



**Seniors Ride Free  
People with Disabilities Ride Free  
Fraud Audit  
Card Issuance and Program Administration**

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Prepared by the RTA Audit Department

March 2011

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# **Seniors Ride Free People with Disabilities Ride Free Fraud Audit Card Issuance and Program Administration**

## **EXECUTIVE SUMMARY**

This report summarizes the results of the RTA Audit Department's review of card issuance and program administration of the Seniors Ride Free Program and the People with Disabilities Ride Free Program. The two programs allow eligible senior citizens and persons with disabilities to ride RTA regional services for free. The overall objectives of this review were to determine if the policies and procedures that govern the issuance of such cards maintain a reasonable assurance of integrity, whether such policies and procedures that govern the application process and subsequent activities related to the administration of the cards are in accordance with established criteria and are applied consistently, and whether the programs' databases are reasonably accurate and adequate for use.

The review resulted in nine recommendations to improve the internal control and the overall operation of the two Programs which are as follows:

- Four recommendations related to program administration;
- Five recommendations related to database management; and

The Audit Department wishes to thank the staff of the RTA Planning & Regional Program Department, especially Vickie Bradley, Manager of Customer Service and the Travel Information Center, for the cooperation demonstrated throughout the conduct of the audit and for their efforts in assisting with the review.

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# **Seniors Ride Free People with Disabilities Ride Free Fraud Audit Card Issuance and Program Administration**

## **Introduction**

The RTA's Department of Planning and Regional Services managed the Seniors Ride Free (SRF) and People with Disabilities Ride Free (PDRF) for the time period under review. The two programs, which began in 2008, allow eligible seniors and those with disabilities to ride free on fixed-routes operated by the CTA, Metra and Pace.

## **Audit Objectives**

The RTA 2010 External Audit Workplan included a fraud audit of the Seniors Ride Free (SRF) Program, the objectives of which were to develop a workplan, determine whether there is fraud in the program, determine the extent and cost of any such fraud, identify weaknesses, and identify additional controls for fraud prevention.

In September 2010, the RTA issued a report summarizing the results of one segment of the SRF Fraud audit. This audit was targeted toward identifying a limited population, namely those SRF cardholders that had died since joining the SRF program. The audit disclosed that 5.2% of the sample population of deceased cardholders had continued use of their SRF cards following date of death. The audit recommended that RTA develop and implement a process that includes procedures to periodically monitor and determine the status of current Seniors Ride Free cardholders, and deactivate cards issued to cardholders that have subsequently deceased.

Following the issuance of the report in 2010, the objectives of the audit were redefined, wherein the scope of the audit was expanded to also include fraud associated with the People with Disabilities Ride Free (PDRF) Program.

Accordingly, the objectives of this next phase of the review are to:

1. Determine if the policies and procedures that govern the issuance and usage of Seniors Ride Free and People with Disabilities Ride Free cards maintain a reasonable assurance of integrity.

2. Determine if policies and procedures that govern the Seniors Ride Free and People with Disabilities Ride Free application process, subsequent renewals, replacement, deactivation and destruction of deactivated cards are in accordance with established criteria and are applied consistently.
3. Determine if the RTA's Seniors Ride Free and People with Disabilities Ride Free database is reasonably accurate and adequate for RTA staff use.
4. Determine the extent to which active Seniors Ride Free and People with Disabilities Ride Free cards are being used by individuals other than those to whom they were issued.
5. Assess the external vendor's compliance with the existing contract for the production and distribution of permits.

### **Scope of Audit**

To achieve the above objectives, the following activities were performed:

- Interviewed RTA staff to gain an understanding of the processes surrounding card issuance, card deactivation and card replacement, in addition to the use of the ScreenCheck database to facilitate these processes.
- Interviewed CTA staff involved with card deactivation and fare media confiscation in order to understand their processes and the associated interaction with the RTA.
- Conducted multi-level card deactivation testing to determine if SRF and PDRF hotlist (deactivation) requests sent by the RTA to CTA functioned according to policy.
- Performed testing of customer applications and database records to assess the application review and data input processes.
- Conducted other testing of the deactivation process to ensure cards are being deactivated appropriately.

While the audit was underway, Governor Pat Quinn signed Senate Bill 3778 (Public Act 96-1527) which altered the SRF program in its existing form. Under the new law, all seniors will be required to pay half-fare unless they meet certain income qualifications enabling them to continue to be eligible for free fares. In order to accommodate the inclusion of recommendations identified thus far into the solution being developed to initiate the new program, the RTA has decided to issue an interim report that only

addresses the first three audit objectives. The results of audit objectives four and five will be published separately after they have been completed.

### **Background**

In January 2008, then Governor Rod Blagojevich used his amendatory veto power when approving the state's transit funding legislation (Public Act 95-708) to require the three transit systems (CTA, Metra and Pace) to allow persons 65 years of age and older to ride the state's transit system free beginning on March 17, 2008. Then in August of 2008 legislation was approved and signed into law (Public Act 95-906) requiring the three transit systems to allow persons with disabilities to ride free after meeting certain income requirements known as the "Illinois Circuit Breaker Program". Although the Regional Transportation Authority (RTA) was not specifically mandated by law to administer these two new programs, they were viewed to be a natural extension of the RTA's reduced fare permit programs, and thus the RTA assumed the responsibility for the issuance of the free fare cards and administration of the two programs.

With increasing cost pressures on public transit systems, productivity gains need to be accompanied by efficient measures to combat fare evasion. In addition to direct revenue losses, fare evasion triggers a perception of inequity among paying customers. Fare evasion, a concern for all transit agencies, takes many forms, whether it is abusing certain types of fares or transfers or counterfeiting fare media. The most efficient strategy against fraud is to control access through proper card issuance (and related administrative activities) to only eligible individuals, rather than later attempting to control inappropriate access to transit systems at point of entry.

