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Limited Review of the I-Ride Trolley Pass Revenue

**Report by the
Office of County Comptroller**

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County Comptroller**

County Audit Division

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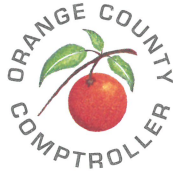
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November 16, 2017

Teresa Jacobs, County Mayor
And
Board of County Commissioners

We have conducted a limited review of the International Drive Master Transit and Improvement District's I-Ride Trolley pass revenue. The review was limited to verifying deposits of revenues derived from the sale of I-Ride Trolley passes. The period audited was June 1, 2016 through July 31, 2016.

We conducted this audit in accordance with generally accepted government 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 that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The Response to our Recommendation for Improvement was received from the Improvement District's Executive Director and is incorporated herein.

We appreciate the cooperation of the District's personnel during the course of the audit.

Phil Diamond, CPA
County Comptroller

- c: Samuel B. Ings, City of Orlando District 6 Commissioner
Ajit Lalchandani, County Administrator
Luann Brooks, Executive Director, International Drive Business Improvement District
Sibille Pritchard, Chairperson, Advisory Board to the International Drive Business Improvement District

EXECUTIVE SUMMARY

Executive Summary

The International Drive Master Transit and Improvement District (District) was created in 1992. It is a public-private partnership between the International Drive business community, Orange County, and the City of Orlando. The District is responsible for planning, designing, and operating the I-Drive Trolley system. That system is exclusive to the International Drive Resort area. The District also markets and promotes the area and local businesses as a single, cohesive destination. Finally, the District also serves as an important partner by making recommendations to local and state government agencies to reduce traffic congestion, enhance pedestrian safety, and improve overall District area mobility and security.

The District receives funding from three Municipal Service Taxing Units (MSTUs). The MSTU's are funded by property tax revenues. The District also receives income from the sale of trolley passes, advertising, and trolley fares. Its total combined revenues and expenses for fiscal year 2016 exceeded \$8,000,000. Fourteen trollies travel along a 20-mile circular route. The District reported that there were 1,754,224 riders on the I-Ride Trolley in fiscal year 2016.

The District has approximately 100 business partners (e.g. hotels, restaurants, and attractions) on International Drive. The District sells trolley pass cards directly to its partners and third-party customers such as travel groups. Passes are sold in five different travel increments; one-day, three-day, five-day, seven-day, and fourteen-day. A valid pass entitles a rider to unlimited use of the trolley system for the duration of the pass. Passes are purchased from the District at half the gross sales price and the purchaser may only resell the passes to its guests, clients, and customers for a price that is equal to the gross sales price.

The audit scope was limited to revenues from the sale of I-Ride Trolley passes to the District's partners. The period audited was June 1, 2016 through July 31, 2016. The audit objective was to verify that procedures are adequate to ensure that revenues collected from I-Ride Trolley pass sales are deposited.

Based on the results of our testing, we found that procedures are adequate to ensure that revenues collected from I-Ride Trolley pass sales are deposited. Specifically, we noted the following:

Although our testing successfully reconciled the money deposited to the number of tickets reported as sold, District staff does not perform reconciliations of the amounts with the reported sequence of passes sold and deposited.

A Recommendation for Improvement was developed and discussed with District personnel. Management concurred with our recommendation and steps to implement the recommendation are underway. The Response to the Recommendation for Improvement is included herein.

ACTION PLAN

**LIMITED REVIEW OF THE I-RIDE TROLLEY PASS REVENUE
ACTION PLAN**

NO.	RECOMMENDATIONS	MANAGEMENT RESPONSE			IMPLEMENTATION STATUS	
		CONCUR	PARTIALLY CONCUR	DO NOT CONCUR	UNDERWAY	PLANNED
1.	The District should reconcile the number of passes sold with deposit amounts and remaining inventory each month.	✓			✓	

INTRODUCTION

Background

The International Drive Master Transit and Improvement District (District) was created on November 10, 1992 as a public-private partnership between the International Drive business community, Orange County Government, and the City of Orlando.

The District provides services including transportation, capital improvements, public safety, marketing, promotions, clean-up teams, streetscape enhancements, and representation to state and local governments. The District employs seven administrative employees and four part-time cleanup employees.

