

**OFFICE OF THE COMPTROLLER**

**ULSTER COUNTY, NEW YORK**

**Ulster County Area Transit (UCAT)  
January 1, 2008 – December 31, 2008**

**Audit Report**

**May 14, 2009**

**2009 - 004**



**ELLIOTT AUERBACH, COMPTROLLER**

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# County of Ulster

## Office of the County Comptroller

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### Division of Internal Auditing

May 2009

Dear County Officials:

One of Comptroller Auerbach's top priorities is to identify areas where county departments and agencies can improve their operations and services that will assist county officials in making improvements. Further objectives are to develop and promote short-term and long-term strategies to enable and encourage county government officials to reduce costs, improve service delivery and to account for and protect their government's assets.

The reports issued by this Office are an important component in accomplishing these objectives. These reports are expected to be a resource and are designed to identify current emerging fiscally related problems and provide recommendations for improvement. The following is our report on the Ulster County Area Transit (UCAT) - Cash Receipts and Deposits.

This audit was conducted pursuant to the Comptroller's authority as set forth in Article A9-2(A) and A9-2(G) of the Ulster County Charter. The report contains opportunities for improvement for consideration by the UCAT Agency.

If we can be of assistance to you, or if you have any questions concerning this report, please feel free to contact us at our office at the back of this report.

Respectfully submitted,

Office of the Comptroller  
Internal Auditing Division

## **Introduction**

### **Background**

Ulster County Area Transit (UCAT) at Golden Hill was formed as a pilot project in 1978 to provide rural areas with public transportation to the populated business and shopping areas. Since that time the service has grown from 6 original buses to 22 vehicles ranging in size from 15-passenger vans to 50-passenger buses.

UCAT offers safe, affordable, reliable public transportation throughout Ulster County, with limited service to Orange County and connecting service to Dutchess County. The system is designed to coordinate with other public transportation providers to offer commuter service and rural route service. ADA (American Disability Act) service requires next day reservations.

UCAT is a municipal public transportation agency receiving Federal Transit Authority (FTA) grants under 49 CFR Sections 5307, 5309, and 5311 as well as State Transit Operating Assistance (STOA) formula funds through New York State Department of Transportation. Funding is 10% State, 10% Local, and 80% FTA grants.

UCAT operates on a fare based system using money vaults for each bus. Fares are cash. Discounted bus passes are available. All buses require exact fare. Fares are based on the number of zones traveled and any off route service provided. Other fares are the Demand Response (DR) Fares which are defined as an off-route pickup or drop-off and ADA fares known as the Americans with Disabilities Act Fares.

The above information has also been expounded upon in Appendix A as the official response from the UCAT Agency.

### **Objective**

The objective of our audit was to assess the adequacy of the internal controls put in place by county officials to safeguard and account for cash receipts and deposits of bus fares collected by the county bus drivers. For the period January 1, 2008 through December 31, 2008, our audit addressed the following questions:

- Are UCAT's records and internal controls adequate to properly safeguard and account for cash receipts and deposits of bus fares on a daily basis?
- Are money/vault procedures followed by all drivers from the start of their shift to the end of the shift?

- Are the money/vaults placed in a secure facility by dispatch and monies counted on a daily basis? Are all vaults accounted for and permanently stamped numbered?
- Are bank deposits made timely and reconciled to the bus runs on a daily basis?

### **Scope and Methodology**

During this audit, we examined cash receipt transactions and deposits for the UCAT fare bus system, covering the period January 1, 2008 to December 31, 2008. We also evaluated, through the date of our fieldwork (January 23, 2009), the Agency's internal controls for the processing of cash receipts and deposits.

### **Audit Results**

UCAT has weaknesses in its internal control procedures related to cash receipts and timely deposits of money into the designated bank depository. A periodic reconciliation of deposits and the accounting records were not being performed. Additionally, vault numbering was not sequential and in most instances did not match the vault number posted to the Driver's Daily Reports.

