



CENTRAL FLORIDA EXPRESSWAY AUTHORITY

Discount/Rebate Program Audit

May 5, 2017

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EXECUTIVE SUMMARY



Overview

Central Florida Expressway's (CFX) electronic toll-collection system E-PASS allows customers to automatically pay tolls with a transponder at toll plazas. E-PASS customers receive reduced toll rates and are eligible to receive additional discounts and rebates based on the type of account and monthly volume of toll transactions incurred on CFX roadways. CFX software is configured to automatically calculate and apply monthly discounts and rebates to customer accounts.

As of March 2017, CFX had four E-Pass discount and rebate programs in place, three of which were in scope for this review: Customer Loyalty Discount Program, Beltway Discount Program, School Bus Toll Rebate. The fourth program dealing with Beachline West Toll Plaza and Boggy Creek Interchange rebates did not go into effect until early 2017 and was out of scope for this review.

Customer Loyalty Discount Program

The Customer Loyalty Discount Program was established to encourage CFX customers to utilize E-PASS electronic tolling. At the time the program was established, drivers with E-PASS or SunPass transponders received a 5% discount for paying between 40 and 79 tolls a month, and a discount of 10% once they reached 80 transactions in a month. During April 2016, the CFX Board approved a revision to this program to increase each discount rate for E-PASS customers by 5% (to 10% and 15%, respectively) and to discontinue discounts for SunPass customers. For the eight months ended February 28, 2017, CFX issued \$7.4 million in discounts on \$232 million (unaudited) in total E-PASS toll revenues (electronic only) to customers under the Customer Loyalty Discount Program.

Beltway Discount Program

Due to the Interstate 4 (I-4) Ultimate expansion project currently underway, during March 2015, the CFX Board approved a 5% discount for E-PASS and SunPass customers that pay 20 or more tolls per month on the beltway roadways (SR 414, SR 417, and SR 429). This program was designed to provide relief to commuters looking for alternatives to using I-4 during the I-4 Ultimate construction period. The program is contingent on actual revenue for the month exceeding 2% of the projected Total System Toll Revenues Available established per the annual General Traffic and Earnings Consultant's Annual Report approved in March 2015. Projections are evaluated monthly against actual revenue to determine if required thresholds have been met before the discount is applied. The Beltway Discount program is scheduled to be discontinued upon completion of the I-4 Ultimate project, estimated to be in 2021. For the period ending February 28, 2017, CFX issued \$3.0 million in discounts on \$114 million (unaudited) in beltway E-PASS toll revenues (electronic only) to customers under the Beltway Discount program through the first eight months of FY 2017.

EXECUTIVE SUMMARY



Overview (continued)

School Bus Toll Rebate

As part of an initiative to help local, Central Florida school districts manage costs, CFX launched a toll rebate program in February 2016 to provide a 99% rebate for public school buses traveling on CFX expressways carrying students from Orange, Seminole, Osceola, Lake, and Brevard counties (Polk and Volusia counties elected not to participate in the program). This rebate program is contingent upon actual revenue for the month exceeding 2% of the projected Total System Toll Revenues Available established per the annual General Traffic and Earnings Consultant's Annual Report approved in February 2016. Projections are evaluated monthly against actual revenue to determine if required thresholds have been met before the discount is applied. For the period ending February 28, 2017, CFX issued \$191,700 in rebates to Central Florida school districts under the School Bus Toll Rebate program through the first eight months of FY 2017.



Objectives and Scope

In accordance with the FY 2017 Internal Audit Plan, Internal Audit conducted a review of discounts provided to customers through the E-PASS Customer Loyalty Discount and Beltway Discount Programs, as well as rebates provided through the School Bus Toll Rebate for the eight month period from July 1, 2016 to February 28, 2017.

The objectives of this audit were to:

1. Review and evaluate the policies, procedures and internal controls related to the discount and rebate process, including the internal controls related to following:
 - Discount/rebate approvals
 - County school bus and new customer account setup
 - Qualifying revenue threshold calculations
 - SunPass interoperability disbursements
 - Recording of discounts and rebates to the general ledger
 - Software setup and discount and rebate calculation coding in the IT systems
 - IT change management (that which is not covered through testing performed for the PCI Report on Compliance).
2. Verify discounts and rebates were appropriately calculated and applied to E-PASS customer accounts and withheld from interoperability payments for SunPass accounts.
3. Verify discounts and rebates were appropriately authorized based on the monthly revenue calculation performed by the Finance Department.