The District receives funding from three Municipal Service Taxing Units (MSTUs). The MSTU's are funded by property taxes. It also receives income from the sale of trolley passes, advertising, and trolley fares. Its total combined revenues and expenses for fiscal year 2016 exceeded \$8,000,000.

The District operates the I-Ride Trolley, the exclusive transportation service for the International Drive Resort Area. Fourteen trollies travel along a 20-mile circular route. The District reported that there were 1,754,224 riders on the I-Ride Trolley in fiscal year 2016. A trolley car is pictured below...



The District has approximately 100 business partners (e.g. hotels, restaurants, and attractions) on International Drive.

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Limited Review of the I-Ride Trolley Pass Revenue

The District sells trolley pass cards directly to its partners and third-party customers such as travel groups at one-half the ticket sale value. Passes are sold in five different travel increments as noted below:

Pass	District Selling Price	Partner Selling Price
One-Day Pass	\$2.50	\$5.00
Three-Day	\$3.50	\$7.00
Five-Day	\$4.50	\$9.00
Seven Day	\$6.00	\$12.00
Fourteen-Day	\$9.00	\$18.00

The trolley pass, shown at right, is a magnetic swipe card that entitles a rider to the unlimited use of the trolley system for the duration of the pass from the date the pass was first used. Approximately 50,000 Trolley passes were sold during the 2016 fiscal year. During the audit period, 12,000 passes—which generated approximately \$68,000 of revenue—were sold. In August 2015, the District purchased 113,000 Trolley passes with a resale value of \$1,064,000. At the end of the audit period, the District had approximately 74,000 of these tickets left with a resale value of \$730,000.



Scope, Objectives, and Methodology

The audit scope was limited to revenues from the sale of I-Ride Trolley passes to the District's partners. The period audited was June 1, 2016 through July 31, 2016. The audit objective was to verify that procedures are adequate to ensure that revenues collected from I-Ride Trolley pass sales are deposited.

To verify that procedures are adequate to ensure that revenue collected from I-Ride Trolley pass sales is deposited, we:

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Limited Review of the
I-Ride Trolley Pass Revenue

- Reviewed the pass orders that the District fulfilled to identify the sales invoices used during the audit period;
- Verified that charges on the applicable invoices were accurate based on the durations and quantities of the passes that were ordered;
- Verified there were no gaps in the sequential numbering of the passes that were sold; and,
- Traced the amount of each invoice to the District's financial records and bank statements.

Overall Evaluation

Based on the results of our testing, we found that procedures are adequate to ensure that revenues collected from I-Ride Trolley pass sales are deposited. However, an opportunity for improvement is discussed herein.

RECOMMENDATION FOR IMPROVEMENT

1. The District Should Periodically Reconcile Passes Issued

The District maintains an inventory of I-Ride Trolley passes. The passes are sold to District members, groups, and partners for resale at half the retail price. The passes are sequentially numbered and the numbered ranges of passes sold are recorded on the applicable sales invoices. The office staff periodically deposits payments received. However, the amounts received are not reconciled with the reported sequence of passes sold. As a result, the inventory balances are not reconciled on a timely basis.

We reviewed the sales invoices for over 12,000 passes sold during the audit period to ensure all revenue from pass sales reported on the sales invoices was deposited. We compared the starting pass numbers for each sale to the ending pass numbers of the previous sale. We then verified the deposit amounts based on the number of tickets sold. Our testing did not detect any unexplained differences. However, an effective internal control system includes policies and procedures that help management ensure that all sales revenues are recorded and deposited. Without a reconciliation, pass revenue could be received without being reported and deposited.

Recommendation:

The District should reconcile the number of passes sold with deposit amounts and remaining inventory each month.

Management Response:

Management concurs with the finding. Internal processes will be revised to include a month end review of the sequential integrity of all pass sales types. A sample of invoices will be selected during the month, and we will compare the starting pass numbers for each sale to the ending pass number of the previous sale and verify the deposit amount based upon tickets sold. During our fiscal year end, we conduct a pass inventory and analytical procedures are performed to identify any variances in anticipated pass sale revenue.