The RTA administers both the SRF and PDRF programs. These functions are managed by staff located in the RTA Administrative Services Department, Customer Service (formerly the Department of Planning and Regional Programs, Customer Service and Travel Information Center). The RTA also maintains a Customer Service Center at 165 N Jefferson, Chicago where applications are accepted and entered into the customer database. Applications are also accepted at 189 sites in the region that participate in the program. These remote centers forward their applications to a third party vendor, ScreenCheck North America, where the applications are reviewed and entered into the customer database. ScreenCheck also handles the production and distribution of fare media to customers.

### **Application Process**

Procedures surrounding application for the two programs (SRF and PDRF) vary depending upon the type of program for which they are applying.

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**Seniors Ride Free:** Seniors Ride Free applicants are permitted to apply at the RTA's Customer Service Center at 165 N Jefferson, Chicago or at any one of the 189 sites in the region. Applicants must be senior citizens, defined as 65 years of age or older, and living in the RTA service region. They are required to apply in person, present a government issued ID containing a picture, proof of age and a photograph along with their application. Their cards are valid for four years from month of initial application.

**People with Disabilities Ride Free:** Applicants must first be enrolled in the Illinois Department of Aging Circuit Breaker Program as a person with a disability. The Circuit Breaker Program, which is based upon certain income requirements, allows the recipient to receive several benefits, one of which is free rides on all fixed-route regularly scheduled public transit systems. Customers applying to the People with Disabilities Ride Free Program are permitted to apply by mail, if they currently hold a reduced fare or ADA paratransit card, or at the RTA's Customer Service Center at 165 N Jefferson, Chicago or at one of the limited number of registration centers located in the region. Such applicants are required to present a government-issued ID and a photograph along with their application. The RTA then verifies eligibility and issues a magnetic stripe card with "Circuit Permit" printed on the fare media. Participants in the Program must enroll in the State of Illinois Circuit Breaker Program each year. PDRF cards are valid for approximately one year; however, all cards expire each year on June 30<sup>th</sup>.

Applications for both the SRF and the PDRF programs completed at remote centers are submitted to a vendor (ScreenCheck North America) on contract with the RTA. However, prior to being sent to ScreenCheck, PDRF applications are first sent to the RTA Customer Service Center for verification of eligibility for the Circuit Breaker Program. The ScreenCheck facility, located in Fort Wayne, Indiana, is responsible for reviewing applications, data entry, card production and card distribution. However, applications received at 165 N Jefferson, Chicago undergo slightly different procedures, with RTA staff conducting the application review and data entry, and ScreenCheck being responsible for only card production and distribution.

In order to test the application review and data input processes, a sample of 38 applications for a variety of different fare media, including SRF, PDRF and Reduced Fare Disabled Permits were reviewed to determine whether the application was properly completed, signed by the applicant and included a copy of the applicant's proof of age. The data input process was tested by verifying that the applicant's record in the ScreenCheck database correctly reflected the information contained on the application. Our testing identified several issues and observations surrounding the application review and data input processes:

- Eight instances in which the applicant presented an expired driver's license or state ID card.
- One instance in which a physician's assistant had completed the medical certification.

- One instance in which there was no evidence documenting a PDRF applicant's eligibility per the Dept of Aging.
- Two instances in which duplicate records were created in the database for the same individual.
- Several errors associated with data entry of customer information into the database. Examples included incorrect spellings of customer's last names (2 instances), incorrectly entered form of ID (3 instances), card expiration date exceeded doctor's duration of disability (1 instance), and an incorrectly entered qualifier (1 instance).
- No verification of the applicant's current address is performed to the ID presented with the application or to any other documentation.

Applicants are capable of submitting more than one application and receiving more than one SRF and PDRF card since there are no edit checks that would identify duplicate applicants. This can occur because the RTA does not collect a unique identifier, such as a Social Security number, from the applicant. A unique identifier would be required to perform such edit checks. Requesting applicants to provide their Social Security numbers would enable the RTA to run edit checks of new applications against the existing customers in the ScreenCheck database. This would provide added assurance that individuals do not obtain duplicate cards.

### **Card Production and Distribution**

The RTA contracts with a third party vendor, ScreenCheck North America (formerly Polaroid ID Systems), for the production and distribution of Reduced Fare, Seniors Ride Free, People with Disabilities Ride Free and ADA Paratransit permits. ScreenCheck performs reviews of reduced fare and Senior free fare card applications mailed directly to ScreenCheck from the regional registration centers. (ScreenCheck does not perform any reviews for processing paratransit permits which are already pre-determined by the RTA). ScreenCheck maintains the RTA reduced and free fare database. The database contains approximately 520,000 active records that include all relevant data on permit holders including name, address, permit status and photo images. These records also provide administrative functions including renewal notifications, administrative reports and permit holder historical data.



**Card Distribution by Type as of December 31, 2010**

Card Type	# of Cards	% of Total
Seniors Ride Free	434,582	82%
People with Disabilities Ride Free	46,564	9%
Seniors Reduced Fare	18,452	4%
People with Disabilities Reduced Fare	26,748	5%
<b>Total</b>	<b>526,346</b>	<b>100%</b>

The contract, which was competitively bid, is for a period of five years and for an amount not to exceed \$2.8 million. ScreenCheck is paid \$1.80 for each SmartCard processed (RTA provides the SmartCard itself) and \$1.83 for each magnetic stripe card supplied and processed. ScreenCheck is paid \$0.84 for various card renewals. In addition, there is a fixed management fee of \$2,600 per month. In 2010 ScreenCheck was paid a total of \$365,856 for their services. See Appendix A for a summary of all card types issued during 2010.

