

# Introduction

## Purpose and Scope of the Management Audit

The purpose of this management audit is to evaluate the effectiveness and efficiency of the San Francisco Municipal Transportation Agency Proof of Payment (POP) program. The scope of the management audit included the POP program's planning and evaluation; staffing and deployment; internal controls related to citations, passenger service reports, and staff incident reports; and other issues related to fare enforcement.

## Audit Methodology

The management audit was conducted in accordance with *Government Auditing Standards, 2007 Revision*, issued by the Comptroller General of the United States, U.S. Government Accountability Office. In accordance with these requirements and standard management audit practices, we performed the following management audit procedures:

- Conducted overview interviews with the Director and Deputy Director of the SFMTA Security and Enforcement Division, which oversees the POP program, to gain an understanding of SFMTA's fare enforcement efforts.
- Conducted confidential interviews with representatives from the SFMTA and other transit agencies.
- Reviewed the POP program's training manuals, performance data logs, and other data and information collected by the SFMTA.
- Prepared a draft report based on analysis of the information and data collected, containing our initial findings, conclusions and recommendations, and submitted the draft report to the Director of SFMTA's Security and Enforcement Division on April 20, 2009.
- Conducted exit conferences with the SFMTA Executive Director, executive staff, and POP program managers, revised the draft report based on exit conference discussions and new information provided by the SFMTA, and submitted the final draft report to the SFMTA Executive Director on May 19, 2009. The final report was submitted to the Board of Supervisors on May 27, 2009.

## Overview of the Proof of Payment Program

Division I, Article 1, Section 1.1, Part (b) of the San Francisco Transportation Code defines "Proof of Payment or Proof of Payment Program," and "Proof of Payment Zone," as follows:

**Proof of Payment or Proof of Payment Program.** A fare collection system that requires transit passengers to possess a valid fare receipt or transit pass upon boarding a transit vehicle or while in a Proof of Payment Zone, and which subjects such passengers to inspections for proof of payment of fare by any authorized representative of the transit system or duly authorized peace officer.

**Proof of Payment Zone.** The paid area of a subway or boarding platform of a transit system within which any person is required to show proof of payment of fare for use of the transit system.

The SFMTA began planning for the POP program in 1998 and commenced training of its first class of Transit Fare Inspectors (TFIs) in March 2000. Four Fare Inspection Supervisor/Investigators (Supervisors) oversaw the deployment of 21 TFIs in September 2000. The POP program currently has 46 TFIs assigned to six teams. The POP program deploys TFIs seven days a week, year-round, including holidays. In addition to coverage of light rail lines, the POP program is in the pilot phase of an expansion to buses.

**Figure 1**

### SFMTA Muni Light Rail/Fare Inspection Coverage Map



Source: SFMTA.

### Focus of the POP Program: Reducing Fare Evasion

The purpose of the SFMTA POP program is to reduce fare evasion in the Muni transit system. Fare evasion occurs when riders are in a Proof of Payment Zone without a valid fare receipt (transfer) or transit pass. To discourage and penalize fare evasion, the POP

program deploys TFIs to conduct fare inspections on Muni light rail vehicles, in Muni stations, and in other designated Proof of Payment Zones. If in the process of a fare inspection a rider fails to display proof of payment to a TFI, the TFI will issue either a verbal warning or a written citation to that individual. TFIs inspect the six transit lines illustrated in Figure 1, above.

## **Secondary Benefits of the POP Program**

In the course of conducting fare inspection assignments and during other special assignments, TFIs provide additional services to the SFMTA and its riders.

### Passenger Conduct Regulations

In addition to fare evasion citations, TFIs are authorized to issue civil citations for violation of SFMTA's Passenger Conduct Regulations. These violations are listed in Table 1 below.

### Non-Fare Inspection Assignments

The POP program periodically assigns TFIs to duties that do not involve fare inspections. Such assignments include assisting after-school transit boarding at select schools, assisting riders with service changes during outages, and providing assistance at sporting and other special events. TFIs will often work on these assignments in coordination with other SFMTA divisions.

### Safety, Security, and Customer Service

Regardless of the assignment, TFIs can provide safety, security, and customer service benefits to the SFMTA and its patrons. TFIs have performed first aid during medical emergencies, prevented rider-vehicle collisions, intervened in inter-rider conflicts, identified and called in suspicious packages, and generally provide a uniformed presence in the transit system. TFIs regularly answer rider questions related to transit routes, directions, and fare policy.

Section 1, *Proof of Payment Performance Management*, discusses POP's goals and objectives in greater detail.

### Vehicle Operating Cost Reduction

The Budget Analyst's 1996 audit of Muni included recommendations to implement Proof of Payment in order to curb vehicle operating costs. On two-car light rail trains, Muni's previous policy was to staff both cars with operators in order ensure fare collection on both vehicles. By implementing POP, Muni was able to take operators off the second vehicle, halving the staffing costs of its two-car trains.

