

AUDIT OF SARASOTA COUNTY AREA TRANSIT LIBERTY PASS PROGRAM

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Karen E. Rushing
Clerk of the Circuit Court and County Comptroller
Office of the Inspector General
Sarasota County, Florida



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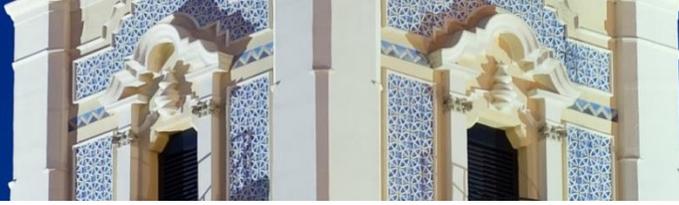
AUDIT SERVICES

David Beirau, CFE, CIG, CIGA
Director of Internal Audit and Inspector General

Lead Auditor
Debra Martin, CPA, CFE, CGMA, CIGA
Senior Internal Auditor

Auditor
Nathan Bittel
Internal Auditor

Please address inquiries regarding this report to David Beirau, by e-mail at dbeirau@scgov.net or by telephone at (941) 861-5280. This and other reports prepared by the Office of the Inspector General are available at [www.SarasotaClerk.com/Comptroller Services/Internal Audit](http://www.SarasotaClerk.com/Comptroller%20Services/Internal%20Audit).



EXECUTIVE SUMMARY

OPPORTUNITIES FOR IMPROVEMENT

As part of the Annual Audit Plan, the Clerk of Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* conducted an independent audit of the Sarasota County Area Transit (SCAT) Liberty Pass Program.

- Responsible management was interviewed and the *Guiding Program Principles*, provided to third party agencies that distribute Liberty Passes, were reviewed to gain an understanding of the intent of the program.
- Compliance with the terms of the agreements by third party entities was evaluated.
- Agreements with third party entities were reviewed for completeness.
- Identified opportunities for improvement.

Internal Control – Non-Compliance with Liberty Pass Program Guidelines

- Liberty Passes distributed by third party agencies were not compliant with the eligibility requirements.
- Third party agencies not consistently providing the required reports and the County not reviewing the data.

Internal Control – Lack of Policies and Procedures

- Policies and Procedures should be developed and implemented related to:
 - retaining agreements with third party agencies in whole, and
 - detecting or preventing duplicate Liberty Pass distributions (distribution of two passes to the same individual within the same month).



BACKGROUND AND OBJECTIVES

The Clerk of the Circuit Court and County Comptroller's *Internal Audit Department and Office of the Inspector General* has completed an audit of the Sarasota County Area Transit Liberty Pass Program. The audit was planned and conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing (Standards)*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to evaluate effectiveness of controls in place to ensure that the intent of the Liberty Pass Program is achieved.

Background

The Liberty Pass program offered by Sarasota County Area Transit (SCAT) provides a 30-day unlimited bus pass on fixed routes at a cost of \$8.00 for eligible riders, a discount of \$42.00 when compared to the \$50.00 cost of the regular 30-day pass. Eligibility is determined by riders providing appropriate documentation to support that their household income is less than or equal to 150% of the federal poverty guidelines, or that they are homeless or living in a shelter. Currently, determination of eligibility can be done at the SCAT Administration building or at one of the nineteen (19) third party agencies that have signed agreements with SCAT to distribute Liberty Passes.

Due to concerns with reduced revenues and the challenges in verifying citizen's eligibility for the Liberty Pass, SCAT management recommended in May 2015 that the Liberty Pass program be discontinued. The Board of County Commissions (BCC) authorized SCAT to proceed with developing a mitigation strategy for the discontinuation of the Liberty Pass program at the public meeting held on May 15, 2015. Following this meeting, SCAT procured a consultant to perform a Fare Equity Analysis, as required by the Federal Transit Administration. This analysis is an assessment to determine whether service or fare changes would result in a negative impact on certain groups of citizens (minority or low-income populations). The survey data obtained in that study revealed that one-fifth of riders use the Liberty Pass and compared to overall ridership that these riders are more likely to have low incomes and depend on transit services. To mitigate the impact to low-income riders, the consultant recommended a phased transition approach for discontinuing the Liberty Pass.

