

## TRANSIT FARE REVENUE AUDIT

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Transit Fare Revenue Audit Report to Administration on April 7, 2017. The report includes Administration's response to five recommendations raised by the City Auditor's Office to further enhance fare revenue processes. Administration accepted all recommendations and has committed to the implementation of action plans no later than March 31, 2018. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

### RECOMMENDATIONS

1. That Audit Committee receive this report for information;
2. That Audit Committee recommend that Council receive this report for information; and
3. That Audit Committee recommend that Attachment to Report AC2017-0341 remain confidential pursuant to Sections 20(1)(k) and (m) of the *Freedom of Information and Protection of Privacy Act* until the year 2032.

### RECOMMENDATION OF THE AUDIT COMMITTEE, DATED 2017 APRIL 20:

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That Council:

1. Receive the report for information; and
2. Keep the Attachment to Report AC2017-0341 confidential pursuant to Sections 20(1)(k) and (m) of the *Freedom of Information and Protection of Privacy Act* until the year 2032.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2016/17 Annual Audit Plan was approved on December 10, 2015. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

### BACKGROUND

This audit was undertaken as part of the approved City Auditor's Office 2016/17 Annual Audit Plan. The objective of this audit was to assess the effectiveness of controls over the safe keeping of fare revenue. The audit focused on controls providing assurance over the completeness of fare revenue collected from vendor sales of tickets and passes, cash collected in Ticket Vending Machines (TVMs), and cash and single ticket fares collected on buses. The audit also assessed Calgary Transit's monitoring of fare revenue received.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

Calgary's transit system operates primarily as a single fare zone, with payment required in advance. Fare options include adult or youth single journey tickets, day passes, cash bus fares and monthly passes, as well as discounted passes for seniors, low income individuals and

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students. Fares can be purchased from a variety of locations, including vendors and TVMs on CTrain station platforms, on buses, and at Calgary Transit offices.

Vendor ticket and pass sales represent more than 60% of all fare revenue. Calgary Transit operate a monthly process to distribute tickets and passes to vendors and in return receive revenue. Cash fares (13% of revenue in 2015) are collected through TVMs, on buses, and in temporary fare boxes (used at special events such as Stampede or sporting events). While controls were effective supporting the collection of fare revenue from vendors, we raised one recommendation to further increase the efficiency of this process. We raised three recommendations to improve the effectiveness of cash collection and processing. Calgary Transit monitors revenue received daily, weekly and monthly. Currently ridership is estimated based on historical surveys, as well as revenue information. Enhanced information is anticipated to become available to Calgary Transit during 2017 as automated counters are introduced to selected buses and CTrain cars. We raised one recommendation supporting enhanced ridership monitoring.

### Stakeholder Engagement, Research and Communication

This audit was conducted with Calgary Transit acting as the principal audit contact within Administration. Additional engagement was undertaken with staff from the City Clerk's Office regarding classification of the attachment given the subject matter of the audit.

### Strategic Alignment

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

### Social, Environmental, Economic (External)

N/A

### Financial Capacity

#### Current and Future Operating Budget:

N/A

#### Current and Future Capital Budget:

N/A

### Risk Assessment

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. In 2015, Calgary Transit collected total fare revenue of \$182 million. Collection and safe keeping of fares is critical to Calgary Transit as they strive in an economic downturn to operate and invest in transit services without increasing the level of municipal support through tax funding of the services.

### REASONS FOR RECOMMENDATIONS:

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual Audit Report and forwards these to Council for information."

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The *Freedom of Information and Protection of Privacy Act* states:

20(1) The head of a public body may refuse to disclose information to an applicant if the disclosure could reasonably be expected to

(k) facilitate the commission of an unlawful act or hamper the control of crime,

(m) harm the security of any property or system, including a building, a vehicle, a computer system or a communications system.

**ATTACHMENT**

AC2017- 0341 TRANSIT FARE REVENUE AUDIT