

Prince George's County, Maryland
Office of Audits and Investigations

Department of the Environment

Abandoned Vehicle Unit Audit

May 2017



David H. Van Dyke
County Auditor

TABLE OF CONTENTS

	<u>PAGE</u>
Letter of Transmittal	
Abandoned Vehicle Unit Audit Report.....	2-31
Attachment A: FY 2014 and FY 2015 Revenue and Expenditures	32
Attachment B: Historical Revenue and Impound Data.....	33
Agency Response.....	34-37



THE PRINCE GEORGE'S COUNTY GOVERNMENT

Office of Audits and Investigations

May 2017

The County Council and County Executive
of Prince George's County, Maryland

We have conducted a performance audit of the

DEPARTMENT OF THE ENVIRONMENT'S ABANDONED VEHICLE UNIT

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our report is submitted herewith.

We have discussed the contents of this report with appropriate personnel of the Department of the Environment, and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.

A handwritten signature in blue ink that appears to read "David H. Van Dyke".

David H. Van Dyke, CPA, CIA, CFE
County Auditor

A handwritten signature in blue ink that appears to read "Turkessa M. Green".

Turkessa M. Green, CPA, CIA, CISA
Deputy County Auditor

A handwritten signature in blue ink that appears to read "Jude S. Moise".

Jude S. Moise
Auditor

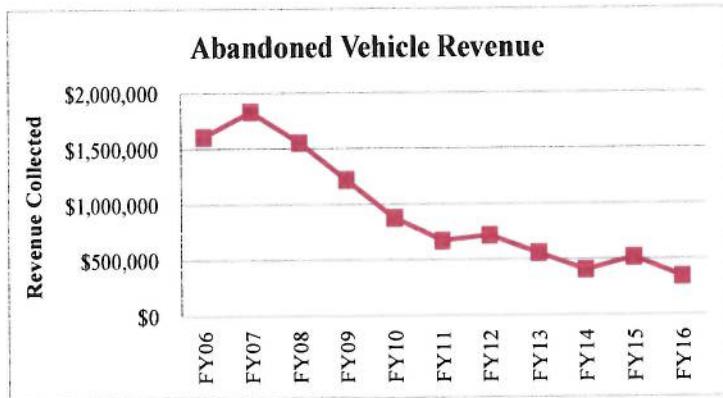
Results in Brief

The Prince George's County Abandoned Vehicle Unit (AVU), a unit of the Department of the Environment (DoE), is responsible for tagging and removing abandoned vehicles found on public streets within the County. The AVU is also responsible for the removal of abandoned vehicles on private property which have been identified through citizen complaints received by DoE. Tagged vehicles that are not brought into compliance may be towed after 48 hours of being tagged.

An abandoned vehicle is one which does not display proper tags, has remained illegally on public property for more than 48 hours, or is wrecked, dismantled, or inoperable. Abandoned vehicles may be viewed as a quality of life issue since they are typically unsightly and contribute to signs of disorder and deterioration in neighborhoods, the community, and throughout the County. Neglected vehicles can become targets of arson and vandalism and can be detrimental to local businesses. Additionally, these vehicles are often utilized to store garbage and other refuse, which may attract pests and become breeding grounds for disease. Abandoned vehicles may also contain hazardous substances that can be harmful to the environment. Hence, the identification and removal of abandoned vehicles is important to maintaining the attractiveness and environmental protection of the County.

Vehicle owners must pay a tow charge, notification fee, and storage charge to the AVU in order to have their vehicles released. The AVU also collects proceeds from the auction of unclaimed abandoned vehicles. The FY 2016 actual revenue generated from abandoned vehicle activity accounts for approximately 0.4% of the total revenue produced by DoE's Solid Waste Management Fund, compared to 1.7% in FY 2006.

The graph below of actual abandoned vehicle revenue received over the last 10 years shows a 79% decrease from \$1.6 million in FY 2006 to \$342,035 in FY 2016, as a result of an overall decrease in the number of abandoned vehicles impounded by the AVU. The AVU reported that the need to impound abandoned vehicles continues to exist, however a reduction in staff (inspectors) within the unit over the years has resulted in a decrease in the number of vehicles the unit is able to locate, tag, and impound.



During the period under review (FY 2014 to FY 2015), the AVU reported it received 5,698 complaints related to abandoned vehicles. The County towed 1,622 abandoned vehicles during this period and subsequently sold 1,100 abandoned and unclaimed vehicles. Total abandoned vehicle revenue in the amount of \$921,940 was recorded in the Department's Solid Waste Management Fund for FY 2014 and FY 2015 combined.

Removing abandoned and inoperable vehicles from the community is a key element of managing blight throughout the County. As DoE continues to work to attain a healthy, beautiful and sustainable County, managing a large number of abandoned vehicles can lead to increased revenues and expenditures associated with the Abandoned Vehicle Unit. Therefore it is imperative that internal controls within the AVU operate effectively and efficiently.

The following major findings are addressed in our report:

Current Observations:

- Lack of reconciliation of collections, resulting in revenue reported by the AVU not agreeing with abandoned vehicle revenue recorded in the County's financial system for the same period. **(Repeat Finding)**
- Inadequate documentation and lack of supervisory review were found while testing the revenue collection, impound, auction sales, and monthly report reconciliations processes performed by the AVU.
- Inadequate controls over cash handling were noted during observation of the AVU's auction day activities, including not utilizing a cash register or pre-numbered receipts, not documenting the transfer of funds between employees, and not restricting access to cash to as few people as possible.
- Lack of segregation of duties was noted for auction day collections, as well as day-to-day collections. **(Repeat Finding)**

- Written procedures do not exist to govern cash handling, the waiving of storage fees, and the periodic inventory of vehicles and personal items left in vehicles. Also, instances were noted where written procedures had not been updated since 1996.
- Untimely deposits and journal entry postings were noted (i.e. delays in the time revenues are collected from the AVU, deposited into the bank, and posted in the County's financial system).
- Information Technology (IT) control weakness were noted in the Prince George's Impound Management (PGIM) system in the areas of access controls and business process controls.
- The AVU is not billed for auctioneer services from Colonial Auction Services, Inc. in accordance with the current contract in place.
- "Administrative Procedure 346" has not been updated since July 1988.

Status of Prior Audit Findings (October 1990/September 1999):

- Recommendation: Conduct physical inventory of the abandoned vehicles on the lot every six months. Physical inventory counts should be compared to the perpetual inventory system records and discrepancies should be reviewed and resolved.

Current Observation: Physical inventories of the abandoned vehicles on the lot are performed at least twice per year (in preparation for a public vehicle auction). Inventory counts are compared to PGIM records and discrepancies are reviewed and resolved.

- Recommendation: Request an additional police officer, or use an existing one at the Unit, to be stationed inside the building on auction days for security.

Current Observation: A police officer is stationed on the Abandoned Vehicle Unit's property on auction days for security.

- Recommendation: Work with the County's Office of Management and Budget concerning a study of the feasibility of automating the Unit's operations.

Current Observation: The Abandoned Vehicle Unit's operations have been automated (the PGIM system) since the last audit.