There are two types of card stock. The first type is a magnetic stripe that is inserted into automated fare collection equipment of the CTA and Pace. Riders with PDRF cards are generally issued a magnetic stripe card, and during 2009 the average PDRF rider used their magnetic stripe card for 375 trips. ScreenCheck is responsible for providing magnetic stripe permit stock for processing of the PDRF permits. Card specifications, including thickness, card construction and the protective coating to be applied to the printed area, are outlined in the RTA contract with ScreenCheck. There is no provision in the contract for ensuring specific card performance or durability. The second card type is the SmartCard that features a microchip which enables the rider to scan rather than insert it into the automated fare collection system. All SRF cards are SmartCards. During 2009 the average SRF rider used their SmartCard for 77 trips. The RTA supplies the SmartCard stock. On both types of card stock, ScreenCheck prints the applicant's photograph and related information on the face of the permits, and then mails the cards directly to the applicants. ScreenCheck pays for the required postage.

At the end of June 2010 there was a delay in obtaining cards from ScreenCheck due to a problem with magnetic card stock availability. ScreenCheck was forced to utilize a new card stock vendor. Soon thereafter customers began to report a higher incidence of problems with their magnetic cards being accepted by the CTA fare collection system and with the durability of the cards. When customers phoned the RTA to report damaged cards, these requests were logged into the ScreenCheck database and replacement cards were issued. No information is available in the database to associate these damaged card requests with the defective card stock.

## **Replacement Card Issuance**

Replacement cards are issued for a variety of reasons including to replace lost, stolen, damaged, confiscated, captured and expired cards. Notices regarding expiring cards are sent by ScreenCheck on behalf of the RTA to the customers who can then apply for replacement cards. Requests for replacement cards are generally initiated by the customers via a call or visit to the RTA's Customer Service unit. Customers are not required to appear in person, sign an affidavit attesting to their assertion nor submit documentation (e.g., a police report). In order to obtain a replacement card they are required to submit a replacement card application. The cost for a replacement card is \$5 for the first request and \$10 for each card thereafter. Exceptions to these fees are occasionally granted by the RTA Customer Service Unit.

### **Damaged/Inoperable Cards**

Customers call the RTA's Customer Service area to request a replacement card due to their card being damaged or inoperable. At times cards may not be accepted on an intermittent basis by the automated fare collection system. New cards are issued to these individuals and their damaged/inoperable cards are hotlisted one week later. The lag in hotlisting is intentional in order to permit the continued use of the cards until the replacements arrive at the customer's residence. There is no charge for the issuance of replacement cards that are damaged, nor is there a requirement for the customer to exchange the damaged card for a replacement.

We also reviewed the *Intergovernmental Agreement Between the Regional Transportation Authority and the Chicago Transit Authority* dated November 26, 2008, noting that it is the obligation of the RTA to require users, when reasonably possible, to return damaged SmartCards to the RTA in order to obtain a replacement card, and to collect and forward all damaged cards to the CTA's Revenue Equipment Department. The RTA is not currently in compliance with this section of the Intergovernmental Agreement since it neither requires users to return damaged cards to it nor does it forward any damaged cards to the CTA.

### **Lost Card Handling**

There are no established procedures to guide the Service Boards when they find lost fare media. Lost fare media that the CTA obtains are hotlisted by the CTA. These cards are not sent back to the RTA nor is the RTA notified of the status of such cards since the CTA deactivates the cards and handles the destruction of the cards. The RTA receives lost fare media from Pace and Metra on an intermittent basis at which time the RTA requests deactivation of the cards and destroys the cards.

### **Captured Card Disposition**

Captured cards are generally cards held in a farecard machine, turnstile, or fare box. They could also be found in the immediate vicinity of one of these devices. All such cards are sent to the CTA's Revenue Equipment Technology Department where they are hotlisted and destroyed.

We requested RTA Customer Service to provide all Service Request Summary Reports regarding captured cards reported by customers for the period from December 27, 2010 through December 30, 2010. These requests were then traced to the ScreenCheck database to ensure that the dates corresponded to the date of issuance of the replacement cards and reason for the replacement was correctly noted. We did not identify any issues. We also noted instances in which replacement cards were requested although the ScreenCheck database did not indicate that one was issued. Upon further investigation we were told by Customer Service staff that the information provided by the customer did not correspond to the ScreenCheck data and that no replacement card was issued. This indicates that data is being validated prior to issuing a replacement card, which is a good control to minimize the issuance of a fraudulently requested card.

### **Card Confiscation**

Each of the Service Boards has different policies in place addressing the confiscation of cards by their employees. Even within each agency there are differences based on a number of criteria. At the CTA, Customer Service staff is directed to confiscate most hotlisted cards, except for Reduced Fare SmartCards. CTA bus drivers are expected to confiscate all hotlisted cards. Metra does not confiscate fare media since it is not the issuer of these cards. Pace directs its bus drivers to confiscate either invalid cards or cards used by someone other than to whom they were issued. Regardless of the policy in place, all employees are expected to exercise discretion when considering whether to confiscate a card from a passenger. We have found that most employees do not attempt to confiscate cards from passengers in order to minimize the possibility of personal injury.

The source of most confiscated cards is Securitas Security Services USA, Inc. The CTA employs Securitas for a variety of security functions, one of which is conducting fare evasion operations by its Special Forces K-9 unit. These operations are performed at CTA rail stations and involve a 100% inspection of free and reduced fare cards at the targeted stations, which are determined based on a high incidence of suspected fraud. Securitas completes an incident report for each of the confiscated cards. Both the cards and the incident reports are forwarded to the CTA where the confiscated card numbers are added to the hotlist for deactivation. Copies of the incident reports along with the confiscated cards are then sent to the RTA. Upon receipt at the RTA the cards are entered into the ScreenCheck database indicating that they were confiscated. This is done so

customers requesting replacement cards can receive counseling on their responsibilities regarding fare media. The cards are accumulated and ultimately destroyed by the RTA.

