



**Metro**

Los Angeles County  
Metropolitan Transportation Authority

Office of the Inspector General  
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Los Angeles, CA 90017

**19A**

FINANCE AND BUDGET COMMITTEE  
JANUARY 14, 2009  
OPERATIONS COMMITTEE  
January 15, 2009

**SUBJECT: REPORT ON DAY PASS CONTROLS**

**ACTION: RECEIVE AND FILE**

**RECOMMENDATION**

Receive and file this report on day pass controls.

**ISSUE**

On October 16, 2008, Director Fasana introduced a motion that stated recent newspaper articles reported that a Metro bus operator took day passes and gave them to an accomplice to sell. The Board directed the Office of the Inspector General (OIG) and several other Metro departments to report back to the Board on lessons learned to date, difficulties securing fare media, findings and recommendations of any audits completed to date, and potential controls to protect fare media.

**DISCUSSION**

**Background**

Metro began selling day passes on January 1, 2004. Day passes are sold on buses by operators. Over time, it became apparent that some operators were illegally selling books of day passes to co-conspirators who sold the passes to the public at a discount. The Los Angeles County Sheriff's Department has investigated and subsequently arrested a number of Metro bus operators and co-conspirators for the illegal sale of paper day passes.

**Audit and Reviews of day passes**

On October 16, 2008, Management Audit Services (MAS) issued a report on day pass Internal Controls. The audit found a continued lack of accountability and significant non-compliance to day pass controls. The primary issues noted in the audit report were (1) inadequate compliance to day pass book security procedures, (2) ineffective controls for monitoring individual day passes, (3) ineffective day pass security design, and (4) expediting implementation of the Transit Access Pass (TAP) day pass.

The Office of Inspector General has reviewed day pass controls. The results of our review agree with the findings and recommendations in the MAS report; it also identified several additional reasons to expeditiously implement TAP day passes and eliminate paper based fare media. The current day pass procedures are labor intensive and burdensome, distract operators from their primary duties, and create a situation where operators are vulnerable to theft of day passes. Even

with improved compliance, the current system would still be vulnerable to some level of fraud. In addition to the theft of day passes, we are concerned about the potential for counterfeit monthly passes. While monthly passes are a separate issue from day passes and not subject to the same manner of theft, processes, or controls as day passes, because monthly passes are paper fare media, they also may be duplicated and sold through underground sources that result in a loss of revenue to Metro. For these reasons, it is imperative to move away from paper media as soon as possible to the TAP system.

We understand that full implementation of TAP is not without significant cost and other issues. However, the Agency has adopted the TAP option and should aggressively pursue resolution of remaining obstacles to implement a Board decision made several years ago to use TAP.

The OIG has communicated and coordinated with:

- The Sheriff's Transit Services Bureau on countering day pass thefts.
- Operations staff on new procedures being implemented to monitor day pass sales. Operations has developed a procedure to analyze day pass revenue data to day passes issued by assignment. This analysis will identify operators who used significantly more day passes than supported by actual revenue data. The analysis will be made using a newly developed "exception" report.

### **Lessons Learned**

- Bus operators should not handle fare media.
- Unless adequate resources and manpower are made available to comply with processes and controls, adequate security over fare media will not be achieved.
- The current recommended controls for paper fare media sold through bus operators are labor intensive.
- Fare media sold should be reconciled to actual revenue data.
- Paper based fare media is more vulnerable to theft and fraud than electronic media.

### **Potential Recommendations**

1. Expedite the implementation of the TAP day passes.
2. In the interim, Operations should continue to implement planned actions to:
  - Verify the number of day passes sold on the division day pass logs with UFS revenue data.

- Ensure compliance with the day pass Security and Reconciliation Procedures to the extent possible, but staff should consider not implementing those portions of the process that cost much more than the estimated loss of revenue from the theft.

### **NEXT STEPS**

For the OIG are:

- Continue to monitor the TAP implementation plan.
- Investigate any tips concerning day pass fraud.
- Coordinate and cooperate with Metro activities to deter theft of day passes.

For the Agency are:

- Implement and monitor compliance with the new day pass controls and reports.
- Identify obstacles for accomplishing complete implementation of TAP and work towards resolving any obstacles promptly.
- Transition to TAP and eliminate paper based fare media as soon as possible.

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*for Jack Shigetomi*  
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