- Recommendations Not Implemented from Prior Audit Findings:
 - All collections in excess of \$100 should be deposited on a daily basis, as required by Administrative Procedure 346.
 - Have a cash drawer at the counter to be used by the clerks for maintaining fees collected and the change fund. The cash drawer should have a lock and employee access should be limited. (See current finding related to cash handling on auction days.)
 - Issue receipts for payments in numerical order, complete all receipts in a receipt book, and write “void” on all copies of any unissued receipts.
 - Reconciliation of the Office of Finance’s statements of estimated and actual revenue with the AVU’s monthly summary of all revenue collected.
 - Prepare a monthly summary of abandoned vehicle activity, including information to determine how final revenue figures were calculated and unusual transactions that affect revenue. Management should review these figures on a monthly basis and investigate any irregularities. (See current finding related to inaccurate monthly statistical reports.)
 - Have deposit slips verified to the AVU’s collection records by personnel independent of the collection process.
 - Redesign the auction clerk sheets so that a more accurate record (i.e. include disposition, comments, and page totals) of all transactions may be maintained. Develop a summary sheet of all the activity recorded on the individual auction clerk sheets.

Internal control activities are an important part of an agency’s planning, implementing, and reviewing process. They are essential for effective and efficient operations and proper accountability of county, state, and federal resources. Hence, several recommendations for its improvement are made throughout this report.

Background

The Department of the Environment’s Abandoned Vehicle Unit is granted authority by §25-201 of the Transportation Article of the Annotated Code of Maryland, to take any abandoned vehicle within Prince George’s County into custody. The Transportation Article states that the AVU may use its own

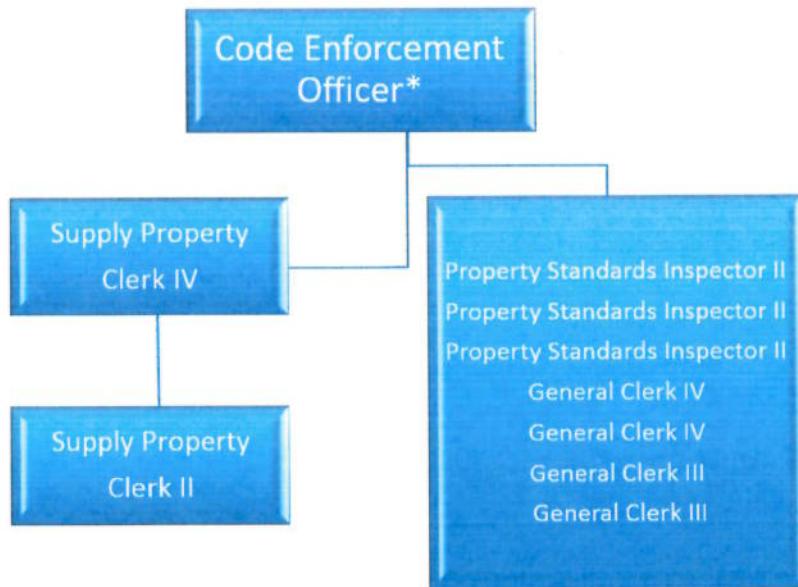
personnel, equipment, and facilities to remove, preserve, and store abandoned vehicles.

The Transportation Article of the Annotated Code of Maryland and Division 14, Section 26-162 of the Prince George's County Code, defines an abandoned vehicle as any motor vehicle, trailer or semi-trailer:

- That is inoperable and left unattended on public property for more than forty-eight (48) hours;
- That has remained illegally on public property for more than forty-eight (48) hours;
- That has remained on **public** property for more than forty-eight (48) hours; and
 - Is not displaying currently valid registration plates; or
 - Is displaying registration plates of another vehicle.
- That has remained on **private** property for more than forty-eight (48) hours; and
 - Is inoperable in that one or more of its major mechanical components, including but not limited to engine, transmission, drive train, and wheels, is missing or not functional unless such vehicle is kept in an enclosed building or as permitted by Subtitle 13 or Subtitle 27 of the County Code;
 - Is not displaying currently valid registration plates; or
 - Is displaying registration plates of another vehicle.

The Abandoned Vehicle Unit, which is located at 4920 Ritchie Marlboro Road, in Upper Marlboro, is staffed by nine employees and is managed by a Code Enforcement Officer¹. An organizational chart of the AVU is provided on the following page.

¹ The Code Enforcement Officer position has been vacant as of June 30, 2016 due to retirement.



Also included in the cost of operating the Abandoned Vehicle Unit are contracted services for towing, auction services, and impound lot security.

In an effort to recover the costs of impoundment, storage, and sale of abandoned vehicles, the AVU collects a variety of fees on behalf of the County. The AVU accepts payments in the form of cash, certified check, money order, or credit card (processed via the Govolution system). Such fees include:

- \$125 towing fee for vehicles up to a ton,
- \$250 towing fee for vehicles one ton and over,
- \$25 per day storage fee, and
- \$20 certified mail notification letter fee.

Abandoned Vehicle Operations

The process of identifying an abandoned vehicle begins with a citizen or property owner filing a complaint via telephone, the 311 hotline, letter, or online. Abandoned vehicles may also be identified by the Police Department, Department of Permitting, Inspections, and Enforcement (DPIE), the Revenue Authority, or through the AVU inspection process. All complaints are logged into the Abandoned Vehicle Team (AVT) application by AVU staff.

When a complaint is received, the AVU begins an investigation consisting of confirming the vehicle as abandoned and “tagging” the vehicle to be impounded. To confirm the vehicle as abandoned, the inspector performs a physical observation of the vehicle to determine whether it is wrecked, inoperable, or has expired/unregistered tags. At the scene, the inspector can run the license plates using the Maryland Drivers Automated Record System (DARS) on their

Panasonic Toughbook. The DARS system is only able to research plates from the State of Maryland to gain more information on the vehicle. If a vehicle is registered in another state, the inspector will call the AVU office for assistance, where a clerk can run plates from any state using the Prince George's Impound Management (PGIM) system, the in-house developed mainframe application used to manage the County's abandoned vehicle operations.

After the vehicle is confirmed as abandoned, an inspector "tags" the vehicle (using a light green sticker) giving notice to the owner that their vehicle is subject to being towed. AVU inspectors take pictures of the vehicle highlighting the reason the vehicle was tagged. The time and date is captured on the bottom right hand corner of the digital picture.

Although the AVU may tow the vehicle immediately, the owner is given 48 hours to rectify the issue. If the vehicle is deemed hazardous to the community, it is towed immediately. After 48 hours, the inspector returns to the vehicle accompanied by a tow truck from the towing vendor. The inspector prepares a vehicle audit impound report to document pertinent information about the vehicle, such as the license plate number, make/model of the vehicle, mileage, and violation. A visual inspection of the vehicle's interior is conducted and the contents are also documented on the vehicle audit impound report. The inspector does not go into the glove compartment, the trunk, or under the hood of the vehicle. The only items retrieved from the car are cash (which is counted in the presence of the tow truck driver, sealed in an envelope, and placed in the inspector's glove compartment), weapons, or hazardous items. A copy of the vehicle audit impound form is attached to the interior of the vehicle and the contractor proceeds to tow the vehicle.