## Citations

When a TFI issues a citation for fare evasion or a Passenger Conduct Regulation violation, it includes a \$50 fine. For adults, this is a civil penalty, and violators remit payment to the SFMTA, which also handles appeals and requests for review. For juveniles, fare evasion is a criminal offense handled by the juvenile court, which levies court fees pushing the average violation above \$100. Section 7, *Fare Evasion Fine Structure*, discusses citations and corresponding penalties in depth. Section 8, *Citation Processing and Collection*, discusses the SFMTA's processing of citations.

**Table 1**  
**SFMTA Passenger Conduct Regulations**

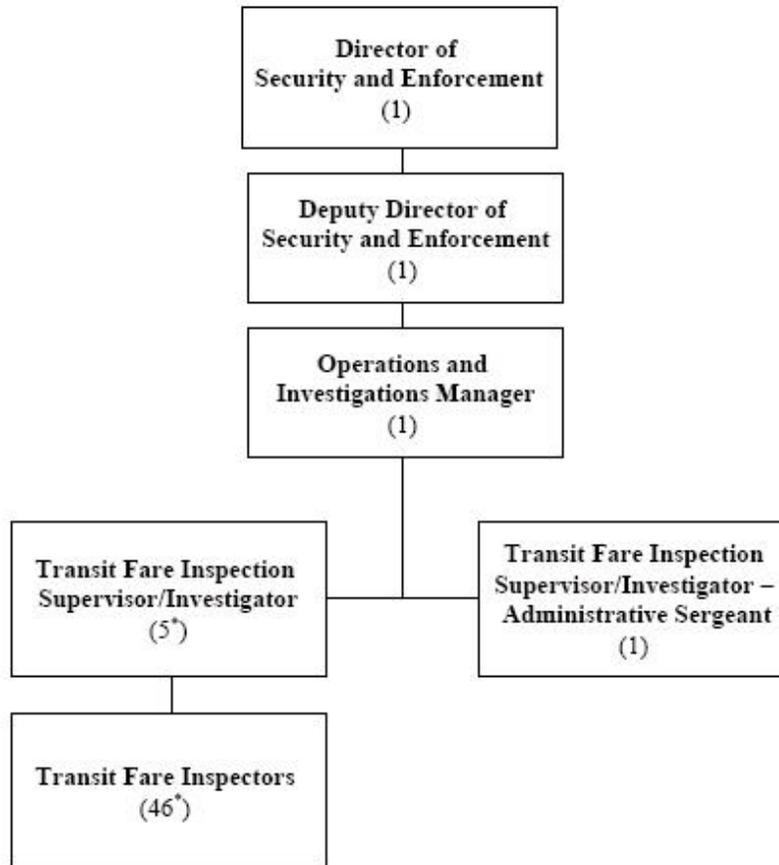
- a. Playing sound equipment on or in a system facility or vehicle;
- b. Smoking, eating, or drinking in or on a system facility or vehicle in those areas where those activities are prohibited by that system;
- c. Expectorating upon a system facility or vehicle;
- d. Willfully disturbing others on or in a system facility or vehicle by engaging in boisterous or unruly behavior;
- e. Carrying an explosive or acid, flammable liquid, or toxic or hazardous material in a system facility or vehicle;
- f. Urinating or defecating in a system facility or vehicle, except in a lavatory. However, this paragraph shall not apply to a person who cannot comply with this paragraph as a result of a disability, age, or a medical condition;
- g. Willfully blocking the free movement of another person in a system facility or vehicle;
- h. Skateboarding, roller skating, bicycle riding, or roller blading in a system facility, vehicle, or parking structure. This restriction does not apply to an activity that is necessary for utilization of the transit facility by a bicyclist, including, but not limited to, an activity that is necessary for parking a bicycle or transporting a bicycle aboard a transit vehicle as permitted by the Municipal Transportation Agency.

Source: Division 1, Article 10, Section 10.2.50 of the Transportation Code.

## Organization of POP

The SFMTA houses the POP program in its Security and Enforcement Division, Operations and Investigations Unit. Figure 2, below, illustrates the POP program's hierarchy and staff count.

**Figure 2**  
**Proof of Payment Program Organization Chart**



\* One TFI is an Acting Supervisor receiving acting assignment pay, due to a hiring freeze.  
Source: Budget Analyst illustration based on SFMTA interviews and materials.

## **Budget**

The POP program's budget is an undefined subset of the SFMTA Security and Enforcement Division's budget. POP costs are partially offset by citation revenue.