EXECUTIVE SUMMARY



Summary of Results

Two opportunities for improvement were identified during the audit. Each was classified as relative low priority. The table below provides an overview of areas reviewed and number of opportunities identified associated with each.

Objective	Procedures Performed	Improvement Opportunities
Internal Control Review: Authorization, Administration, Software Setup and Coding and IT Change Management	<ul style="list-style-type: none"> • Reviewed and evaluated the policies, procedures, and internal controls related to the discount and rebate process. • Reviewed the following processes and related internal controls: <ul style="list-style-type: none"> – Discount/Rebate approvals – County school bus and new customer account setup – Qualifying revenue threshold calculations – SunPass interoperability disbursements – Recording of discounts and rebates to the general ledger • Reviewed the following IT processes and related internal controls: <ul style="list-style-type: none"> – CFX software setup and coding to calculate discounts and rebates – IT change management (that which was not covered through testing performed for the PCI Report on Compliance) 	2
Substantive Testing (Accuracy of Calculation, Application to Customer Account, Recording to GL)	<ul style="list-style-type: none"> • Obtained the population of CFX customer accounts and judgmentally selected a sample of accounts and months to test the following attributes: <ul style="list-style-type: none"> – Accuracy of discount calculation – Appropriate discount application 	0

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – Revenue Projection Reports

Relative Priority: **Low**



Beltway Discounts and School Bus Toll Rebate may only be applied during months in which actual toll system revenue exceeds 2% of projected Total System Toll Revenues Available established per the General Traffic and Earnings Consultant's Annual Report for the year in which each program was approved. Therefore, the Beltway Discount is calculated based on the projected revenue for FY 2017 as documented in the General Traffic and Earnings Consultant's Annual Report approved in March 2015 and the School Bus Toll Rebate is calculated based on the projected revenue for FY 2017 as documented in the General Traffic and Earnings Consultant's Annual Report approved in February 2016.

The Director of Accounting and Finance maintains an annual Projection Discount Rebate Tracking Schedule containing monthly revenue projections based on historical trends. Monthly revenue projections are reconciled to actual preliminary revenue, which is defined as actual revenue prior to external auditor adjustments. Discounts and rebates are authorized when preliminary revenue exceeds projected revenue by 2% or more. If the actual revenue falls short of the projection, Accounting coordinates with senior management and customers do not receive the discount or rebate.

During testing of School Bus Rebates for 2017, actual preliminary revenue had been incorrectly compared to the FY 2016 projections instead of the FY 2017 projections in the 2016 General Traffic and Earnings Consultant's Annual Report. However, there was no impact to the application of the monthly School Bus Rebates, which were triggered since monthly actual preliminary revenue has consistently exceeded FY 2017 projections by more than 10%, well in excess of the 2% threshold. Root cause analysis identified that the annual Projection Discount Rebate Tracking Schedule is not consistently reviewed, in detail, on a monthly basis unless concerns about an unexpected drop in revenue arise.

Recommendation

CFX should consistently review the Projection Discount Rebate Tracking Schedule on a monthly basis to verify the accuracy of inputs to prevent the issuance of discounts or rebates when revenue thresholds in excess of projections have not been met.

Management Response

Management concurs.

DETAILED OBSERVATIONS

Observation 1 – Revenue Projection Reports (continued)

Relative Priority: **Low**



Management Action Plan

Management will implement a monthly review of the Projection Discount Rebate Tracking Schedule to verify the accuracy of inputs and calculations.

Action Plan Owner / Due Date:

Lisa Lumbard, Chief Financial Officer / 8/31/2017

DETAILED OBSERVATIONS

Observation 2 – Discount Publication on CFX Website

Relative Priority: **Low**



Details of the E-PASS discount programs are published on the CFX website. The website details potential savings, applicable roads, and the percentage discount based on the number of toll transactions per month.

At the time of the audit, there was an error in the percentage discount published on the CFX website related to the Customer Loyalty Discount Program. The website noted that there was a 5% discount for E-PASS customers with 20 – 39 toll transactions per month. However, based on the Board resolution approving the Customer Loyalty Discount Program, there is no discount at this toll transaction level. Periodic reviews of the accuracy of discount and rebate information posted to the Authority's website are important to accurately communicate discounted toll rates and manage customer expectations.

Recommendation

CFX should conduct quarterly, formal reviews of rate, discount, and rebate information posted to its website for accuracy.

Management Response

Management concurs.

Management Action Plan

Management will implement and document a quarterly review of the rate, discount, and rebate information posted to the CFX website for accuracy.

Action Plan Owner / Due Date:

Michelle Maikisch, Chief of Staff/Public Affairs Officer / 7/31/2017

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