When the vehicle arrives at the Abandoned Vehicle Unit's lot, a lot card is completed by AVU staff and is reconciled to the vehicle audit impound report to ensure completeness and accuracy of the AVU's records. The AVU uses the PGIM system to identify the owner(s) and/or lien holder of the impounded vehicle. A certified letter is created in the AVU office using the National Mailing Service (NMS) software. Each owner and/or lien holder is sent a certified letter notifying them of the circumstances and providing instructions on how to retrieve their vehicle.

To reclaim an impounded vehicle, the owner must present a clear title (not signed over) or current registration and a valid state-issued ID. All towing, storage, and notification fees must be paid prior to claiming the impounded vehicle. Adjustments of payments or account freezes can be made by the Code Enforcement Officer or a senior staff member, at their discretion. If the vehicle is operable, it may be driven off of the lot. If the vehicle is not operable, the owner may use a tow company, a licensed trailer, etc. to remove the vehicle from the lot.

If vehicle owners believe that their vehicle was towed without probable cause, they may file a request with the AVU for a Show Cause Hearing within 21 days of the impound date.

Owners must reclaim their impounded vehicle within 21 days of impound. After 21 days, the owner has waived all rights, title, and interest in the vehicle, which is now subject to public auction. On average, the AVU holds two (2) auctions per year.

Objective, Scope, & Methodology

The purpose of this audit was to (1) determine the adequacy and effectiveness of the County's system of internal controls over the Abandoned Vehicle Unit, (2) determine whether abandoned vehicles are properly impounded, recorded, and safeguarded from the time of impoundment through disposal of the vehicle (whether released, auctioned or salvaged), in accordance with applicable laws, policies and procedures, (3) determine whether revenue related to abandoned vehicles are properly collected, recorded, and safeguarded in accordance with applicable laws, policies, and procedures, (4) determine whether the County is billed appropriately for services provided by private towing and auction contractors, and (5) determine the adequacy and effectiveness of the PGIM system's internal controls.

To conduct this audit, we selected a judgmental sample of vehicles that were impounded and/or auctioned by the AVU during FY 2014 and FY 2015. For the sample items selected, we reviewed vehicle impound files and other supporting documentation maintained by the AVU. We also reviewed documentation related to the collection, deposit, and recording of abandoned vehicle fees.

In addition, we interviewed AVU personnel and reviewed operating procedures and other records related to the abandoned vehicle program.

Management's Responsibility for Internal Controls

Internal control is defined as “a process, effected by an entity’s board of directors, management, and other personnel, designed to provide reasonable assurance” regarding the achievement of the following objectives relating to operations, reporting, and compliance²:

- Effectiveness and efficiency of the entity’s operations;

² *Internal Control – Integrated Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 2013

- Reliability, timeliness, and transparency of financial and non-financial reporting; and
- Adherence to laws and regulations to which the entity is subject.

Management is responsible for establishing and maintaining an environment that sets a positive and supportive attitude towards internal control. When the importance of internal controls is communicated to employees, particularly through management's own actions and beliefs, the process is more likely to function effectively.

A strong internal control environment is essential in minimizing operational risks and improving accountability; this further helps an agency to achieve its mission.

We noted the following strengths in relation to the controls we reviewed in the Abandoned Vehicle Unit's operations:

- The Maryland Annotated Code of Maryland Transportation Article and the Prince George's County Code regulate abandoned vehicle activity in the County.
- The AVU has some written policies and procedures in place to guide its daily activities.
- The AVU requires owners to provide a state-issued ID, a clear title (not signed over), and payment of all abandoned vehicle fees charged to the account, prior to retrieving a vehicle.
- Collections are deposited daily, by way of Dunbar Armored Inc. pickup, into the County's Wells Fargo account.
- Revenue collected on an auction day is deposited by the AVU, with a police escort, the day of the auction.
- Collections that are not deposited the same day are safeguarded in a locked safe.

We also observed many control weaknesses in the abandoned vehicle process that require management's attention. The following sections detail the items noted during our review.

Lack of Reconciliation of Collections

During our review, we noted that the total revenue reported by the AVU did not agree with the revenue recorded in the County's financial system for the same period. FY 2014 abandoned vehicle revenue was understated in the financial system (GEAC) by approximately \$149,610 compared to the total revenue reported by the AVU. FY 2015 abandoned vehicle revenue was understated in the County's financial system (SAP) by \$3,675 compared to the total revenue reported by the AVU. Variances ranging from \$20 to \$154,230 were also noted for the individual months reviewed.

Discussions with the AVU revealed that regular reconciliation of abandoned vehicle revenue to the revenue recorded in the County's financial system is not being performed by the agency.

According to the County's Revenue Collection Procedure (Administrative Procedure 346), agencies should "*request and review the monthly accounting system revenue reports for reasonableness to detect potential account distribution errors*".

Also, the Government Accountability Office (GAO) in its publication on standards for internal controls (GAO-14-704G) (September 2014) states that ongoing monitoring should be performed continually and includes "*regular management and supervisory activities, comparisons, reconciliations, and other routine actions.*"

Some of the FY 2014 difference noted may be attributed to the timing of posting in the financial system. We noted that auction revenue received from the September 2013 auction was not posted in GEAC until October 2013; the May 2014 auction revenue in the amount of \$140,520 was not recorded in GEAC at all. AVU is not reconciling their records with the County's financial system to ensure that correct and accurate data is being posted. AVU's reconciliation is critical because they are in position to identify an error or a discrepancy much sooner than the Office of Finance.

Lack of periodic reconciliation of the AVU revenue to the amount of revenue recorded in the County's financial system may cause errors or irregularities within the system to go undetected, thus resulting in inaccurate records, information, and reports. Additionally, if inaccurate reports are generated by the County's financial system, the quality of management decisions made using these reports will be affected.

(1) To ensure that all AVU revenue is reported and posted accurately, we recommend that the Director of the Department of the Environment ensure that:

- Reconciliation of AVU revenue records to the amount deposited with the bank (and subsequently recorded in the financial system) is performed; and
- Prompt review and resolution of variances identified during the reconciliation process is performed.

Inadequate Documentation/Lack of Supervisory Review

Revenue Collections

During our review we noted that all documentation supporting cash receipt transactions are not maintained by the AVU (e.g. deposit slips, register tapes, accountability for transfer of cash, and adjustments to cash receipts – refunds, voids, etc.). Additionally, we noted a few instances where deposit slips were not available for our review.

Impound Process

During our audit testing of the AVU's process of impounding abandoned vehicles, we noted that the AVU did not provide supporting documentation for 22 out of our sample of 60 (37%) impounded vehicles reviewed for FY 2014. Also, the AVU did not provide a *Vehicle Impound Report* for an additional 27 vehicles in our sample of 60 (45%) that were reported as recovered auto theft vehicles.

For FY 2015, we noted that the AVU did not provide supporting documentation for 5 out of our sample of 53 (9%) impounded vehicles reviewed. Also, the AVU did not provide a *Vehicle Impound Report* for an additional 22 vehicles in our sample of 60 (37%) that were reported as recovered auto theft vehicles.