On March 30, 2016, SCAT management presented to the BCC a three-phase approach to discontinue the Liberty Pass. The BCC approved moving forward with the recommended changes, which are summarized below:

Phase I - Effective October 1, 2016	Phase II - Effective October 1, 2017	Phase III - Effective October 1, 2018
Increase the Liberty Pass from \$8.00 to \$15.00	Increase the Liberty Pass from \$15.00 to \$20.00	Discontinue Liberty Pass, decrease cost of regular 30-day pass to \$40.00, and expand eligibility for half-price fare to include persons with income of 150% of poverty level or less

Also beginning October 1, 2016, determination of eligibility will no longer be performed by the third party agencies. All new Liberty Pass customers will be required to go to the SCAT Administration building and provide appropriate documentation for verification of eligibility. Once eligibility is verified, customers may purchase monthly passes from the third party agencies; however, annual re-qualification at the SCAT Administration building is required. Verification of eligibility is to continue after Phase III is implemented.

Objectives, Scope and Methodology

The objective of this audit was to determine if SCAT’s internal controls related to the distribution of Liberty Passes are operating effectively. The scope of the audit included the time period of October 1, 2015, through June 8, 2016.

To meet the objective of the audit, the procedures performed included, but were not limited to, the following:

- Conducted inquiries of management and staff of the SCAT Administration Department.
- Obtained an understanding of the Liberty Pass program.
- Reviewed the *Participating Agency Enrollment Form* (Enrollment Form) for 100% (nineteen) of third party agencies selling Liberty Passes.
- Tested compliance by third party agencies with the eligibility requirements for Liberty Pass distribution.
- Analyzed data to test for customers that were sold duplicate Liberty Passes.
- Identified opportunities for improvement.



OPPORTUNITIES FOR IMPROVEMENT AND MANAGEMENT RESPONSES

The audit disclosed certain policies, procedures, and/or practices that could be improved. The audit was neither designed nor intended to be a detailed study of every relevant system, procedure, or transaction. As a result of the audit, observations and recommendations identified below are related to *Standards*:

- (Standard 2120.A1) Risk exposures related to the organization’s operations, particularly achievement of strategic objectives and compliance with contracts, and
- (Standard 2130.A1) Adequacy and effectiveness of controls, particularly effectiveness and efficiency of operations, achievement of strategic objectives, and compliance with contracts.

The **Opportunities for Improvement** presented in this report may not be all-inclusive of areas where improvement may be needed. There were four (4) *Opportunities for Improvement* identified as a result of the audit:

- 1. Compliance by third party agencies**
- 2. Compliance with reporting requirements per the Enrollment Form**
- 3. Retention of complete signed Enrollment Forms with third party agencies**
- 4. Duplicate Liberty Passes**

1. Compliance by third party agencies

Observation

Third party agencies wishing to sell Liberty Passes sign an Enrollment Form, which states that, "Agency agrees that the Liberty Pass is only for use by eligible riders and agrees to screen clients requesting a Liberty Pass for eligibility before selling or distributing passes to clients." The Enrollment Form specifies the eligibility requirements as:

- Client's residency status is homeless; or
- Client is residing in a shelter; or
- Client's total household income is no more than 150% of federal poverty level.

Currently, the third party agencies are required to determine eligibility based on the criteria stated above for new Liberty Pass riders and enter this data into the Homeless Management Information System (HMIS). According to the U.S. Department of Housing and Urban Development website, the HMIS is an electronic database used by agencies serving the homeless to collect information on individuals and families at risk of homelessness or already homeless. When a client makes a request from a third party agency to purchase a Liberty Pass, the agency is expected to validate via the HMIS that determination of eligibility has occurred within the last 12 months. If not, then eligibility must be determined or re-determined.

Data was provided from HMIS by the Suncoast Partnership to End Homelessness for individuals that were provided Liberty Passes that included the time period of October 1, 2015 through June 8, 2016. The data indicates that of the 5,022 Liberty Pass distributions that occurred, there were 367 instances where none of the three eligibility requirements listed in the Enrollment Form were met.

Recommendation

To ensure compliance with the intent of the Liberty Pass program, the County should mandate third party agencies abide by the requirements as stated in the Enrollment Form.

Management Response

The following new procedures will be implemented by October 1, 2016, due to the approval of the Liberty Pass program changes approved by the BCC at the Public Hearing on September 7, 2016:

- Agencies will no longer be required to use HMIS database to validate eligibility.
- SCAT's IT Professional has created a database spreadsheet containing all current Liberty Pass holders, which will potentially be shared with all third party agencies selling our Liberty Pass. Third Party agencies would agree to only sell the Liberty Pass to those

riders listed in the database spreadsheet. Initial certification and recertification of eligibility will be done at the Pinkney Avenue SCAT Facility only.

- Current third party Enrollment Forms will be revised to reflect the new procedures for distribution of the Liberty Pass and monitored closely for compliance by SCAT's fiscal staff.

