



RETAIL TRANSPONDER SALES REVIEW

May 2020

**CENTRAL
FLORIDA
EXPRESSWAY
AUTHORITY**

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EXECUTIVE SUMMARY



Project Overview, Scope, and Approach

Overview

In accordance with the fiscal year 2020 Internal Audit Plan, Internal Audit reviewed the policies and procedures surrounding Central Florida Expressway Authority (“CFX”) marketing of E-PASS transponders through various sales channels and the related management of transponder physical inventory. This audit had not been performed previously for CFX.

As part of its strategy to increase the number of E-PASS customers, CFX operates a retail transponder program whereby E-PASS transponders are marketed and distributed through university bookstores throughout Florida and via consignment through Amazon. CFX currently sells branded CollegePass sticker transponders to the bookstores and consigns E-PASS portable transponders with Amazon.

Details on the retail transponder program are below. Data is through May 31, 2020, was obtained from CFX, and is for informational purposes only:

CollegePass Brand	Retail Program Launch	Retail Transponder Sales (Launch – May 31, 2020)
GatorPass	August 2017	344
NolePass	August 2017	250
KnightPass	November 2017	350

Amazon Program Launch	Transponders Consigned to Amazon (Launch – May 31, 2020)	Amazon Transponder Sales (Launch – May 31, 2020)
August 2018	2,370	2,100

Project Scope and Approach

The objectives of this audit were to (1) identify key processes and internal controls around retail transponder sales and inventory management, (2) review key controls for design effectiveness, (3) perform limited procedures to evaluate selected transactions for operating effectiveness, and (4) propose recommendations, enhancements, and clarifications to strengthen CFX policies and internal controls. Details of the procedures performed, results, and observations are provided in the body of this report.

EXECUTIVE SUMMARY



Summary of Audit Procedures Performed and Results

The areas reviewed, audit observations, and relative priority are outlined below:

Process	Key Areas Reviewed	Total Controls Tested	Number of Observations	Observation Reference	Relative Priority
Process Governance	Policies and procedures, system capabilities and reporting	1	2	1, 2	1 – High 2 – Moderate
Inventory Management	Order management, receiving, recording, physical counts, reconciliations	5	1	3	3 – Low
Retail Sales & Distribution	Contract terms and approvals, order fulfillment, transponder and account analytics	4	1	4	4 – Low
Accounting & Finance Processes	Purchase order approval, invoice processing, financial reporting	2	-	-	-
TOTALS:		12	4	-	-

DETAILED OBSERVATIONS

DETAILED OBSERVATIONS

Observation 1 – Inventory Management System

Relative Priority

High

Process Governance

Inventory Management

Retail Sales & Distribution

Accounting & Finance

Observation

TRIMS is the existing customer relationship management (CRM) system. Due to certain limitations within TRIMS, current processes to manage retail transponder inventory and the related financial transactions are manual and heavily reliant on spreadsheets. The current, manual processes in place to manage transponder inventory help reduce the risk of transponder misappropriation and inaccurate recording of retail sales. To further mature the inventory management process, system capabilities could be improved to better support business needs and improve efficiency in the following areas:

- No system capability exists to record and track physical transponder inventory by transponder type, sales channel, and location (e.g. on-site storage vs. consignment). As a result, transponder inventory is maintained manually through spreadsheets, which draw from multiple, disparate data sources. Additionally, some inventory information is maintained separately by both the Toll Operations and Finance Departments.
- No system capability exists to record transponders sold or consigned but not yet activated. Additionally, the system does not support a wider variety of transaction types (e.g. sales, exchanges, transfers, giveaways) or segregate sales by channel (bookstore vs. consignment). Consequently, sales and cost of goods sold are calculated manually using multiple sources of information and are subject to estimation.
- Although several custom reports exist to capture new accounts and transponder activations through certain channels, no comprehensive reporting exists to support critical marketing reporting across all relevant data points.

Recommendation

Management should form a working group to consider the system capabilities and reporting needs related to retail transponder sales in the areas of inventory management, financial reporting, and marketing reporting. System and reporting needs identified should be explored with the CRM implementation project team to determine if needs can be met by the new CRM system or add-on modules. If needs cannot be met by the new CRM system, management should consider additional alternatives, including the cost/benefit of a new, off-the-shelf application or a custom application to support inventory management, financial reporting, and marketing reporting.

DETAILED OBSERVATIONS

Observation 1 – Inventory Management System (continued)

Relative Priority

High

Management Response

Management concurs.