Additionally, the AVU did not provide documentation to support the authorization and justification for the storage fees waived for 29 out of our sample of 60 (48%) impounded vehicles for FY 2014, and 19 out of our sample of 53 (36%) impounded vehicles for FY 2015.

Auction Sales

The Vehicle Auction Sales Reconciliation does not indicate who prepared and/or reviewed the document, as well as the date the document was prepared. This document is prepared manually by AVU staff and does not clearly indicate calculations for sales, deposit, outstanding balance, etc. For two out of the four auction sales reviewed for the audit period, we also noted minor variances in total sales compared to the amount deposited. Adequate documentation was not included in the deposit package to aid staff in performing independent verification of deposit amounts. Additionally, there was no indication on the Vehicle Auction Sales Reconciliation that these variances were identified and resolved by the AVU prior to depositing funds received. (*Note: In a prior audit performed by A&I, it was reported that amounts on validated deposit slips were not verified to AVU's collection records.*)

During our audit testing of the AVU's auction sales of abandoned vehicles, we noted that the AVU did not provide pre-numbered receipts or cash register receipts for any of our sample of 100 vehicles auctioned (100%). (*Note: In a prior audit performed by A&I, it was noted that a receipt book was used by the AVU, however receipts for payments were not issued in sequence.*) Additionally, supporting documentation was not provided for five (5) vehicles in our sample of auctioned vehicles.

Also, the AVU did not provide documents for any of the 100 vehicles supporting the actual dates that vehicles were released after the auction sales. The release date noted in the AVU's system represented the date of the auction, not the date the vehicle was released to the winning bidder.

Monthly Reports

In 20 of the 22 months reviewed for FY 2014 and FY 2015, a variance of 345 vehicles was noted between the number of vehicles towed per the AVU Statistical Data Reports and the number of vehicles towed per the vendor invoices. The number of vehicles reported on the AVU Statistical Data Reports, which was higher than the amount charged by the towing vendor, was determined to be inaccurate based on our review of the logs prepared by AVU staff at the time vehicles are brought onto the impound lot. (*Note: In a prior audit performed by A&I, it was noted that monthly statistical reports provided to management did not document how revenue was calculated and/or unusual transactions that affect revenue.*)

The County's **Revenue Collection Procedure (Administrative Procedure 346)** requires staff assigned to the bookkeeping duties to reconcile the total collections to either the duplicate copy of the pre-numbered receipt book or the cash register totals obtained by the book keeper through the use of a key not accessible to the cashier.

The AVU's standard operating procedure (**Property Standards Group Instruction 501.1) (Revised: April 6, 2011**), requires staff to complete a Vehicle Impound Report, highlight the "Recovered Stolen" area on the Vehicle Impound Report, and stamp the quoted label on top of the vehicle Impound Report for all auto theft vehicles on its lot.

Additionally, in its publication on standards for internal controls (**GAO-14-704G (September 2014)**), GAO states that management should clearly document "*internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form.*" Furthermore, all documentation and records should be properly managed and maintained.

GAO also states that “*ongoing monitoring of the design and operating effectiveness of the internal control system*” should be incorporated into the normal course of operations. “*Ongoing monitoring includes regular management and supervisory activities, comparisons, reconciliations, and other routine actions.*”

Insufficient documentation for the AVU’s abandoned vehicle process may have resulted from the lack of written procedures requiring the AVU to prepare and maintain specific documentation, such as a pre-numbered receipt book and cash register receipts. Lack of supervisory review of the AVU’s activities, including preparation of monthly reports, may have also resulted in the insufficient and/or inaccurate documentation noted during the audit.

Furthermore, since the maintenance of paper files can be difficult and cumbersome, ineffective filing procedures may have also resulted in the misplacement of the documents selected for review.

Inadequate documentation decreases the level of accountability and increases the likelihood of errors, thus resulting in inaccurate records, information, and reports. Lack of documentation can also decrease the amount of evidence available if a question or dispute arises about specific transactions.

Lack of supervisory review can minimize the amount of adequate documentation available to Management to effectively evaluate the performance of its staff and the operations of the AVU.

(2A) We recommend that the Director of the Department of the Environment establish written operating procedures (or update existing procedures, if applicable) to ensure that comprehensive documentation of the AVU operations of abandoned vehicles is prepared and maintained. Procedures should also include guidelines to ensure hardcopy and electronic data (if applicable) is properly secured, accounted for, and retained for an appropriate amount of time.

Additionally, written procedures should ensure that all internal documentation prepared by AVU staff clearly indicates who prepared the document, when the document was prepared, and who (if applicable) reviewed the document.

(2B) We also recommend that the Director of the Department of the Environment institute periodic supervisory review of the AVU’s files to ensure that documents maintained are accurate, complete, consistent, and prepared according to standards. Procedures should also include guidelines to ensure supervisory reviews are clearly documented.

Inadequate Controls over Cash Handling

During our observation of the Abandoned Vehicle Unit's auction cash handling procedures we noted the following:

- *Lack of segregation of duties* - See related finding on page 17 of this report.
- *Cash collections are not recorded when received*: The employee primarily responsible for collecting revenue does not record the amount of cash received for each transaction in the Prince George's Impound Management (PGIM) system or some other form of receipt log. Although the AVU has the ability to run a report through Govolution of all credit card transactions for the day (which is later used for reconciliation), a report of other payments received (cash and checks) is not produced and, therefore, is not available for reconciliation of cash collected on the day of the auction.
- *Cash collections are not controlled through the use of a cash register or pre-numbered receipts*: The cash register located onsite at the AVU is not used on auction days to control cash collected. Additionally, pre-numbered receipts indicating the amount of funds received, the payer, and the form of payment (i.e. cash, check, credit card) are not provided to each customer. **(Repeat finding)**
- *Funds collected throughout the auction day are not kept secured*: Upon receipt, the employee primarily responsible for collecting funds from customers places the cash into an open box underneath the counter. Though the cashier/office area is locked and does not allow access to the public or unauthorized personnel, anyone granted access to the office area (i.e. all AVU staff, other DoE staff on site, Police Department staff, Dpie staff on site, etc.) have access to the open cash box. The cashier and the funds collected are not isolated in a secured area within the AVU office.
- *The transfer of funds between employees are not documented to ensure accountability*: The employee primarily responsible for collecting auction cash from customers transfers bills to the supervisor when more than 50 of any denomination is collected. When transferring these funds, there was no signed documentation of the number of bills and the denomination that was being removed from the open cash box and provided to the supervisor throughout the day.
- *Each cashier is not provided with a separate cash drawer*: Periodically, the employee primarily responsible for collecting cash from customers on an auction day would receive assistance from another AVU employee with counting bills. The other employee would also, periodically, transfer bills to the supervisor when more than 50 of any denomination was collected.
- *Checks are not endorsed immediately upon receipt*.
- *Access to cash is not restricted to as few people as possible*: As mentioned above, all AVU staff and others that have been permitted into

the secured office space have access to the open cash box underneath the counter throughout the auction day. Additionally, the supervisor counts cash at the end of the day in the back office with the door open, allowing all AVU staff and others access to the office area while cash was being counted. Furthermore, at the time of our review, four out of 10 AVU employees had the combination to the safe where funds collected are secured overnight.