Additionally, cards may be confiscated by Securitas guards, CTA bus drivers, CTA Customer Service personnel and Pace. CTA ensures that any cards it or Securitas confiscates are added to the hotlist, but it does not forward incident reports or the fare media to the RTA for destruction. The cards are disposed of internally by the CTA's Revenue Equipment Technology Department located at 901 W Division. A small number of cards (a total of 9 cards in 2010) were also confiscated by Pace. While Pace does not send the RTA incident reports concerning their confiscations, they do forward all cards to the RTA for destruction.

We requested RTA Customer Service to provide all CTA Securitas Incident Reports pertaining to confiscated cards that were delivered to the RTA for the period from November 10, 2010 through December 16, 2010. There were 16 deliveries representing 95 cards received over this timeframe.

**Distribution of Confiscated Cards by Type**

Card Type	# of Cards	% of Total
Seniors Ride Free	35	37%
People with Disabilities Ride Free	56	59%
People with Disabilities Reduced Fare	3	3%
Reduced Fare - Paratransit	1	1%
<b>Total</b>	<b>95</b>	<b>100%</b>

A sample of these requests was then traced to the ScreenCheck database to ensure that the confiscated cards were noted in the comment field. We did not identify any issues, indicating that RTA Customer Service is appropriately noting such confiscations in the database. We did detect, however, that many of the PDRF customers who had confiscated cards noted in the database frequently requested replacement cards, with action types documented as damaged, lost or not received.

In order to eliminate excessive handling of confiscated cards that are currently being sent by the CTA to the RTA for destruction, we recommend a consistent destruction process be implemented. Permitting the CTA to destroy all confiscated cards internally while still providing the RTA with detailed incident reports would provide sufficient information to the RTA for input and tracking in the ScreenCheck database.

### Research of Confiscated Cards

In conjunction with our testing of CTA Securitas Incident Reports of confiscated cards we identified several instances in which cards that were confiscated should have been hotlisted previously. The cards were used repeatedly during the period during which they should have appeared on the hotlist.

- In one instance a “replaced damaged” Ride Free Circuit Permit card that was removed from the *CTA Obsolete Card Report* dated August 25, 2010 appears not to have been sent to the CTA (card #1421317743) for deactivation. The procedures surrounding the deactivation of damaged cards were in a state of flux during this time as the RTA attempted to address customer-related issues regarding their deactivation. (See the discussion regarding card deactivation below for further details on the changes that were occurring during this timeframe). The card does not appear on the CTA Hot List History Report until it was confiscated at a later date. As a result, the card was used over 600 times between August 25, 2010 and November 22, 2010.
- In another instance a Senior Ride Free card that was reported “never received” on September 8, 2008 appears not to have been sent to the CTA (card #1334513497) for deactivation. Since the *CTA Obsolete Card Report* had not yet been developed in 2008, the RTA was manually reporting such deactivation requests to the CTA. As mentioned previously, the submission of these manually prepared lists was inconsistent and we were unable to determine whether a list had been sent on September 9, 2008. While the Farecard Transaction Report for the entire period from September 9, 2008 until the date of confiscation was unavailable, we were able to ascertain that the card was used 1,734 times between March 20, 2010 and December 6, 2010 when the card was ultimately confiscated.
- Another Senior Ride Free card that was replaced on July 13, 2009 (card #1368368124) was hotlisted on August 10, 2009. The card was not hotlisted in a timely fashion, with a one-month lapse between its replacement and the date on which it was hotlisted based on our review of the Hot List History Report. Even after being hotlisted, the card was used intermittently, with boardings permitted or denied based on the card’s movement among the AFC database tables. The card was ultimately confiscated on December 5, 2010.
- Another Senior Ride Free card that was reported “replaced damaged” on August 10, 2009 was never added to the hotlist (card #1372913105). Since the *CTA Obsolete Card Report* may not yet have been utilized at this time, notification to the CTA would have likely occurred via the submission of a manual list. We were unable to determine whether such a list had been prepared and sent to the CTA. While the Farecard Transaction Report for the

entire period from August 11, 2009 until the date of confiscation was unavailable, we were able to determine that the card was used 134 times between February 7, 2010 and December 1, 2010 when it was confiscated.

### Card Deactivation

A card cannot be fully deactivated until its designated expiration date. In order to accommodate a request to disable a card prior to that date it is hotlisted. Hotlisting a card prevents it from being used at a turnstile or farebox.

In order to manage the size of the hotlist table in the AFC database, the CTA employs a process whereby card numbers are shifted between the hotlist table and a watchlist table depending upon the occurrence of transactions. If there are no recorded transactions for a card over a 15 day period, the number is transferred to the watchlist. It remains on the watchlist indefinitely unless a transaction occurs, at which time it is transferred back to the hotlist.

On a daily basis the RTA sends an email to the CTA with an accompanying *CTA Obsolete Card Report* that is generated by the ScreenCheck database. This report includes all card numbers that the RTA is requesting the CTA to add to the hotlist.

A summary of the number of cards submitted by the RTA to the CTA for deactivation for a sample period of August 9 through August 13, 2010 appears below:

**Cards Submitted to the CTA for Deactivation  
 August 9, 2010 – August 13, 2010**

<b>Card Type</b>	<b># of Cards</b>	<b>% of Total</b>
Disabled*	1,110	77%
Senior*	311	22%
Paratransit	20	1%
<b>Total</b>	<b>1,441</b>	<b>100%</b>
<b>Reason for Deactivation</b>	<b># of Cards</b>	<b>% of Total</b>
Replace/Damaged	462	32%
Replace	20	1%
Renew	293	20%
Never Received	154	11%
Lost/Stolen	512	36%
<b>Total</b>	<b>1,441</b>	<b>100%</b>

\* Includes both reduced and free fare cards

In order to test the card deactivation process we obtained a sample of emails sent by the RTA to the CTA. We selected the period of August 2, 2010 through August 13, 2010. All emails were provided to us by RTA Customer Service. We then generated the same *CTA Obsolete Card Reports* within the ScreenCheck application to ensure that the correct reports were submitted to the CTA. No exceptions were noted with this process. We then selected a sample of 10 cards from the accompanying *CTA Obsolete Card Reports* to ensure that the CTA received the reports and hotlisted the cards. We traced these numbers to the CTA's *Hotlist History Report* without exception.