2. Compliance with reporting requirements per the Enrollment Form

Observation

Per the Enrollment Form, third party agencies are to submit a distribution report to the County to demonstrate that the agency is not issuing duplicate passes. The report is to be submitted prior to the County providing additional Liberty Passes to the third party agency and is to be generated from HMIS. Reports are to include the HMIS client identification number, Liberty Pass number, and pass issue date for each pass distributed since the prior reporting period. After the report is verified, the County may sell the third party agency additional Liberty Passes for distribution.

SCAT management advised that reports are received from the third parties agencies, but not consistently. Additionally, review of the data, when provided, does not occur.

The Enrollment Form states that the County may review and inspect records related to Liberty Pass distribution at any time. While the reports required to be submitted by third party agencies do not include data that would indicate eligibility, the County could request and review this information to ensure that Liberty Passes are distributed to eligible clients only.

Recommendation

To ensure compliance with the intent of the Liberty Pass program, the County should mandate compliance with the reporting requirements provided in the Enrollment Form. Additionally, the County should develop and implement policies and procedures to review reports provided by third party agencies. These procedures should include monitoring for duplicate pass distributions and adherence to eligibility requirements.

Management Response

Agencies will no longer be required to use HMIS database, current Enrollment Forms will be revised accordingly and monitored frequently for compliance.

The implementation of the above referenced procedures will minimize duplicate pass distribution. When rider is purchasing Liberty Pass, date is entered into spreadsheet allowing other agencies to see if client has already received a pass in the last 30 days. Pass sales information, obtained from spreadsheet, will be monitored quarterly to detect any instances of duplicate pass distribution.

The expected date of implementation is October 1, 2016.

3. Retention of complete signed Enrollment Forms with third party agencies

Observation

In order to become a distributor of Liberty Passes, third party agencies must sign an Enrollment Form, which states on the signature page that, "I agree to adhere to the terms of this Enrollment Form at all times when in custody of, or distributing Liberty Passes".

SCAT provided Enrollment Forms for nineteen (19) third party agencies, while the website indicates that there are eighteen (18) third party agencies currently authorized to distribute Liberty Passes. The Enrollment Form for the third party agency that was not listed on the website had a date of February 9, 2016 on the signature page. While the signature page was provided for all nineteen (19) Enrollment Forms, eight (8) of the Enrollment Forms were missing the pages that include the terms. SCAT management advised that these agencies did not return those pages and retained them for reference.

Recommendation

To document that third party agencies agreed to the terms contained within the Enrollment Form, SCAT should develop and implement policies and procedures to require that all pages of the signed Enrollment Forms be returned and retained intact.

Management Response

Revised Enrollment Forms will be delivered to agencies for signatures. Original signed document, with all pages intact, will be returned to SCAT for their files.

The expected date of implementation is November 30, 2016.

4. Duplicate Liberty Passes

Observation

Third party agencies use HMIS to record and track Liberty Passes distributed to clients while SCAT Administration and the Downtown Transfer Station (DTTS) use a separate database to record and track distributions. Data from the two sources is not compared, making it possible for a client to purchase two Liberty Passes (duplicate passes) each month, one from a third party agency and one from SCAT or the DTTS.

Per the Enrollment Form, third party agencies agree to, “distribute only one pass per client listed in HMIS every 25-30 days, regardless of which agency distributed the client’s last pass.” SCAT management advised that the same guidelines apply to Liberty Passes sold at SCAT Administration and the DTTS locations, which use the SCAT database for tracking.

The Suncoast Partnership to End Homelessness provided data indicating that 5,022 Liberty Passes were distributed to individuals for the period of October 1, 2015 through June 8, 2016. Data from the SCAT database indicated that 8,787 Liberty Passes were distributed by SCAT Administration and the DTTS for the same time period. Internal Audit evaluated the data, observing that there appears to have been 56 instances where an individual obtained a Liberty Pass from a third party agency and from SCAT Administration or the DTTS for the same month. Additionally, the data indicates that there appears to have been duplicate Liberty Passes sold within SCAT Administration and the DTTS 80 times and within third party agencies 148 times.

Recommendation

To ensure compliance with the intent of the Liberty Pass program, SCAT should develop and implement policies and procedures to prevent and/or detect duplicate Liberty Pass distributions.

Management Response

The utilization of the above referenced spreadsheet will minimize duplicate pass distribution. When rider is purchasing Liberty Pass, date is entered into spreadsheet allowing other agencies to see if client has already received a pass in the last 30 days. Pass sales information, obtained from spreadsheet, will be monitored quarterly to detect any instances of duplicate pass distribution.

The expected date of implementation is October 1, 2016.