- *Procedures are not in place to detect and report counterfeit bills:* We noted that the AVU staff do not utilize a counterfeit bill detector pen when collecting large bills (i.e. \$100 or higher) from customers.
- The AVU does not utilize a bill counter to accurately count large quantities of bills, sort bills into batches, sum the value of all denominations counted, and check for damaged (or counterfeit bills).

The County's Revenue Collection Procedure (Administrative Procedure 346) establishes standards for the collection, transmittal and depositing of revenues by County agencies. This procedure requires all County agencies that collect revenue to implement procedures that ensure the following:

- Duties are individually assigned so that the cashier and staff performing bookkeeping functions (including tasks associated with the release of vehicle) are segregated;
- Cashiers immediately endorse checks restrictively with a stamp that indicates "FOR DEPOSIT ONLY";
- Cashiers list each check (or payment collected) in a permanent register indicating the individual making the payment, purpose, date received, amount, and other relevant information;
- Cashiers accepting revenue issue a receipt for the money collected through either a pre-numbered receipt book or a cash register where the dollar amounts are large and the volume is high;
- The bookkeeper reconciles the total collections to the pre-numbered receipt book or the cash register totals obtained by the bookkeeper through the use of a key not accessible to the cashier; and
- Reconciling differences are reported to the supervisor.

In its publication on standards for internal controls (GAO-14-704G) (September 2014), the Government Accountability Office (GAO) states that management should establish "physical control to secure and safeguard vulnerable assets. Examples include security for and limited access to assets such as cash, securities, inventories, and equipment". Thus, funds collected throughout the auction day should be kept secured through the use of a locked cash drawer or box. Additionally, to ensure accountability for cash is maintained, each cashier should have their own cash drawer or box, and any transfer of funds between employees should be documented. Good business practices in the area of cash management also recommend that access to cash be restricted to as few people as possible.

The use of a bill counter could also aid an organization with tallying large quantities of bills, for which staff may be accountable.

Good business practices in the area of cash management also advise that revenue collections, especially cash receipts, be recorded in a receipt log (either paper or electronic) when received. Procedures should also be in place to detect and report counterfeit bills.

Inadequate controls over cash handling may have resulted from the following:

- Staff reported that they were not aware of the requirements outlined in Administrative Procedure 346.
- Staff were unaware of good business practices (i.e. the use of a counterfeit bill detector and automatic bill counter).
- Controls may not have been enforced by Management.
- Staff reported that the cash register is not used during the auction due to the volume of bills collected during the day.
- Specific written procedures related to cash handling do not exist, such as requiring the use of locked cash boxes, requiring staff to obtain signatures for transfers of cash, limiting the number of persons allowed in the room when cash deposit is prepared, etc.

Implementing a cash management policy for important cash handling processes such as cash drawer management, end of day closing, and cash deposits, is vital to protecting County assets, particularly if the AVU has multiple people conducting cash transactions throughout the day. A lack of adequate controls over cash handling (particularly on auction days) increases the opportunity for a loss of County funds, occurrence of errors, or fraudulent activity. Additionally, improper recording of cash receipts could lead to unreliable revenue collection records.

(3A) To ensure that cash collected by the AVU is properly accounted for, documented and secured, **we recommend** that the Director of the Department of the Environment ensure the following:

- Duties related to the custody, receipt, recording, depositing, review, reconciliation, and monitoring functions in the revenue collection process are properly segregated.
- Cash receipts are recorded when received (in either PGIM or some other pre-numbered cash receipts log).
- Auction day funds are properly secured throughout the day using a locked cash register (or locked drop box for large bills).
- The transfer of funds between employees are properly documented - the employee responsible for collecting/safeguarding cash received from customers should complete and sign off on a written cash count before handing funds to his/her supervisor (or any other employee).

- Each cashier is assigned a separate cash drawer/box, if more than one employee will be handling cash for the day.
- Checks are endorsed immediately, per **Administrative Procedure 346**.
- Access to cash is restricted to as few people as possible.
- AVU staff use a counterfeit bill detector pen for large denominations (*area of improvement*).
- AVU staff use an automatic bill counter to facilitate counting of large quantities of bills (*area of improvement*).

(3B) We also recommend that the Director of the Department of the Environment ensure that a detailed supervisory review of related activities is performed, particularly in areas where it may not be feasible to fully segregate all cash-related duties.

(3C) **We further recommend** that the Director of the Department of the Environment ensure that internal controls over revenue collections be included in standard, written operating procedures for the Abandoned Vehicle Unit. Furthermore, management should ensure that there are consequences of continually failing to follow written operating procedures.

Lack of Segregation of Duties

One of the AVU staff who handles money throughout the auction day is also responsible for inputting vehicle sales in the Prince George's Impound Management (PGIM) system, end of the day reconciliations, deposit preparation, and making the deposit at the bank. (See related finding on page 14 of this report.)

For day-to-day collections, we noted a lack of segregation of duties for the reconciliation and deposit of revenue.

According to the County's Revenue Collection Procedure (**Administrative Procedure 346**), "*the employee opening the mail (cashier) duties should not have access to documents and records under the bookkeeper's control and the bookkeeper should not handle any money.*"

Furthermore, in the publication on standards for internal controls (GAO-14-704G) (September 2014), the Government Accountability Office (GAO), requires management to consider "*the need to separate control activities related to the authority, custody, and accounting of operations to achieve adequate segregation of duties.*"

GAO further states that "*if segregation of duties is not practical within an operational process because of limited personnel or other factors*", management should design "*alternative control activities to address the risk of fraud, waste or abuse.*"

abuse in the operational process.”

AVU staff reported that only one employee is performing the various duties of the revenue collections process due to a shortage of staff within the unit.

Additionally, specific written directives to guide individuals in performing the cashier and bookkeeping duties do not exist or were not communicated to AVU staff.

Segregation of duties is critical to effective internal controls. Inadequate segregation of duties increases the risk of both erroneous and inappropriate actions in the revenue collection process, as well as the possibility that errors or fraud may go undetected.

(4A) We recommend that the Director of the Department of the Environment ensure that duties in the revenue collections process are individually assigned so that the cashier and bookkeeping duties within the AVU are properly segregated.

(4B) We recommend that the Director of the Department of the Environment ensure written procedures include specific directives to guide individuals in performing the cashier and bookkeeping duties assigned above, including the verification of accounting/reconciling functions.

(4C) We also recommend that the Director of the Department of the Environment ensure that a detailed supervisory review of related activities is performed, particularly in areas where it may not be feasible to fully segregate all cash-related duties.

Outdated Procedures/Lack of Written Procedures

During our audit we performed walk-throughs and inquiry of key personnel of the abandoned vehicle revenue collection process, and observed that written procedures do not exist to govern cash handling, the waiving of storage fees, and the periodic inventory of vehicles and personal items left in vehicles. The following observations were noted during our review:

- There are numerous control weaknesses in the cash handling process. (See related finding on page 14 of this report).
- We identified 36 out of 50 sample items tested where storage fees were waived (a total of \$181,379 was waived out of \$277,224, or 65% of potential revenue). The majority of the waivers were made to insurance companies for auto theft vehicles. Criteria for waiving fees are not consistently applied and authorization for the waivers were not documented in the vehicle impound files.