During this testing process we did detect a situation whereby cards being hotlisted with a "replaced damaged" explanation were being added to the hotlist on a lag basis. Upon further investigation of other daily *CTA Obsolete Card Reports* sent to the CTA for the remainder of the year, we ascertained that RTA Customer Service was going through a transitional testing period during which it was modifying its procedures in order to delay the hotlisting of these cards. This was being done in order to accommodate customer-related issues concerning the deactivation of these cards prior to the customer's receipt of a replacement card. In conjunction with our testing of confiscated cards (see Research of Confiscated Cards above) we did identify an instance in which a card that was removed from the report sent to the CTA was never submitted. Due to the changes occurring to the manner in which these card numbers were being submitted over the course of the transitional testing period, we cannot be certain whether all "replaced damaged" cards were in fact submitted to the CTA and added to the hotlist.

Currently, RTA Customer Service has been following a consistent approach to sending the "replaced damaged" card numbers to the CTA. They are being sent on a one week lag basis by appending the daily *CTA Obsolete Card Report* sent to the CTA. Nonetheless, this is a manual process that is prone to error. Modifying the logic used to generate the *CTA Obsolete Card Report* so that it would automate the process of manually appending the "replaced damaged" card numbers would reduce the possibility of errors in compiling the report. We recommend that the RTA investigate such an option.

The *CTA Obsolete Card Report* referenced above was developed within the ScreenCheck application in August 2009. Beginning in 2008, manual lists of cards to be hotlisted were sent to the CTA; however, the submission of these lists was inconsistent. As such, there are likely a number of cards for which replacement cards have been issued without a corresponding deactivation of the old cards.

Our testing also identified problems surrounding cards that were issued with an action type of "renew". This classification is used when new cards are issued for one of the ride free programs, even though customers may already be in possession of reduced fare cards. For example, we noted this when customer's card type changed, such as when going from "disabled reduced" to "disabled circuit" or "senior ride free" or when going from "senior reduced" to "senior ride free". The daily *CTA Obsolete Card Report* did not include cards with a "renew" action type, so the old cards were not being hotlisted. A change was recently made in January 2011 to the report so that cards with this action type

are included; however, there was no attempt to go back to earlier periods to address previously “renewed” cards.

A mass purge was done to hotlist cards of customers that switched from disabled reduced fare cards to disabled ride free cards in December 2009 per email correspondence to the CTA; however, we did not perform testing to ensure that these cards were actually hotlisted. This appears to have been a one-time process.

Similarly, a file requesting the hotlisting of senior reduced cards that were replaced by senior ride free cards was submitted to CTA in January 2010, however, when we selected a sample of these cards to ensure that they were hotlisted we found exceptions. Two cards were not hotlisted until July 15, 2010, one was hotlisted on January 6, 2011, and one was never hotlisted. We are uncertain as to why all cards listed on the report that was submitted to the CTA were not hotlisted at the same time. The list was also missing cards that should have been deactivated but are currently active, including one customer that switched from a reduced senior card to a senior ride free card and one customer that switched from a reduced disabled card to a free senior card. These cards were likely not included on the hotlist report because they still held value. Unless the customer contacted the CTA to receive credit for this value, the card would remain valid.

The April 29, 2010 CTA Office of Inspector General’s report entitled *Review of the Unauthorized Use of Free Fare Cards* indicated that “A copy of the confiscated data log will be faxed or emailed to the RTA within twenty-four (24) hours of receipt of the confiscated cards.” We confirmed with RTA Customer Service that it does not receive this log. As such, the ScreenCheck database is not being updated to reflect all confiscated cards since RTA only receives cards that were confiscated by Securitas Special Forces K-9 personnel.

### **Card Deactivation Testing**

We conducted testing to determine if free fare cards and reduced fare cards, once submitted to the CTA for deactivation, actually are deactivated and cannot be used any longer and whether the cards are deactivated per the schedule described to us. (Fifteen days on the “hotlist” then moved to the “watch list” upon which they can be used for one day, and if used again are then moved again to the hotlist for 15 days). We obtained 20 cards from Customer Service that were submitted to the CTA for hotlisting on December 3, 2010.

Since all of the deactivated free fare cards were valid on our first day of testing, Monday, December 6<sup>th</sup>, it appears that the cards that were sent to the CTA on Friday, December 3<sup>rd</sup> were not run against the CTA’s database until the night of December 6<sup>th</sup>. These cards began to appear as “Code 57” cards (hotlist) beginning on Tuesday, December 7<sup>th</sup>. The cards continued to register as such throughout the remainder of the testing period, which was through January 6, 2011.



There was one exception noted with the Senior Ride Free (SmartCard #5100790113). This card appeared valid throughout the entire testing period. Through further research it was discovered that the card was improperly printed by ScreenCheck with the wrong card number on the face. ScreenCheck confirmed that this was not an isolated incident, but that a series of cards within a batch were printed with incorrect card numbers. The error was caused by a failure to detect a break in the card numbers submitted to ScreenCheck by the CTA. ScreenCheck is continuing to work with the RTA to quantify the magnitude of this control failure and to implement changes to the process to prevent a recurrence.

The deactivated reduced fare cards registered as valid throughout the duration of our testing if no value was added to them. Adding value to the cards or using them for entry at a turnstile was considered a transaction which caused the cards to move to the hotlist. Once on the hotlist, the cards could not be used at the turnstiles nor could value be added at the farecard machines.

