report.
- While there are established rates for advertising space and install and removal fees, currently the Account Sales Executive is allowed to deviate from the established advertising rates as part of the negotiation process.
- Advertising installation/removal contract revenues could not be validated by Internal Audit because the invoices do not reference the underlying contract, i.e., an audit trail does not exist.

Do sufficient and effective policies and procedures exist for the transit advertising program and are they being followed?

The Transit Advertising Policy was updated in March 2014 to clarify goals, objectives, and standards for acceptable advertising; no policy violations were noted during the audit.

The Sales Account Executive’s compensation structure includes salary plus a commission which has not been consistently applied.

- SIGNIFICANT IMPROVEMENT NEEDED
- SOME IMPROVEMENT NEEDED
- ACCEPTABLE CONDITION