- Per discussion with AVU staff, an inventory of vehicles on the lot is performed prior to advertising auctions (which are currently held approximately two times per year). Additionally, an inventory of the major engine parts and personal items left in the vehicles is not performed. Through physical observation of the vehicles on the day of the auction, we noted that personal items remained in the vehicles.

Additionally, per discussion with AVU staff we learned that the performance of various functions within the AVU (i.e. tagging, towing, and tracking abandoned vehicles) are based primarily on institutional knowledge held by experienced staff. Currently, staff members are expected to adhere to policies and procedures that date back as far as 1998.

In the publication on standards for internal controls (GAO-14-704G) (September 2014) the Government Accountability Office (GAO) states that “*Management should implement control activities through policies.*” Policies may be further defined through day-to-day procedures, and may include the timing of when a control activity occurs and any follow-up corrective actions to be performed. Management should communicate policies and procedures so that personnel can implement the controls, and the policies and procedures should be reviewed periodically to ensure they remain relevant and effective in achieving the organization’s objectives.

Written policies and procedures establish management's criteria for executing the AVU's operations. Management should document processes, employee responsibilities, and unit operations to ensure uniformity in processing and recording transactions. In addition, thorough policies and procedures serve as effective training tools for staff.

The AVU does not have a written policy in place outlining the criteria that should be used to assess when various abandoned vehicle fees (i.e. storage, towing, etc.) can be waived. Management reported that fees are currently waived at the discretion of AVU staff. Written policy and procedures governing the process of taking inventory of impounded vehicles on the lot, major vehicle engine parts, and personal items that remain in the impounded vehicles, are also absent.

If written policies and procedures do not exist, or are inaccurate, incomplete, outdated, irrelevant, not written concisely, or not communicated to all staff, the following could result:

- Increased opportunity for internal controls to be circumvented, resulting in processing errors and possible fraudulent activity;
- Increased risk that new or inexperienced staff may not perform functions as management intended, especially if the AVU experiences substantial staff turnover;

- Improper or inconsistent practices and/or processing of abandoned vehicle transactions among AVU staff; and
- Inability to enforce employee accountability.

(5A) We recommend that the Director of the Department of the Environment ensure that written procedures are implemented and followed for the impound process and revenue collection process, including the waiving of storage/other fees. Written procedures should be distributed to all revenue collection staff and staff should be properly trained on the procedures, if needed. Procedures should also be periodically reviewed for relevancy and changes in technology.

(5B) We also recommend that Director of the Department of the Environment ensure that there are consequences for failing to follow established written operating procedures.

Untimely Deposits and Journal Entry Postings

During sample testing of 116 daily collections of abandoned vehicle revenue (78 for FY 2014 and 38 for FY 2015), A&I noted delays in the time revenues are collected from the AVU and the time they are deposited into the bank.

For FY 2014, sample testing yielded 11, or 14%, out of our sample of 78 daily collections-from AVU took 5 to 8 days to be deposited into the bank. The total of receipts not deposited in a timely manner for FY 2014 equal \$16,405, and ranged from \$265 to \$6,035. For FY 2015, sample testing yielded 4, or 11%, out of our sample of 38 daily collections from AVU took 5 to 13 days to be deposited into the bank. The total of receipts not deposited in a timely manner for FY 2015 equal \$17,550, and ranged from \$375 to \$9,660.

We also reviewed each Daily Receipt (DR) entry transmitted to the Treasury Division and subsequently posted to the County's financial system for FY 2014. We were unable to determine when the DR entries were transmitted to the Treasury Division by the AVU, as the transmittal date is not documented by the Unit or the Treasury Division. However, we found that 41 of the 78 daily collections reviewed, or 53%, were not posted in a timely manner – 13 deposits were posted 9-16 days after the end of the month and 28 deposits were posted 17-28 days after the end of the month in which the revenue was collected.

For FY 2015, we found that 11 of the 38 daily collections reviewed were not posted in a timely manner. These deposits were posted 30 to 61 days after the end of the month in which the revenue was collected.

Under the County's previous financial system, the Office of Finance – Treasury Division reported that DR transmittals were uploaded by the Treasury Division within two days of receipt from County agencies. Based on the sample items

reviewed for FY 2015, it appears the implementation of the current financial system, SAP, has reduced the time required to post deposit entries.

According to County's Revenue Collection Procedure (Administrative Procedure 346) "collections over \$100 should be deposited daily" and "the bank validated deposit ticket and Agency/Activity Collection/Transmittal Report should be transmitted to the Treasury Division as soon as possible after the deposits are made." Also, "last-day-of-the-month transactions should be transmitted immediately in order for all transactions to be received by the Treasury Division no later than the close of business on the 4th working day after the end of the month for accurate month end reporting and reconciliation."

Furthermore, in the publication on standards for internal controls (GAO-14-704G) (September 2014) the Government Accountability Office (GAO) states that transactions should be "*promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire process or life cycle of a transaction or event from the initiation and authorization through its final classification in summary records.*" In addition, management should design controls to ensure "*that all transactions are completely and accurately recorded*".

Lack of specific written procedures for the collection and processing of revenues collected by the AVU may have contributed to the delay in the time revenue is collected and deposited.

Untimely deposits of revenue collected increase the opportunity for loss of County funds, occurrence of errors, or fraudulent activity. Untimely posting of daily revenue collections to the financial system may result in the understatement of County revenue.

(6A) We recommend that the Director of the Department of the Environment ensure that the revenue collected by the AVU each business day be deposited daily in accordance with **Administrative Procedure 346**.

(6B) We recommend that the Director of the Department of the Environment develop and implement written procedures, to include specific directives that ensure the timeliness of bank deposits and timely recording of deposit transactions into the County's financial system (SAP).

Information Technology (IT) Control Weaknesses

The method used by the Office of Information Technology (OIT) to extract the data tables from the PGIM system for our audit resulted in significant data limitations, thus precluding A&I from analyzing and assessing key information technology controls.

However, based on discussions with AVU staff and limited testing performed by A&I, we observed the following regarding PGIM:

Access controls

- Govolution payment system requires customers to access a County computer to enter credit card payment information. Adequate controls are not in place to limit access to other County data, including the County's Intranet.
- An adequate audit trail does not exist to track changes made to PGIM. AVU staff reported that when changes are made to an impound record in PGIM, only the information (update user, date, and time) for the last user is maintained.
- A PGIM system and/or end user manual does not exist. As a result, auditors were not able to define various function codes used by the system in order to determine whether access to PGIM was properly segregated, whether access was only given to current employees, and whether access was commensurate with the AVU staff's job responsibilities.