### **Termination of Card Benefits**

RTA does not perform a systematic review of cards that were issued to determine whether deceased individuals' cards are being used. We previously recommended that such a review be conducted on a regular basis in our report dated September 2010 that was issued following the conclusion of the initial segment of this audit. We believe this process should be promptly initiated.

### **Point of Entry Testing**

In order to assess the manner in which point of entry testing could be performed we observed the activity at a CTA train station. Individuals entering the turnstiles either used their magnetic stripe cards or SmartCards to gain access. Depending upon the type of fare card being used, the 3-pane lighting panel on the turnstile illuminated in a certain manner. Seniors Ride Free users register on the turnstile lighting panel by illuminating the center light. People with Disabilities Ride Free, reduced fare, U-Pass, CTA employees and military users each display in a different pattern. Entry by a regular fare customer does not illuminate any of the lights.

Through observation over a one hour period at a CTA train station, we observed eight users with a Seniors Ride Free card enter the station. All appeared to be senior riders.

We were unable to observe Seniors Ride Free card usage on a bus because of the configuration of the display on the farebox. The display is only visible to the bus driver.

Based on the average monthly Seniors Ride Free rides taken across the system the distribution by Service Board and mode is as follows:

- CTA bus – 69%
- CTA rail – 14%
- Metra – 10%
- Pace – 7%

Based on our observations, we determined that the point of entry testing could not be performed effectively by passively observing customer usage of fare media. Conducting the test in this manner would introduce a high degree of subjectivity into the process. As a result, any assessment of the amount of fraud occurring could not be objectively quantified nor would it be statistically valid.

We are currently developing a statistically valid sampling plan that will require additional resources to implement. While the performance of this test will necessitate the participation of the Service Boards and security personnel, it will result in a reliable assessment of the amount of fraud occurring at the point of entry.

## **Observations and Recommendations**

### **Program Administration**

#### **1. Develop, document, and issue written procedures for the administration of the SRF and PDRF programs.**

**Observation:** Written procedures for the administration of the two programs are incomplete and outdated. Processing procedures for remote registration centers have not been updated since January 2007, and therefore only include procedures for the reduced fare programs and do not include procedures for the SRF and PDRF programs. Procedures for the three Service Boards regarding lost, damaged or stolen cards or cards that are used inappropriately by a non-cardholder are absent.

Our testing of a sample of applications to determine whether the application was properly completed and the data input process was performed correctly revealed a number of issues and observations surrounding the application review and data input processes. These included accepting an expired driver's license or state ID card; permitting a physician's assistant to complete the medical certification; not documenting a PDRF applicant's eligibility per the Dept of Aging; creating duplicate records in the database for the same individual; making data entry errors; and not verifying the applicant's current address to the ID presented or to any other documentation.

**Recommendation:** Evaluate the overall application review process and document the associated procedures so that RTA staff, the remote registration centers, and ScreenCheck can employ consistent practices. Revise procedures to reflect requirements and processes associated with the introduction of the SRF and PDRF programs. Provide

training on the established procedures. Develop standards so that management may evaluate data input and review processes to ensure accuracy is maintained at an acceptable level. Establish key metrics so that performance can be monitored and corrective action taken when necessary.

**2. Consider implementing policy changes associated with the issuance and distribution of replacement cards. Review the intergovernmental agreement between the RTA and CTA governing damaged cards and either comply with or revise the agreement.**

**Observation:** The policies surrounding the issuance of replacement cards are quite lenient. There are few obstacles to discourage abuse of the current policies which has lead to a profligate number of requests for the issuance of replacement cards. In addition to the strain on resources needed to manage this process, the manner in which this policy is administered has resulted in the excessive issuance of cards, some of which could be used to conduct fraudulent activity on the transit system. An examination of cards confiscated by the CTA revealed an inordinate number of cardholders that had been issued multiple cards.

- Some customers who have been issued cards repeatedly request replacement cards, commonly reporting them as damaged, lost or stolen. There is no charge for replacement cards associated with damaged cards, and the cost to replace lost or stolen cards is \$5 for the first occurrence and \$10 for the second and subsequent occurrence. There is no limit to the number of replacement cards a customer may request.
- There is no requirement for customers to return damaged cards in exchange for replacement cards. While the damaged cards are hotlisted, thereby preventing further use at a turnstile or farebox, they can continue to be used as a flashcard on any mode of transportation.
- When cards are reported lost or stolen there is no requirement for card holders to provide evidence of such loss.
- Replacement cards are currently mailed directly to customers' mailing addresses. Our review of customer activity in the ScreenCheck database indicates frequent requests by certain customers for replacement cards because they did not receive cards mailed to them. While the replacement cards lost in the mail are ultimately hotlisted, they can still be used as a flashcard on any mode of transportation.

An intergovernmental agreement between the RTA and CTA regarding Smart free fare cards directs the RTA to collect damaged cards and forward the cards to the CTA. The agreement notes "when reasonably possible, the RTA shall require users to return

damaged SmartCards to the RTA in order to obtain a replacement card". Since the RTA does not have a mechanism to collect damaged cards in exchange for replacement cards, it does not forward any damaged cards to the CTA.

**Recommendation:** In concert with the Service Boards, consider modifying the fare media replacement policy so that customers who abuse fare cards are penalized for requesting an inordinate number of replacement cards. Such policy changes could include increased replacement fees or suspension or revocation of card privileges following a trend of abuse. Also implement a damaged card exchange policy whereby a replacement card will only be issued upon return of a damaged card. In order to discourage individuals from requesting replacement cards when the cards may not have truly been stolen, require them to provide a police report in order to receive a replacement. Also, require users to pick up their replacement cards from a central location rather than having the RTA mail the cards to their homes.