### **Comments of Agency Officials And Corrective Action**

The results of our audit and recommendations have been discussed with Agency officials and their comments, which appear in Appendix A, have been considered in preparing this report. Except as specified in Appendix A, Agency officials generally agreed with our recommendations and indicated that they planned to take corrective action. Appendix B includes our comment on an issue raised in the Agency's response letter.

## **CASH RECEIPTS AND DEPOSITS**

An effective system of internal control consists of policies, practices, and procedures that enable municipal officers to provide reasonable assurance that they are properly accounting for and safeguarding public resources. The system includes such components as adequate management oversight, proper accounting and reporting of cash receipts and deposits, and the appropriate segregation of financial duties.

During our examination we tested the July and December 2008 bus fare collections. In order to test all bus fares collected during these two months a spreadsheet was setup for each day detailing each bus run scheduled and the amount of fares deposited into the assigned vault box number. At the end of each bus run the driver turns in the locked vault with the appropriate Drivers Daily Report (DDR) to the Dispatch Office. A Dispatch employee takes possession of the vault and secures it within the confines of the Dispatch Office and sets it on a table with the corresponding DDR form. The dispatch employee will take the vault and DDR form to the secure counting room and place it in an overhead file cabinet that is locked after placement. This procedure is normally done within the hour of receiving the vault and DDR form. The only exception to this procedure occurs during the early evening when two dispatchers are on duty and one maybe out on the road. As a result, the other dispatcher must stay at his or her post staffing the communication center console unit.

A part-time counter was hired by agency in the month of November 2008. This individual counts and bags the money by vault and prepares the deposit slip. Other agency employees take the bagged monies to the bank for deposit. During the months of July through November 2008 various employees counted and bagged monies.

### **July 2008 Bus Fare Collections and Deposits:**

- A comparison of the fare collections by run date during the month of July 2008 to the date of the actual bank deposit shows that the range of days between the run date and deposit date were between 0 and 6 days. There were a total of 22 run days excluding Saturday and Sunday.

- An excel spread sheet record maintained by UCAT of bus run dates for July 2008 by route shows actual cash collected for each run. The cash collected each day is broken down by coins and bills. Included in the daily postings are the cash purchases of prepaid bus fares which represent a punch card with a value ranging from \$1 to \$20 depending on the trip and discounts that may be used in lieu of a cash fare. The total amount of \$16,637.56 was posted for the month of July 2008. When a comparison is made to the actual deposits of \$ 17,194.38 for the July 2008 bus runs, a difference of \$556.82 appears. When we asked about the differences between the actual deposits and their financial records, we were informed that the difference was due to timing differences between when bus vaults were counted, deposited and recorded in the financial records maintained at UCAT's administrative offices. For instance, there would be monies from the end of June not counted and deposited until the beginning of July and the same occurrence with the end of July monies not counted and deposited until the beginning of August. However, UCAT management did not have a written reconciliation to show what made up the \$556.82 difference in July 2008. To improve accountability we recommend that reconciliations of all deposits to the accounting records be performed on a daily basis.

#### **Inconsistent Vault Numbering System:**

- The current inventory lists Actual Numbers painted or ink marked on vaults: #20, #69, 101 to 106, 110, 117, 119, 127, 223, 225, 240, 248, 262, 285, 295, 367, 368, 369, 370, 404, 541, 542, 601, 706, 1107, 1108, and 4801. There needs to be a sequential numbering system permanently affixed to each vault (perhaps a raised metal number on each). A fixed numbering range will prevent use of inaccurate or non-existence numbers.
- A review of the July 2008 UCAT Driver's Daily Reports that were marked and identified with a vault number for the bus runs on a daily basis were not one of the above vault numbers. A test of the UCAT Driver's Daily Reports covering July 1 through July 3 bus runs disclosed that only 16 out of 55 used one of the actual vault numbers listed above. Therefore, a sequential numbering system would provide a set population of vault numbers that can be used.