Business process controls

- The dollar limit on automatically assessed storage is \$9,999.99 resulting in inaccurate calculation of storage fees. AVU staff must manually calculate and make adjustments to fees.
- OIT does not accurately track user issues with PGIM. The incident logs obtained from OIT for the audit period primarily identified printing issues related to PGIM. Issues reported by the AVU to A&I were not included on the incident reports.
- PGIM does not distinguish between auto theft and AVU impounds, for which storage fees are calculated differently. The fee schedule for auto theft vehicles does not correctly calculate the first day storage fees should be assessed (the Auto Theft Unit release date versus impound date) requiring staff to manually by-pass the automated fee calculation by waiving storage fees. (See page 20 related to waiving of fees).
- PGIM allows manual fee adjustments, however it does not require authorization and/or justification for the adjustment of fees prior to making the adjustment. (See page 20 related to waiving of fees).

Organizations, including the AVU, depend on computerized information systems to meet its objectives and to process, maintain, and report essential information. Information technology enables information related to operational processes to become available to the entity on a timely basis.

GAO's Federal Information System Controls Audit Manual (FISCAM) (GAO-09-232G, February 2009) provides guidance on access controls, segregation of duties, and business process controls. FISCAM states that "*access control*

software should be used to maintain an audit trail of security access containing appropriate information for effective review to determine how, when, and by whom specific actions were taken”. Additionally, access controls should “*limit or detect access to computer resources (data, programs, equipment, and facilities), thereby protecting them against unauthorized modification, loss, and disclosure*”.

Furthermore, FISCAM states that adequate controls “*provide reasonable assurance that incompatible duties and responsibilities are effectively segregated*” so that one individual does not control all critical stages of a process; and effective control of personnel activities can be achieved through formal operating procedures, supervision, and review.

GAO’s FISCAM also states that procedures should be implemented to “*reasonably assure that*:

- (1) *all data input is done in a controlled manner,*
- (2) *data input into the application is complete, accurate, and valid,*
- (3) *any incorrect information is identified, rejected, and corrected for subsequent processing, and*
- (4) *the confidentiality of data is adequately protected.*”

The Government Accountability Office’s Standards for Internal Control in the Federal Government provide a general framework. However, in implementing these standards, “*management is responsible for designing the policies and procedures to fit an entity’s circumstances and building them in as an integral part of the entity’s operations.*”

A&I noted that PGIM is an antiquated system that was developed in-house by former employees who are no longer with the County. The previous employees are most likely the only ones with the knowledge and skills to efficiently operate the system.

The information technology weaknesses identified may have resulted from the lack of written guidelines related to IT internal controls (i.e. the specific data to be captured in the system, requirement that modifications/deletions are restricted to a supervisor or personnel of higher authority, etc.).

Also, PGIM has inherent limitations, such as the inability to create an audit trail or log, which minimize the AVU’s ability to maintain a secure system to accurately track vehicle impound and revenue collection transactions.

Weak information technology (IT) internal controls could result in an increased likelihood that County resources may be lost, stolen, or used for unauthorized purposes. Additionally, tracing transactions through the process may be more difficult (which is essential in the detection and prevention of fraud).

Inadequately segregated duties, increase the risk that erroneous or fraudulent transactions could be processed, that improper program changes could be implemented, and that computer resources could be damaged or destroyed.

Information related to the revenue collected by the AVU may not be readily available when required by management and other decision makers. Furthermore, without a log or audit trail, modifications to the system are not documented and the AVU may be unable to provide assurance to management and other decision makers that the information produced by its system can be relied upon to make business decisions.

(7A) We recommend that the Director of the Department of the Environment consider procuring specialized software or a web-based application to simplify the process of tracking impounded vehicles and collecting towing, storage, and other abandoned vehicle revenue. In selecting the software/application, the Department should consider whether appropriate information technology controls exist to ensure the Department's data is properly safeguarded, and that processing of this data is complete, accurate, properly authorized, and valid.

(7B) If the Department continues to utilize its in-house developed system to track impounded vehicles and related revenue, **we recommend** that the Director of the Department of the Environment explore the current capabilities in PGIM and strengthen the information system controls to include:

- User access controls to prevent unauthorized access to modify information, especially the adjustment of fees, which should be segregated and limited to the supervisor level or above; and
- Data validation controls to ensure the accuracy, completeness, and consistency of data that are input and maintained in the system.

(7C) Regardless of the system utilized, **we recommend** that the Director of the Department of the Environment work with the Office of Information Technology to develop and implement a logging system for all changes made to data maintained in the system. The log should be reviewed by Management periodically to ensure unauthorized or inappropriate changes to the system are not made.

(7D) We also recommend that the Director of the Department of the Environment require that a supervisory review of related information technology activities be performed periodically, to ensure policies and procedures are adhered to and accurate, complete, and consistent data is being maintained by the AVU.

(7E) We recommend that the Director of the Department of the Environment revise written policies and procedures to incorporate any changes made with regards to information technology controls as discussed above including, but not limited to the following:

- Segregation of duties;
- Authorization for fee adjustments; and
- Input of data.

(7F) We recommend that the Director of the Department of the Environment ensure end-users participate in the process to implement any changes to the current system, or the process to develop/procure and implement a new system for the collection, classification, reporting and storage of information related to the abandoned vehicle process. The Director should also ensure that AVU staff are provided adequate training and direction on all systems utilized by the unit.

Auction Billing Not in Accordance with Contract Agreement

We obtained and reviewed the auction services contract documents between the vendor, Khan Enterprises D/B/A Colonial Auction Services Inc., and the County. The contract, a rider to the Arlington County contract agreement with Colonial Auction Services, stipulated a fee of 2.5% of the gross sales price for the sale of automotive vehicles. We obtained and reviewed Auction Clerk Sheets for all auctions held during the audit period (FY 2014 and FY 2015) to determine the total number of vehicles sold and the total revenue collected during the auctions. We also obtained and reviewed Colonial Auction Services invoices for the same period.

Our review of the auction services invoices revealed that fees for auction services are billed at a flat rate of \$5.50 per vehicle sold not 2.5% of gross sales, as stipulated in the contract. Since the County Purchasing Agent is responsible for the contracting of all services for which payment is made out of County funds, we contacted the Office of Central Services – Contract Administration and Procurement Division and confirmed that the contract fee (2.5% of gross sales) is the agreed upon fee for auction services. We were unable to obtain documentation authorizing the auction services fee of \$5.50 per vehicle sold. However, we noted that the current rate charged resulted in savings of \$5,900.75 to the County for the period under review (FY 2014 and FY 2015).

Best practices indicate that contracts for the purchase of services must be formal, written documents that clearly state the pricing requirements. Contract modifications (i.e. any written alteration in the specifications, delivery point, rate of delivery, contract period, price, quantity, or other contract provisions of any existing contract) should also be clearly documented.

Additionally, contract monitoring is an essential part of the contracting process. Proper monitoring of a contract, includes tracking and comparing invoices and charges to contract terms and conditions.

The change in the contract pricing may have resulted from a lack of monitoring by Management. Inadequate monitoring may have also resulted in the lack of documentation to support modifications to the contract agreement.

Inadequate contract monitoring could result in the negotiation of unauthorized terms and conditions by individual agencies. Additionally, unauthorized agreements between vendors and individual agencies may result in increased costs to the County.