Review the agreement with the CTA regarding damaged cards and either comply with the agreement or amend the agreement.

3. **Perform an audit of ScreenCheck to ensure proper processing, affirm the integrity of the SRF and PDRF programs' databases, and review compliance with the terms of the RTA contract.**

**Observation:** ScreenCheck performs numerous critical functions on behalf of the RTA necessary for the administration of the SRF and PDRF programs. Included are application review, data entry, database maintenance for approximately 525,000 active records, and production and distribution of the free fare cards. ScreenCheck also has in its possession valuable card stock that must be secured. The RTA contract with ScreenCheck totals \$2.9 million. The size of the contract and risks associated with ScreenCheck's scope of services alone merit a periodic audit.

During our review of twenty cards we tested for deactivation it came to light that ScreenCheck printed a Seniors Ride Free card with the wrong card number on its face. Thus, the card is assigned to an individual different than the name in the database, and a card was mistakenly deactivated while at the same time a card that should have been deactivated was not deactivated.

**Recommendation:** Perform an audit of ScreenCheck in order to ensure compliance with the agreement dated January 20, 2010, particularly the Scope of Services. Also conduct further research to document the cause of the exception noted with the Seniors Ride Free card that was improperly printed by ScreenCheck with the wrong card number on its face and identify the full magnitude of the issue. Ensure that adequate controls have been implemented to prevent a recurrence.

- 4. Re-institute the utilization of applicants' social security numbers as a validation tool within the ScreenCheck database. Ensure compliance with the State Identity Protection Act to protect personal data from unauthorized disclosure.**

**Observation:** The RTA discontinued the practice of collecting applicants' social security numbers several years ago. As a result, both the RTA and ScreenCheck are unable to perform edit checks to compare new applications to existing records in the database. Ensuring that customers do not obtain duplicate cards through a comparison of their names, birthdates or addresses is a manual process that is difficult due to variations in spelling, abbreviations, etc. that reduce the reliability of such a process. Neither ScreenCheck nor the RTA is currently performing such a comparison. In our testing of 38 applications, we found two instances in which the same customer appeared in the database with a duplicate record.

**Recommendation:** Modify the fare card applications so customers can provide their social security numbers when they apply for fare cards. Ensure that social security numbers are input by both the RTA and ScreenCheck into the database for new and renewal applications. Perform an edit check when entering customer information to determine whether a customer record already exists, and reject any duplicate customer applications. In the interim, until the collection and use of social security numbers to validate customer applications is fully implemented, consider employing an automated solution to identify duplicate applications by comparing the applicant's name, birth date, address and phone number.

The collection and storage of customers' social security numbers also places added responsibility upon the RTA to ensure that it remains compliant with the Identity Protection Act. This Act requires that the RTA develop a policy, and appropriate training, to protect social security numbers from unauthorized disclosure. Regardless of whether the RTA implements changes to begin collecting social security numbers for the Seniors Ride Free and the People with Disabilities Ride Free programs, the database already houses a large number of social security numbers and it is obligated to ensure that such a policy is in place.

### **Data Management**

- 5. Develop, document and issue written procedures surrounding card deactivation.**

**Observation:** Several procedural changes affecting the card deactivation process have occurred over the past few years. These changes were made in order to ensure that the large volume of cards needing to be deactivated was effectively managed. Due to the frequency of these changes and lack of documentation regarding the process, some cards that should have been deactivated were never added to the hotlist. Procedures describing the current process still have not been developed.

Several examples in which cards were not deactivated as intended are described below:

- The process by which the CTA is notified of cards to be hotlisted has changed several times over the past three years. Some of these processes were manually oriented and resulted in errors in providing data to the CTA.
- In order to permit customers to continue using their damaged cards until a new one was received, modifications were made to the process in which such cards were reported to the CTA. These procedural changes were not documented and resulted in cards not being hotlisted.
- Cards that should have been hotlisted after they were renewed were not included on lists sent to the CTA.
- Cards that should have been hotlisted in response to customers who switched their card types were not hotlisted.

**Recommendation:** The RTA Customer Service unit should develop, document and issue procedures surrounding its card deactivation processes. Since the CTA plays an important role in the deactivation process, these procedures should be developed in concert with the CTA.

**6. Regularly conduct a review of fare media in the ScreenCheck database to ensure that deceased individuals' cards have been deactivated.**

**Observation:** The RTA does not perform a systematic review of cards that were issued to determine whether deceased individuals' cards are being used. Such a review was conducted on a sample basis in conjunction with the 2010 Seniors Ride Free Fraud Audit in which 5.2% of the cards tested were found to have been used after the card holder's date of death.

**Recommendation:** The status of cardholders should be regularly reviewed in order to identify deceased cardholders and deactivate cards issued to them.

**7. Provide direction to the Service Boards on how to handle confiscated cards. Log all confiscated cards into the ScreenCheck database.**

**Observation:** Most confiscated cards received by the RTA were confiscated by CTA Securitas Special Forces K-9 personnel. A small number of cards are also received from Pace. Cards confiscated by other means including CTA Customer Service personnel, Securitas guards, and CTA bus drivers are not reported to the RTA. As a result, the ScreenCheck database is not being updated to reflect all confiscated cards.

**Recommendation:** The RTA should provide direction to the Service Boards on how to handle confiscated fare cards so that there is a clear and consistent process in place for the handling and reporting of such cards to the RTA. Also, a copy of the confiscated data log should be faxed or emailed to the RTA so that the ScreenCheck database can be updated, consistent with the recommendation contained in the April 29, 2010 CTA Office of Inspector General's report entitled *Review of the Unauthorized Use of Free Fare Cards*.