All Drivers' Daily Reports should identify use of existing vault numbers.

**December 2008 Bus Fare Collections and Deposits:**

- A comparison of the fares collected by run date during the month of December 2008 to the date of the actual bank deposit shows that the range of days between the run date and deposit date were between 1 and 17 days. All deposits should be made by the next business day. There were a total of 22 run days excluding Saturday and Sunday. A list of the following exceptions are noted:

<b>Bus Route Name</b>	<b>Bus Run Date</b>	<b>Count Date of Money</b>	<b>Actual Deposit Date</b>	<b>Amount of Deposit</b>	<b>Days That Lapsed Before Deposit</b>
NP	12/02/2008	12/04/2008	12/04/2008	\$46.00	2
T-4	12/01/2008	12/04/2008	12/04/2008	\$41.25	3
NP	12/03/2008	12/08/2008	12/09/2008	\$52.75	6
KGT	12/03/2008	12/09/2008	12/10/2008	\$67.75	7
HLD	12/03/2008	12/09/2008	12/10/2008	\$64.50	7
PHB	12/03/2008	12/09/2008	12/10/2008	\$49.25	7
SAU	12/08/2008	12/15/2008	12/15/2008	\$85.50	7
NBG PM	12/08/2008	12/15/2008	12/15/2008	\$57.00	7
EII	12/12/2008	12/23/2008	12/23/2008	\$67.50	11
SAU	12/12/2008	12/26/2008	12/29/2008	\$82.00	17

Based on the above information these questions arise:  
 Where were these monies stored or secured? Second, who had control of these monies? Third, why were these bus fare collections not deposited timely?

- The December 2008 excel spread sheet record maintained by UC Area Transit of bus run dates by route shows actual cash collected for each run. The cash collected each day is broken down by coins and bills. Again, included in the daily postings are the cash purchased prepaid fares which represent a punch card with a value ranging from \$1 to \$20 depending on the trip and discounts that may be used in

lieu of a cash fare. The total amount of \$14,576.25 was posted for the month of December 2008. When a comparison is made to the actual deposits of \$17,484.25 for the December 2008 bus runs, a difference of \$2,908.00 appears. This in turn, indicates that not all bus run fare money collections and/or prepaid fares were recorded and reconciled to the accounting records. A reconciliation of all deposits to the accounting records should be performed on a daily basis.

- A review of the December 2008 UCAT Driver's Daily Reports that were marked and identified with a vault number for the bus runs on a daily basis were not one of the above vault numbers as also noted under July 2008 exceptions. A test of the UCAT Driver's Daily Reports covering December 1 through December 5 bus runs disclosed that only 17 out of 117 used one of the actual vault numbers listed above. Again, use of a fixed numbering range will prevent using inaccurate or non-existence numbers.

## **INTERNAL CONTROLS**

### **Recommendations:**

1. All bus fare collections should be counted and deposited by the next business day.
2. A periodic reconciliation of all bank deposits to the accounting records should be performed at least on a daily or weekly basis. Additionally, a modification should be made of the Excel Spreadsheet to match each day's fare collections to the actual deposit made.
3. An inventory of vaults should be taken and permanently numbered with a sequence of numbers that establishes a set population which the drivers should be required to use and accurately report on Driver's Daily Reports.

## **APPENDIX A**

### **RESPONSE FROM AGENCY OFFICIALS**

The agency officials' response to this audit can be found on the following pages.

ULSTER COUNTY AREA TRANSIT  
UCAT

1 Danny Circle  
Kingston, NY 12401-6453

*Cynthia J. Ruiz, CCTM  
Director of Public Transit*



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April 21, 2009

Elliott Auerbach, Comptroller  
PO Box 1800  
Kingston, NY 12402

Dear Mr. Auerbach:

This letter serves as an official response to your Audit Report 2009-002 for Ulster County Area Transit January 1, 2008 – December 31, 2008.