### Costs

The POP program's greatest expense is salaries and benefits. The program's budget has increased by 77 percent since FY 2006-07, primarily due to a major increase in budgeted staffing with the intention of reducing fare evasion and expanding POP to buses. The SFMTA budgeted \$9,540,299 for the POP program in FY 2009-10. A breakdown of the POP budget is included in Table 2, below.

**Table 2**  
**POP Program Budget**  
**FY 2006-07 through FY 2009-10**

<b>Fiscal Year</b>	<b>2006-07</b>	<b>2007-08</b>	<b>2008-09</b>	<b>2009-10<sup>1</sup></b>	<b>Increase FY 2006- 07 to FY 2009-10</b>	<b>Percent Increase</b>
Salaries and Benefits	\$5,261,088	\$5,936,708	\$8,250,459	\$8,750,035	\$3,488,947	66%
Non-salary expenditures	<u>133,995</u>	<u>204,867</u>	<u>163,376</u>	<u>790,264</u>	<u>656,269</u>	490%
<b>Total Budgeted Costs</b>	<b>\$5,395,083</b>	<b>\$6,141,575</b>	<b>\$8,413,835</b>	<b>\$9,540,299</b>	<b>4,145,216</b>	77%

Source: SFMTA budget data.

On May 12, 2009, the SFMTA reduced the FY 2009-10 POP program budget by \$1.9 million, reducing the number of TFI budgeted positions from 93 to 60. Therefore, the revised FY 2009-10 budget is now approximately \$7.6 million.

#### Citation Revenues

When adult citations were criminal citations, handled by the courts, the SFMTA only received a portion of the proceeds. Changing adult citations to civil penalties allowed the SFMTA to collect the entirety of the fine. The SFMTA's citation revenue has increased as a result of the transition, and continues to increase as additional TFI staffing has led to increases in citation issuance. The POP program citation revenue for criminal citations processed by the Superior Court was approximately \$178,000 in FY 2006-07 and \$159,000 in FY 2007-08. In FY 2008-09, the SFMTA contractor for collecting parking citations, PRWT Inc., began collecting POP program civil citations, with estimated FY 2008-09 citation revenues of \$720,000. For a detailed discussion of the citation fine structure and collection rates, see Section 7, *Fare Evasion Fine Structure* and Section 8, *Citation Processing and Collection*.

#### Fare Revenues

The SFMTA also intends the POP program to generate fare revenue by decreasing fare evasion. From FY 2006-07 and through FY 2008-09, the SFMTA estimates that fare revenue will have increased 6.7 percent and ridership will have increased 6.6 percent

system-wide.<sup>1</sup> The SFMTA does not have data to show the reasons for increased ridership and fare revenues. Although the SFMTA hired additional TFIs in FY 2007-08 and FY 2008-09, increasing the number of POP staff assigned to the Muni light rail system and beginning a bus pilot program, the SFMTA cannot attribute the increase in fare revenues (or any portion of the increase) to the POP program. The SFMTA considers increased fare evasion enforcement to be one of eleven factors that increased ridership and fare revenues in FY 2007-08.

## **Central Themes of the Management Audit of the POP Program**

This management audit is divided into 9 sections including 54 recommendations. Audit findings tended to fall into three themes: planning and evaluation, revenue optimization, and controls.

### **Planning and Review**

Although the Security and Enforcement Division has a mission statement and strategic plan goals and objectives, these documents do not provide specific mission and goals for the POP program. That the Division has not defined the POP program's main objectives permeates the findings and recommendations in this audit report. In particular, Section 1, *Proof of Payment Performance Management*; Section 2, *Proof of Payment Program Staffing Needs*; Section 3, *Transit Fare Inspector Deployment*; and Section 9, *Proof of Payment on Buses*, discuss the POP program's unexamined results, unspecified staffing requirements, unguided deployments, and intentions to expand to buses without a full implementation plan.

Related to the POP program's planning issues are its inconsistencies in evaluating performance at a program or staff level. Section 1, *Proof of Payment Performance Management* addresses the program's difficulties measuring and evaluating its own performance—over time or in comparison to other POP programs. Similarly, the POP program has not conducted regular performance reviews for TFIs, nor has it evaluated its Supervisors. Section 4, *Complaints and Complaint Handling* and Section 5, *Fare Inspection Safety*, respectively detail that the POP program can improve its review of complaints and incident reports to discover trends and retraining needs. Section 9, *Proof of Payment on Buses*, notes that despite a three-phase pilot program, the POP program has not collected information critical to evaluating the impact of an expansion to buses.

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<sup>1</sup> These estimated revenue and ridership increases reflect Muni's entire vehicle fleet, including Muni light rail, buses, historic streetcars, and cable cars. The SFMTA reports (a) approximately 206.5 million riders in FY 2006-07 and an estimated 220.1 million riders in FY 2008-09 (an increase of 6.6 percent) and (b) \$142.9 million in revenues in FY 2006-07 and an estimated \$152.5 million in revenues in FY 2008-09 (an increase of 6.7 percent).