**8. Consistently manage the destruction of fare media.**

**Observation:** When the CTA confiscates cards they forward them to the RTA for destruction. This differs from the process for captured or lost cards since the CTA does not forward these to the RTA, but rather handles the destruction process internally. Maintaining alternate processes for the destruction of these cards requires both the CTA and the RTA to maintain card destruction capabilities and the associated accounting for them.

**Recommendation:** Consolidate the destruction of non-valid fare media at the CTA.

**9. Modify ScreenCheck database report to include all cards requested for hotlisting.**

**Observation:** The RTA currently submits the *CTA Obsolete Card Report* to the CTA daily. This is generated through the ScreenCheck database reports option. In order to permit customers with "replaced damaged" cards to continue to use their cards until a replacement card has been issued, the RTA appends the report by manually removing the "replaced damaged" card numbers from the current day's report and adding them to the following week's report. This manual process is labor intensive and can lead to errors in transferring the card numbers to a subsequent report.

Also we observed some cards not being hotlisted that should have been hotlisted. During the course of the audit, we noted cardholders that previously obtained either a PDRF or reduced fare permit and subsequently became eligible for a SRF card did not have their PDRF or reduced fare permit deactivated once issued a SRF card. RTA staff implemented procedures in December 2010 to correct this problem going forward but did not deactivate the cards for individuals that had previously been issued SRF cards prior to the change. However, even with the recent change if a cardholder has been issued an ADA Paratransit card, in addition to a PDRF or reduced fare permit, and then becomes eligible for a SRF card, their old PDRF/reduced fare permits have not been deactivated. Again, a modification of the ScreenCheck database is necessary to deactivate these cards that are no longer needed.

**Recommendation:** The RTA should work with ScreenCheck to modify the logic used to generate the *CTA Obsolete Card Report* so that it could be submitted to the CTA without

modification. Also, modify logic to include cards for deactivation that are no longer needed due to the cardholder's change in status.

### **Next Steps**

Newly enacted legislation (Public Act 96-1527) alters the Seniors Ride Free Program. It provides seniors will be required to pay half-fare, unless they meet certain income qualifications enabling them to continue to be eligible for free fares. Thus, an additional fare program with its own set of complexities needs to be implemented within the next 180 days. It is hoped this report will assist the RTA as it develops procedures for the administration of the new SRF means-tested program and the CTA, Metra and Pace as they implement the new program.



2010	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
New Senior Ride Free	1846	1812	1526	2819	2230	2335	2226	3138	2955	3583	1948	2137	28555
New Senior Reduced Fare	17	22	24	22	38	33	35	25	35	35	12	21	319
New Disability	371	338	302	453	248	305	372	450	336	485	275	347	4282
New Para Transit	402	386	622	700	532	575	741	599	622	837	530	982	7528
New Circuit Breaker	466	198	337	278	528	1047	814	815	445	1032	343	175	6478
<b>Total New Permits Issued</b>	<b>3102</b>	<b>2756</b>	<b>2811</b>	<b>3994</b>	<b>3048</b>	<b>3248</b>	<b>3374</b>	<b>4212</b>	<b>4393</b>	<b>5972</b>	<b>3108</b>	<b>3487</b>	<b>47162</b>
Replacement Senior Ride Free	1184	1154	1203	1278	1332	1274	1212	1359	1322	1338	1014	1035	14705
Replacement Senior Reduced Fare	9	11	8	6	7	7	4	5	5	8	9	8	87
Replacement Disability	326	325	340	348	349	380	392	398	366	375	328	351	4278
Replacement Para Transit	130	99	119	138	123	112	164	252	185	195	147	110	1774
Replacement Circuit Breaker	1463	1431	1408	1211	933	283	1397	2293	2165	3799	2705	2624	21712
<b>Total Replacement Permits</b>	<b>3112</b>	<b>3020</b>	<b>3078</b>	<b>1770</b>	<b>1811</b>	<b>1773</b>	<b>1772</b>	<b>2014</b>	<b>4043</b>	<b>5715</b>	<b>4203</b>	<b>1504</b>	<b>42556</b>
Renewed Senior Ride Free	381	311	313	404	631	658	573	384	398	311	223	220	4807
Renewed Senior Reduced Fare	54	35	64	37	92	21	28	85	86	52	41	65	660
Renewed Disability	240	206	210	276	294	263	358	266	223	267	135	164	2902
Renewed Para Transit	455	392	553	564	438	565	606	478	460	622	398	646	6177
Renewed Circuit Breaker	385	376	259	209	4677	14757	12844	2240	1248	1248	656	487	39386
<b>Total Renewals</b>	<b>1515</b>	<b>1320</b>	<b>1399</b>	<b>1490</b>	<b>6132</b>	<b>16264</b>	<b>14409</b>	<b>3453</b>	<b>2415</b>	<b>2500</b>	<b>1453</b>	<b>1582</b>	<b>53932</b>
<b>Total Permits Issued</b>	<b>7729</b>	<b>7096</b>	<b>7288</b>	<b>7254</b>	<b>10991</b>	<b>21285</b>	<b>19555</b>	<b>9679</b>	<b>10851</b>	<b>14187</b>	<b>8764</b>	<b>6573</b>	<b>143650</b>
Average Issued	7729	7412.5	7371	7342	8072	10274	11600	11360	11303	11592	11334	10938	
Senior Ride Free	3411	3277	3042	4501	4193	4267	4011	4881	4675	5232	3185	3392	48067
Senior Reduced Fare	80	68	96	65	137	61	67	115	126	95	62	94	1066
Disability	937	869	852	1077	891	948	1122	1114	925	1127	738	862	11462
Para Transit	987	877	1294	1402	1093	1252	1511	1329	1267	1654	1075	1738	15479
Circuit Breaker	2314	2005	2004	1698	6138	16087	15055	5348	3858	6079	3704	3286	67576
	7729	7096	7288	8743	12452	22615	21766	12787	10851	14187	8764	9372	