I wish to thank your audit team for pointing out a potential problem in the system which UCAT has used to reconcile our records. Fortunately, there were no lost or missing funds. Our recommended corrective action will provide better internal control of our records. As was discussed in our exit conference, UCAT's checks and balances in the form of written policies and procedures do comply with generally accepted accounting principles, however we recognize that our internal accounting could be better. UCAT prides itself in producing auditable records that provide opportunities to notice any inconsistency that needs correction to ensure that the County's interests are protected.

I will address my comments in accordance with your headings, as requested.

- In July and December of 2008, Ulster County Area Transit (UCAT) did not meet the next-business-day deposit best practices. During July, there were no assigned people responsible for counting, checking and depositing the deposits and it was done as often as possible with random staff. In December, fares were used in an emergency to pay the toll for the bridge, delaying the deposit. This was not documented in the fare records. Once a permanent weekday counter was employed and the E-ZPass was replenished, next-business-day deposits were met for every deposit.
  - UCAT intends to continue next-business-day deposit in the future.

- o The Director of Public Transportation will submit a resolution to increase the amount of petty cash at UCAT to avoid the use of fares for tolls.
- o In the event that fares are used for tolls, this will be documented in the deposit records and receipts will be included in the record.

**Corrective Actions:**

1. All of the intended safeguards for reconciliation of funds, deposits and fares have been implemented as of this date. The July and December deposits were reconciled and the errors found were corrected, including:
  - ❖ Pre-paid bus passes that were not included in the original spreadsheets provided to the Audit team have been added in.
  - ❖ All daily deposits were compared to the new electronic database and keying errors were corrected.
  - ❖ Ulster-Poughkeepsie LINK routes included in the deposits were not included in the original spreadsheets provided to the Audit team and have been added in. (See attached back up paperwork for reconciliation of deposits.)
2. The vaults have been re-numbered sequentially and zip bags are no longer used for holding money. (See attached list.)
3. See attached back up paperwork demonstrating the use of fares for tolls from 11/29/08 – 12/04/08, including toll receipts and the E-ZPass account statement. Unfortunately, some of the records have been destroyed regarding daily use of fares for tolls and they are unavailable. Employees have been directed to retain all records for six years, which will meet New York State archival requirements. Statistically, the tolls match the service, so no wrong-doing is suspected.
4. In addition to the current DDR entry, Ulster County Area Transit intends has added a fourth layer of checking deposits by having the FT Account Clerk input the data for the deposits as follows:
  - o DDR
 

<ul style="list-style-type: none"> <li>▪ Date of DDR</li> <li>▪ Route Code</li> <li>▪ Date of deposit</li> </ul>	<ul style="list-style-type: none"> <li>▪ Total cash counted per DDR</li> <li>▪ Total amount from bank deposit receipt</li> </ul>
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The data in this data base, as well as the data from the Dispatcher database will be imported into a spreadsheet that will compare the daily total fares counted for each DDR and the total daily deposit, as well as the deposit amounts from the bank and the calculated daily deposit amount. The reconciliation column for each comparable number should be \$0.00. If not, that DDR and deposit will be pulled to find the error and the error will be corrected. The Account Clerk will continue to check every deposit slip against the monthly Finance Commissioner's Report we receive from Ulster County, as she has in the past.

5. The Dispatch & Operations Coordinator will no longer be responsible for auditing the data. The FT Transportation Coordination Assistant will supervise and audit all dispatcher data entry in the near future, checking to make sure that the dispatchers' data matches the Account Clerk's data.
6. The Account Clerk will be the final check on deposits and will report any discrepancies to the Director of Public Transportation for review.
7. The PT Account Clerk who counts the money will be assigned an electronic spreadsheet to ensure proper calculation of fares counted.