## **Revenue Optimization**

The POP program's competing objectives - reducing fare evasion, providing customer service, increasing safety and security on transit - is echoed by its policies and practices that do not optimize fare or citation revenue. Section 3, *Transit Fare Inspector Deployment*, notes that the POP program does not deploy TFIs in a manner that optimizes passenger contacts or citations. Section 7, *Fare Evasion Fine Structure*, discusses how the SFMTA's fine for fare evasion is more lenient than most systems and does not adequately deter fare evasion or replace lost revenue—particularly for repeat offenders. Section 8, *Citation Processing and Collection*, finds that the POP program is collecting on less than half of the citation fines it issues, and is not pursuing scofflaw fare evaders.

Section 9, *Proof of Payment on Buses*, finds that if SFMTA expands POP to buses, it will incur costs that it may not recoup. It is unclear whether such an expansion would be implemented to maximize fare and citations revenues, or whether the SFMTA could measure the expansion to buses' impact on fare revenue.

## **Internal Controls**

The POP program's internal controls have weaknesses that reduce the program's effectiveness. In particular, Section 4, *Complaints and Complaint Handling*; Section 5, *Fare Inspection Safety*; and Section 8, *Citation Processing and Collection*, discuss potential and actual control weaknesses related to the response to passenger complaints and queries, internal reports concerning staff safety, and the handling of citations.

## **Other Issues**

Section 4, *Complaints and Complaint Handling* finds that relatively few passengers complain about fare evasion or the POP program. In addition to concerns about the POP program's control of its incident report review process, Section 5, *Fare Inspection Safety*, notes the safety implications of outdated and contradictory employee manuals, changing priorities, and limited retraining. Section 6, *Muni Response Team and Station Agents*, discusses how the SFMTA is incorporating other SFMTA employees into its efforts to reduce fare evasion.

## **POP Program Accomplishments**

The SFMTA Security and Enforcement division notes a number of POP program accomplishments, particularly in the past two years. The POP program increased the number of TFIs from 21 to 46. This additional staffing has helped the POP program conduct fare inspections on all subway metro lines while simultaneously staffing the approximately 12 annual events that impact Muni operations. The increased staffing has also allowed for more coordinated field deployment

The Security and Enforcement Division hired a Deputy Director in March 2008. The Deputy Director:

- Moved her office, which had been at 505 7th Street, to the 875 Stevenson headquarters due to the geographical demands of overseeing the Security and Enforcement Division and establishing policy continuity;
- Provided much needed oversight and managerial direction the Security and Enforcement Division in general and the POP unit in particular; and
- Provided the stability necessary for the articulation and implementation of the program's structure and objectives.

The Division also hired an Operations and Investigations (AKA Security and Field Operations) Manager in December 2008), who has

- Established a recognizable and appropriate line of authority and reporting relationship within the POP unit and the Security and Enforcement Division; and
- As being solely dedicated to POP, gave the program day-to-day focus, accessibility, and consistent information dissemination.

The POP program notes additional accomplishments, including:

- Formalizing the training program for TFIs & Supervisors, including: implementing a six week new Fare Inspector training course with two weeks of in-field training; participating in a Metro Station evacuation drill; obtaining CPR/First Aid and On Track Rail Safety certification for all TFIs and Supervisors; providing ongoing learning opportunities in conflict resolution and customer service; and providing basic computer skills training in Word, Excel, and email.
- Formalizing the TFI training graduation to include an address from the SFMTA Executive Director/CEO and his executive staff; recitals of the Pledge of Allegiance and the new Fare Inspector oath; and graduation certificates.
- Improving uniform and equipment procurement and issued new safety equipment, double-sided "reflectorized" safety vests, and a new customized Fare Inspector Shield.
- Expanding access to computerized workstations: including increasing the number of available computers from 3 to 14; creating an electronic form for incident reporting which eliminated handwritten documentation of incidents; creating electronic spreadsheets for Supervisor to enter, track, and compile fare inspection data for management reporting; and expanding the computer knowledge of both new and veteran TFIs. These changes improved the flow of communication among the POP staff and created new opportunities for higher staff productivity.
- Implementing three phases of Multi Door Boarding (Bus) expansion pilot which began with a single boarding point through expansion to five major transfer points along three key Transit Effectiveness Project-identified bus transit corridors.
- Issuing and training TFIs in the proper use of the Handheld Card Readers for TransLink cardholder payment verification, in anticipation of TransLink

## **Acknowledgements**

We would like to thank the management and staff of the SFMTA, and the POP program management and staff in particular, for their cooperation during this management audit. We hope the findings contained in this report provide useful tools for the SFMTA and its staff as they work to improve the Proof of Payment program and reduce fare evasion.