EXECUTIVE SUMMARY

TRANSLIT STORE AUDIT #13-10

In FY2012 the Transit Store processed just over $500,000 in cash and credit card sales and is projected to exceed that amount in FY2013.

Internal Audit previously reviewed Transit Store operations in FY2010 and identified material internal control weaknesses. To strengthen controls a new point-of-sale system, QuickBooks POS, was implemented in February 2013. Enhanced controls and a comprehensive Transit Store procedures manual were developed. These material procedural and control changes prompted a re-review so a new audit was placed on the FY2013 Internal Audit Services Plan as a separate project.

MANAGEMENT HAS AGREED TO:

- Strengthen the daily revenue reconciliations process.
- Assign responsibility and perform timely quarterly fare media inventory reconciliations.
- Document the reasons for fare media inventory adjustments in the QuickBooks POS system.
- Upgrade QuickBooks POS to a PCI compliant version by October 2013.
- Hire a Transit Store Supervisor with retail sales experience.

Are the procedures and controls to protect Transit Store revenues and inventories in place and operating effectively?

GENERAL CASH HANDLING CONTROLS

- Annual background and credit checks are performed on employees handling cash, and these employees take at least five consecutive days of leave each year.

PHYSICAL SECURITY

- Physical access to the Transit Store, keys, and safes are controlled and there is a security guard in proximity to the store. Transit Store operations are remotely monitored via security cameras.
- Each clerk has a secured area to lock up their cash and fare media inventory; personal items (e.g., bags, etc.) are not permitted near sales area.

RECEIPT OF FARE MEDIA INVENTORY

- There is a clear audit trail for the distribution of fare media and tickets from the Treasury to the Transit Store and subsequently to the individual cashiers.

SALES OF FARE MEDIA INVENTORY

- Logical access to QuickBooks POS is restricted based on business need, and credit card reader machines are PCI compliant.
- Monthly fare media inventory reconciliations are performed by the Transit Store Manager to ensure the physical inventory aligns with QuickBooks POS inventory records.
- A quarterly independent inventory reconciliation of fare media assets under the control of the Transit Store Manager has not yet been completed.
- Reasons for fare media inventory quantity adjustments in QuickBooks POS are not sufficiently documented.

CLOSING TRANSIT STORE

- End of day cash counts are witnessed and then recounted.
- While the daily revenue reconciliation does identify variances in total revenues, it does not identify variances in cash and credit/debits sales individually which could mask cash shortages.
- The bank reconciliation correctly validates all bank deposits for the cash and credit/debit card transactions.