#### **Introduction**

#### **Background Clarification**

Ulster County Area Transit (UCAT) was originally Ulster County Rural Transportation. It was changed to Ulster County Area Transit in 2002 when Ulster County assumed the Lester Lines service between New Paltz and Newburgh (Orange County) with Job Access Reverse Commute funds. The current fleet consists of a total of 29 vehicles, which includes 23 passenger vehicles.

UCAT receives 5307, 5340 and 5309 funds which are generally in the 80/10/10 federal, state and local proportions. These funds are generated from federal reporting in the NTD Program. The distribution is based in population/population density and formula. We receive these federal dollars directly from the FTA as an electronic reimbursement. State dollars are reimbursed from paper contracts through NYSDOT.

The 5311 funding comes in capital dollars for buses and equipment only on the same 80/10/10 proportion and is reimbursed from paper contracts through NYSDOT.

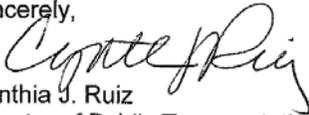
The 5311 Mass Transit Operating Assistance funding comes in a formula-based annual payment from NYSDOT and is reimbursed from paper contracts through NYSDOT.

The State Transit Operating Assistance is based on a per revenue passenger and per revenue mile basis and is reported and paid quarterly as an electronic payment.

There are other categories of fares, including half-fares, non-fare-paying passengers and contract (agency) passengers whose fare is billed to agencies on a monthly basis.

I hope that this response meets your requirements. If I have left anything out, please don't hesitate to call me.

Sincerely,

  
Cynthia J. Ruiz  
Director of Public Transportation

cc: Arthur Smith, U.C. Budget Director

## APPENDIX B

### COMPTROLLER'S COMMENT ON THE AGENCY'S RESPONSE

In response to concerns raised and observations made about our audit in the UCAT response letter, we provide the following information.

As noted in our report, we were originally informed that difference in deposits versus what was recorded in UCAT's books and records related to timing difference between deposits dates versus when they were recorded. Subsequent to our exit conference with UCAT management, we were informed that this was not the case and actually certain entries were not made in UCAT's books and records.

Along with the audit follow-up letter sent to us from UCAT management (See Appendix A), we were given a revised listing of the data base of transactions for July and December 2008 along with reconciliations of the differences noted in our report. The reconciliations disclosed the following:

- The \$556.82 difference for July was shown to consist of \$453.25 in pre-paid bus fares not recorded in the books and records. Also \$106.34 in regular bus fares was not recorded. The remaining difference of \$2.79 could not be identified.
- The \$2,908.00 difference for December consisted of \$1,307.00 in pre-paid bus fares not recorded in the books and records as well as \$1,652.00 in regular bus fares that was not recorded either. And similar to July, there remained an unidentified difference of \$2.00. In addition, the reconciliation disclosed \$48.00 of additional data entry errors making the net difference between deposits and UCAT records amount to \$2,911.00.

With regard to December receipts not being deposited and used to pay bridge tolls, we were given a copy of pages three through five of a six page Mid Hudson Bridge Authority E-Z Pass invoice covering charges for the period November 21, 2008 through December 15, 2008. The statement shows that from November 27, 2008 through November 30, 2008 the account had a balance of \$-1.39 to \$-24.89 during this three day period. On December 3, 2008 the account was credited with a deposit of \$2,500 with new toll crossing starting to appear as of December 4, 2008 according to the statement. In addition, we were given copies of eight Mid-Hudson Bridge Authority toll slips, each for \$2.50, totaling \$20.00 all dated for December 3, 2008.

Again, the follow-up documentation provided by UCAT emphasizes our recommendation that deposits should be made on a daily basis along with a daily reconciliation of that day's activities of what is recorded in the books and records to what is deposited. In addition, since the UCAT process of recording receipts has deficiencies of receipts not being recorded, we recommend that UCAT management go back and review all the other months for 2008 and determine what other amounts have not been recorded and make any necessary corrections.