



## STAFF REPORT INFORMATION ONLY

### TTC Internal Audit Report – Fare Media Sales/Point of Sale (POS)

<b>Date:</b>	February 10, 2016
<b>To:</b>	TTC Audit and Risk Management Committee
<b>From:</b>	Head of Audit

#### **Summary**

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Station Collectors are responsible for the sale of fare media at TTC's 69 subway stations. Fare Media Funds Control section is responsible for tracking, monitoring and reporting fare media and funds transactions conducted by Collectors.

In 2005 debit and credit cards were accepted for the purchase of monthly passes. By December 2014 all collector booths were equipped with an integrated Point of Sale (POS) system. As of November 2015 collectors processed \$166.7 million in sales.

The purpose of the review was to assess the reliability of the integrated POS system and the security over confidential cardholder data, and ensure accuracy and completeness of debit and credit card transaction revenue.

While no significant control weaknesses were identified, the monitoring of the vendor's performance was not being done with respect to system problem frequency, resolution response times and the POS system availability.

Audit recommended that management obtain and monitor reliability reports from the POS vendor. Management agrees with the recommendation and is in the process of obtaining performance monitoring reports.

#### **Financial Summary**

This report has no financial impact beyond what has been approved in the current year's budget.

#### **Accessibility/Equity Matters**

There are no accessibility matters resulting from the adoption of this report.

**Contact**

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**Attachment**

TTC Internal Audit Report – Fare Media Sales/Point of Sale (POS)



# TORONTO TRANSIT COMMISSION

## **AUDIT OF FARE MEDIA SALES / Point of Sale (POS)**

### **SERVICE DELIVERY STATION OPERATIONS / COLLECTORS FARE MEDIA FUNDS CONTROL**

**Covering Period:  
January 2014 to March 2015**

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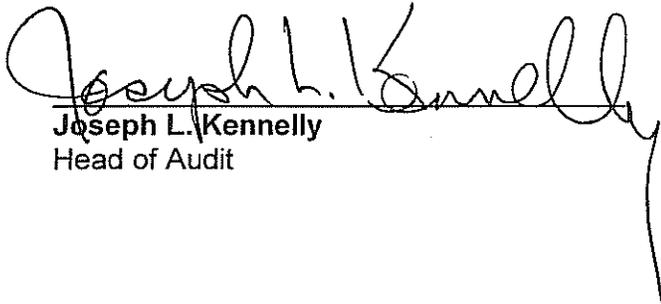
## EXECUTIVE SUMMARY

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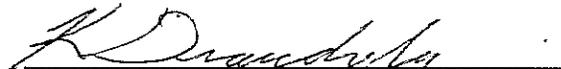
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Audit recommended that management obtain and monitor reliability reports from the POS vendor.

Management agrees with the recommendation and is in the process of obtaining performance monitoring reports.



**Joseph L. Kennelly**  
Head of Audit



**Kas Draudvila**  
Auditor

## **INTRODUCTION**

Station Collectors are responsible for the sale of fare media at TTC's 69 subway stations. Fare Media Funds Control section is responsible for tracking, monitoring and reporting fare media and funds transactions conducted by the Collectors.

## **BACKGROUND**

From 2005 to 2012 eight subway stations accepted debit and credit cards for the purchase of monthly passes. In December 2012, all 69 subway stations were equipped to accept both debit and credit cards for the purchase of monthly passes. By December 2014 the collector booths were equipped with an integrated Point of Sale (POS) system to accept debit and credit cards for any type of fare media purchase of three tokens or more.

Since the introduction of debit and credit card processing at all collector booths the dollar value of transactions has increased year after year. In 2005 \$7.2 million in fare media sales were purchased with a debit or credit card. In 2014 there was \$101.7 million in debit and credit card sales. As of November 2015 collectors has processed \$166.7 million in sales.

## **AUDIT SCOPE AND OBJECTIVES**

**Scope:** To review the existence and application of key operational, administrative and financial controls over debit and credit card transactions for the period January 2014 to March 2015.

**Objectives:**

- To assess the reliability of the integrated Point of Sale system including the acquiring service provider.
- To assess the security over confidential consumer cardholder data.
- To ensure the accuracy and completeness of debit and credit card transaction revenue.

## **METHODOLOGY**

Key functions of the POS system were identified through preliminary lines of inquiry during the planning phase. An assessment of the audit risk of each key function was completed and areas requiring further detailed testing established. Detailed audit testing consisted of sample testing of documents, investigation of anomalies and discussions with the Information Technology Department (ITS), Collectors and the Finance Department's Treasury Services staff and management.

## **ANALYSIS AND RECOMMENDATIONS**

Audits review of the Fare Media Sales process noted the following:

### **Reliability**

The TTC has contracted with Atlas POS Systems Limited to install and maintain the equipment. When a Collector identifies malfunctioning equipment they call the Atlas technician. If the problem cannot be resolved over the phone, Atlas POS Systems Limited will respond with an onsite service call within 3 hours.

Audit found that the number of service calls and response times were not being monitored. Management has no way of knowing if reliable service is being provided to TTC customers or if the vendor is fulfilling their service obligation.

### **Security**

In 2014, a third party security assessor company was contracted to conduct a Gap Analysis against applicable Payment Card Industry (PCI) Data Security Standard requirements.

The analysis found weaknesses in the following areas:

- Business processes require small adjustments to control inbound data via fax.
- Security controls on a number of system components in the cardholder data environment need to be enhanced and/or configured.
- A few periodic IT processes need to be updated to ensure regular security testing is in place.

Audit's review of the TTC's (ITS) Department responses and follow-up found that the identified weaknesses were corrected. A Certificate of Compliance was subsequently issued by the contractor.

New PCI requirements became mandatory in 2015. Consequently, the ITS Department contracted a company to conduct a Gap Analysis. The company has completed their analysis and the report is pending.

### **Transaction Accuracy and Completeness**

Revenue resulting from debit and credit card transactions is being processed and deposited accurately.

However, discrepancies can occur between the POS deposit totals and the Collectors Drop Vault System deposit totals. These exceptions are investigated and reconciled. Exceptions can occur because of power interruptions and collector errors.

## **RECOMMENDATION**

Management should request and monitor reliability reports from the POS vendor. The reports should detail the equipment that has malfunctioned and the length of time it was out of service in order to assess the vendor performance.

## **MANAGEMENT RESPONSES**

Management supports the audit recommendation and is working with the ITS Department in obtaining the reports.

**Responsibility:** Assistant Manager – Station Operations

**Completion Date:** June 2016