

www.RTAchicago.org

OFFICE OF AUDIT

ASSESSMENT OF FINANCIAL IMPACTS OF OSFS (VENTRA) IMPLEMENTATION ISSUES

DECEMBER 18, 2013

MOVING YOU NOT ENOUGH



Regional
Transportation
Authority

BACKGROUND

- Project to replace fare system started in 2009 due to obsolescence of legacy system
- Legislative requirement for fare system that met requirements for “open fare” system May 2011
- Competitive process to select vendor completed in November 2011
- Initial Go-live scheduled for September 2013 (soft launch in August with Students & U-Pass)
- Problems identified in October /November which required delay in full conversion

KEY POINTS REGARDING NEW SYSTEM

- First system implementation of its kind in country
- Over 145 rail stations (multiple turnstiles) and 1800 buses with wireless connectivity
- Proximity cards vs. magnetic strip (swipe)
- Account based versus Card based
- Can be used by any contactless credit, debit, or bank card (known as proximity cards)
- Additional flexibility for buying other products with establishment of an account linked to card

OBJECTIVE AND STEPS

Requested to determine if identified issues will have a significant impact on the FY2013 and 2014 Budgets

Short time frame required us to review a large amount of data in a short amount of time. As a result, not all data could be validated or traced to source documents.

Relied on review of documents provided by CTA, interviews of CTA executives and staff, and visited Cubic Chicago office

RESULTS

Overall, the contract provisions and budget methodology have limited any significant impact for the FY 2013 Budget, and should generally limit the impact on FY2014 Budget

- Parental Guarantee, Performance Bond, and shifting cash collection risk to vendor will limit any large losses
- Vendor is not being paid until issues are resolved
- Free ride Lost Revenue impact will be finalized by December 31 and Cubic will reimburse CTA per contract
- Most additional contracts being paid by vendor and won't have a significant impact on FY 2013/2014 Budget

REVENUE PROTECTIONS

- Vendor has a \$110M Performance Bond & Parent company provided a \$360M Parental Guarantee
- Contract shifts Cash Collection risk to vendor (CTA gets paid for each ride regardless of payment)
- Developed process for determining lost revenues for payment (system/equipment failures)
- Revenue on target so no impact on 2013 budget, and impact on 2014 should be limited by the protections identified above

EXPENSE PROTECTIONS

- Contract has Performance Credits (deductions) built-in for over 25 Performance Criteria
- Vendor Currently Not being Paid monthly Base amount or “tap fees”
- Contractor paying for extra contracts except Omicron (Chicago Card Outreach)
- Staffing flexible and can be managed
- Extra 16 days of dual systems not significant cost for 2013 & conservative budget will reduce impact on 2014

CURRENT ACTIVITIES

Various activities relating to identified issues are on-going:

- Root cause analysis for identified issues
- Corrective actions being developed, tested and implemented (most identified issues fixed)
- Outreach and customer fairs continue
- Total Conversion delayed
- Higher level of Executive Attention by Vendor and CTA
- Vendor paying for additional contracts as required by CTA (Convergys and additional call center staffing)

SPECIFIC ACTIVITIES REGARDING ISSUES

Example: Free Rides

- First, determined main causes and implemented fixes to prevent future losses
 - Reduced latency & software upgraded
 - Turnstile validation on rail (reduce multiple charges)
- Developed Process for Determination of Responsibility Categories and identified data sources
 - Ventra issue versus CTA issue (Educate personnel on difference)
 - Use Control Center reports, Data Analysis, and actual video to support numbers
- Negotiating settlement with Cubic per contract by December 31
- Established framework going forward

OTHER FACTORS

Many CTA staff working on Ventra-related activities

- Becoming part of “new” routines
- Project-type people working on Ventra rather than other projects (which is normal)
- Periodic, non-systemic issues are investigated quickly and determinations made on resolution steps
- No extra contracts that are paid for by CTA due to identified problems
 - Omicron Contract for a needed purpose (outreach) although it could have been planned better (\$249,999 contract)
 - The CTA Board was notified of the contract after it was signed, which was in accordance with their procedures.

BUDGET-RELATED RECOMMENDATIONS

1. Continue to develop better data analytics for daily reconciliation process and dispute resolution
2. Continue with new revised implementation plan until new processes are better supported by data analytics
3. Secondary test by independent third party should start in January to reduce redundant testing and validate new revenue processes earlier in year
4. CTA should decide the performance levels that need to be met for the base monthly payments to start.

OTHER RECOMMENDATIONS

5. CTA has agreed to work with Pace to ensure they pay the same price as CTA for Ventra items
6. CTA should modify contract to adopt Pace's card-reader maintenance process (Pop'n'drop vs. tech)
7. RTA should evaluate taking over entire Transit Benefit program (RTA program vs. CTA program causes confusion)
8. Metra should perform a thorough analysis of the CTA and Pace implementations prior to issuing an RFP for new fare media