



**EXECUTIVE MANAGEMENT AND AUDIT COMMITTEE  
JULY 16, 2009**

**SUBJECT: INDEPENDENT REVIEW OF UFS AND TAP PROGRAMS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file the external independent review of the Universal Fare System (UFS) and regional implementation of the Transit Access Pass (TAP) programs.

**ISSUE**

At the May Board meeting, the Chief Executive Officer (CEO) was directed to conduct an external independent review of the UFS and the regional implementation of the TAP programs. The Board directed the CEO to report back during the July 2009 Board cycle with a cost estimate and preliminary timeline for completing this review.

**DISCUSSION**

A task order was issued to KPMG LLP (KPMG), one of the firms on Management Audit Services' (Management Audit) CPA bench contract to complete this review. At the CEO's direction, KPMG proposed a two phased approach. The first phase will provide an initial assessment and findings for each of the six areas of scope as well as a list of areas that can benefit from a more detailed review in order to provide more granular recommendations and corrective actions. The six areas of scope include:

- Reviewing the overall program and the schedule to complete and assessing whether current processes and staffing appear sufficient to support the schedule to complete.
- Reviewing the overall program and the approved capital budget, based on historical costs and MTA's estimate to complete, and whether fare revenues are meeting budget expectations.
- Reviewing with MTA the program's schedule for integration with the municipal operators, Local Transit Service Systems (LTSS) and Metrolink's fare box system. For Phase One, this will be limited to interviewing MTA personnel. If the CEO includes this as part of the Phase Two review, the interviews will be

expanded to the municipal operators, Local Transit Service Systems (LTSS) and Metrolink.

- Reviewing the program implementation to date and plans to complete and identify any high level gaps from the full range of planned functionality as originally planned.
- Comparing the business case assumptions that were used to approve the UFS and TAP capital projects (the system) with the planned outcomes based on the contracts and functionality the UFS/TAP system is providing today.
- Assessing at a high level whether TAP program controls are designed for MTA to collect appropriate fares from riders of the system.

In addition, Management Audit will be responsible for:

- Assessing whether there is a reduction in fare revenue since TAP was implemented, and if so, identify possible causes, and
- Analyzing the collection of revenues under TAP program as compared to revenue plans (analyzing the reasons for the current drop in revenue per passenger).
- Reviewing whether Milestone Achievements, Progress Reports and Quarterly Financial Reports are submitted on a scheduled basis as well as identifying where the reports are distributed.
- Evaluating whether reports contain information regarding budget or schedule changes, progress toward milestones, analyzing why milestones were not met; and evaluating whether unforeseen events that impact the schedule, cost, capacity or usefulness or purpose of the project?

The analyzed information and probable causes will be provided to KPMG for their review and to include in their report.

Phase II will be a more in depth review as well as possible additional areas of review with recommendations for potential corrective actions for areas identified in Phase 1 as potential high risk areas of concern as directed by the CEO.

The proposed price for Phase I is \$118,524 and it is scheduled to be completed by August 31, 2009. At the conclusion of Phase I Review, a report containing observations and recommendations will be presented to the CEO.

At the end of Phase I, KPMG will provide a proposal for the in depth review of specific areas of concern based upon direction of the CEO.

## **NEXT STEPS**

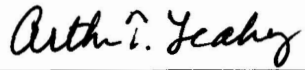
KPMG is expected to complete their Phase One report by August 31, 2009. They will then provide a price proposal and schedule for the work that the CEO directs to be completed in Phase II.

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Ruthe Holden  
Chief Auditor



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Arthur T. Leahy  
Chief Executive Officer