Management Action Plan

CFX will organize a working group comprised of stakeholders involved in retail transponder sales and inventory management processes and IT to discuss fulfillment of key reporting needs through current CRM implementation.

Action Plan Owner / Due Date

Mike Carlisle, Director of Accounting and Finance / March 31, 2021

Process Governance

Inventory Management

Retail Sales &
Distribution

Accounting & Finance

DETAILED OBSERVATIONS

Observation 2 – Procedural Documentation

Relative Priority

Moderate

Process Governance

Inventory Management

Retail Sales & Distribution

Accounting & Finance

Observation

Opportunity exists to enhance the current procedural documentation that guides CFX's inventory management practices and its retail transponder sales. Written procedures are an integral component of the infrastructure surrounding each critical business process. Procedures provide guidance in the pursuit of achieving the objectives of the process, help reduce misunderstanding, and increase distribution of pertinent information to those involved in the process.

Recommendation

Management should update procedural documentation specific to retail transponder sales and inventory management practices to include the following:

- Receipt and recording of purchase orders from retailers
- Reconciliation of goods ordered, invoiced, and shipped
- Recording of inventory transactions; reconciliation of inventory to records
- Recording of significant journal entries (sales revenue, cost of sales, inventory adjustments)

Management Response

Management concurs.

Management Action Plan

Management will review all inventory management and transponder sales documentation (including retail sales) to ensure all procedures are adequately documented.

Action Plan Owner / Due Date

Mike Carlisle, Director of Accounting and Finance; Angela Melton, Manager of Communications; Fred Nieves, Manager—E-Pass and Plaza Operations / December 31, 2020

DETAILED OBSERVATIONS

Observation 3 – Inventory Data Access

Relative Priority

Low

Process Governance

Inventory Management

Retail Sales &
Distribution

Accounting & Finance

Observation

As leading practice, an organization should ensure that access to folders containing significant spreadsheets is restricted to appropriate personnel. Currently, key transponder inventory data that is used by Operations to manage inventory levels resides in an Excel spreadsheet on a shared drive. Finance maintains separate inventory records and relies on separate counts to confirm accuracy of balance sheet inventory values. The operational spreadsheet is stored within a folder accessible to all members of the E-Pass back office staff. Although the operational inventory spreadsheet is primarily maintained and managed by only two members of the E-Pass back office staff, several dozen other contractor employees possess the ability to modify the file. Without proper access restriction, key operational transponder inventory data could be lost or overwritten.

Recommendation

Management should perform a review of access to folders containing significant spreadsheets within the Toll Operations Department to ensure access is appropriate based on role and job responsibility.

Management Response

Management concurs.

Management Action Plan

Management will perform a review of access to key operational spreadsheets by the established due date in either the system folders or SharePoint depending on the status of the SharePoint migration.

Action Plan Owner / Due Date

Fred Nieves, Manager—E-Pass and Plaza Operations / August 31, 2020

DETAILED OBSERVATIONS

Observation 4 – Transponder Shipping

Relative Priority

Low

Process Governance

Inventory Management

Retail Sales & Distribution

Accounting & Finance

Observation

As transponder orders are received from retail partners, they are forwarded to Toll Operations for fulfillment. A list is compiled as transponders are packed by Toll Operations. The compiled list and box of transponders are given to the Manager of Communications for verification. Prior to shipping, the Manager of Communications performs a physical reconciliation between the order from the retail partner, the physical transponders packed for shipment, the list of transponders provided by Toll Operations, and the invoice prepared by Finance. Based on the current process, shipping and order fulfillment responsibilities for retail transponders are shared between Toll Operations and Communications, which does not align with the strategic objectives of the departments, creates inefficiencies in the process, and is inconsistent with CFX's direct-sales transponder order fulfillment process.

Recommendation

Management should consider realigning fulfillment and shipping responsibilities to Toll Operations to create more consistency in execution and oversight of the process. As management realigns responsibilities, documentation of the reconciliation between transponders ordered, transponders prepared for shipment, and transponders invoiced, including evidence of approval for the shipment, should be retained. This reconciliation should be performed prior to shipment and by someone not involved in the packing of transponders.

Management Response

Management concurs.

Management Action Plan

Management will consider realignment of the order fulfillment and shipping function for the retail program as recommended. As realignment is considered, management will also develop documentation requirements for each retail shipment that includes evidencing the reconciliation between the original order, the shipping manifest verified by physical count of transponders, and the invoice prepared by Finance.

Action Plan Owner / Due Date

Lisa Lombard, Chief Financial Officer / December 31, 2020

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