(8A) We recommend that the Director of the Department of the Environment ensure that the Department is in compliance with current contract terms and agreements related to the Abandoned Vehicle Unit.

(8B) We also recommend that the Director of the Department of the Environment, ensure that any modifications to the contract agreement are properly negotiated, authorized and approved through the County's procurement process, and that adequate documentation to support approved contract terms is maintained.

Update Administrative Procedure 346

Administrative Procedure 346 is a critical procedural document that establishes a standard for the collection, transmittal and depositing of revenues by County Departments and Agencies and is authorized by Article VIII, Section 801 of the Prince George's County Charter.

Currently Administrative Procedure 346 does not address credit card processing, daily receipts processing via the Intranet, the increase in the amount of revenue now being collected, the increase in the number of revenue transactions, the increased involvement of other agencies/departments in the revenue collection process, and the procedures relevant to the County's newly implemented financial system (SAP). Agencies, such as the Department of the Environment, now collect revenue directly from residents and others doing business in the County and make their fee collection deposits directly to the bank. Generally, the Treasury Division does not get involved in the process until after the fees have been deposited into the bank.

This document has not been updated since July of 1988. Process changes, technological advancements and increases in fee collection activity create the need for procedures to be updated to remain relevant to the current process.

In addition, up-to-date procedures are essential for effective management of County processes. Current approved procedures allow staff to effectively and consistently perform their duties and responsibilities.

Periodic review and updates to County Administrative Procedures are not required.

Without periodic review and updates to Administrative Procedure 346, County Departments and Agencies may engage in revenue collection procedures that are outdated and no longer applicable. There is also a risk that revenues may not be properly recognized and recorded.

(9A) We recommend that the Chief Administrative Officer (with input from the Office of Finance and other user agencies) review, update, and re-issue Administrative Procedure 346 to all County Departments and Agencies involved in the revenue collection process and ensure that personnel are properly trained on the new procedures.

(9B) We also recommend the Chief Administrative Officer implement a process to review (and revise, if necessary) its policies and procedures every 5-10 years.

Other Areas for Improvement

In order to evaluate the County's abandoned vehicle program and to identify value-added practices and processes that the County may wish to consider implementing, we contacted similar operations in the District of Columbia and Montgomery County. In addition to the issues identified in this report, we noted the following areas that the Department of the Environment's Abandoned Vehicle Unit should consider, in an effort to improve abandoned vehicle operations and service to the citizens of Prince George's County.

Waiver of Abandoned Vehicle Fees

The AVU has a practice of waiving storage fees for impounded vehicles retrieved by insurance companies. We also noted that a written policy governing the waiver of fees does not exist, authorization for the waiver is not required by PGIM in order to proceed with the adjustment, and the application of waivers/adjustments to fees are not applied consistently. (See related finding on page 20 of this report).

We sampled 50 impounded vehicles and found that 65% of the storage fees for our sample (a total of \$181,379 out of \$277,224 of potential revenue) had been waived. Authorization for the waivers were not documented in the vehicle impound files. Neighboring jurisdictions reported that fees are generally NOT waived by their respective impound units. Under circumstances where fees are waived by these jurisdictions, the waiver is typically not granted to auto insurance companies. Neighboring jurisdictions also reported that the waiver of fees is at the discretion of a supervisor or above and written procedures are in place to govern the process.

As previously discussed, policies for the waiver or adjustment of fees should be defined through written procedures, Management should communicate the policies and procedures to staff, and the policies should be reviewed periodically to ensure they remain relevant and effective.

(10A) We recommend that the Director of the Department of the Environment eliminate the practice of waiving storage fees, particularly to auto insurance companies.

(10B) Additionally, as discussed earlier in this report, if the Department determines that the waiver of fees is a necessary business practice, **we recommend** that the Department establish written policies and procedures governing the process. Furthermore, the policy and procedures should be communicated to staff and enforced by Management thoroughly and consistently.

Frequency of Public Vehicle Auctions

The AVU conducts an average of two (2) auctions per year compared to neighboring jurisdictions that conduct auctions once or twice per month (12-24 per year). Vehicles that are not sold or disposed of as scrap in a timely manner remain on the lot, posing an environmental safety risk. The contents of the abandoned vehicles often include refuse, which may attract insects, rodents, and other animals, and become a breeding ground for disease. Also, when auctions are held less frequently, the AVU has a larger volume of vehicles to maintain, process and prepare for each auction held. The value of the vehicles also decrease the longer they remain on the lot.

Additionally, more frequent public auctions of vehicles can result in an overall increase in auction sales revenue available to recover the cost of operating the Abandoned Vehicle Unit. (See **Attachment A** for details of the Unit's FY 2014 and FY 2015 operating expenditures.) It should be noted that the direct cost of conducting an auction (i.e. auctioneer services) only increases as the number of vehicles sold increases. Increased efforts to advertise public auto auctions through the AVU's website, email lists, etc. could further enhance the Unit's operations.

We obtained abandoned vehicle auction sales revenue information from neighboring jurisdictions and have provided this information below, for informational purposes only.

Description of Fee	Prince George's County	District of Columbia	Montgomery County
Frequency of Vehicle Auctions	2 per year	Twice per month (24 per year)	Once per month (12 per year)
Average Vehicles Sold (per auction)	276	97	120
Average Vehicles Sold (per year)	550	2,328	1,440
FY 14 Auction Revenue	\$254,855	\$1,150,280	\$859,875
FY 15 Auction Revenue	\$224,045	\$1,004,872	\$802,480

*Abandoned vehicles impounded and subsequently sold by the District of Columbia in its public auto auctions include vehicles impounded as a result of unpaid parking tickets and other violations.

(11A) We recommend that the Director of the Department of the Environment incorporate procedures into the operations of the AVU to ensure that vehicle auctions are conducted in a timely manner (at least quarterly) to allow the AVU team to continue its work of removing abandoned vehicles in an effort to sustain a healthy, safe County.

Decline in Abandoned Vehicle Revenue

As previously discussed, the County's abandoned vehicle revenue has decreased significantly over the last 10 years. Analysis of the number of vehicles impounded during the same period show a similar trend. (See **Attachment B** for details of the County's abandoned vehicle revenue and vehicles impounded over several years.)

We obtained abandoned vehicle fee information from neighboring jurisdictions and have provided this information below, for informational purposes only.

Description of Fee	Prince George's County	District of Columbia	Montgomery County
Towing fee (light)	\$125	\$100	\$145
Towing fee (heavy duty)	\$250	\$275	\$251 - 394
FY 14 Towing Revenue	\$78,375	\$149,790	N/A *
FY 15 Towing Revenue	\$67,875	\$636,210	N/A *
Average # of Vehicles Towed (per month)	90	70	395
# of Employees Tagging/Towing	2	6	5
Total # of Employees	<u>10</u> 1 - Code Enforcement Officer 1 - Supply Prop. Clerk IV 1 - Supply Prop. Clerk II 3 - Inspectors 4 - General Clerks	<u>16</u> 1 - Manager 1 - Supervisor 6 - Investigators 4 - Prop. Control Specialists 4 - Lot Attendants	<u>9</u> 1 - Sergeant 1 - Towing Supervisor 1 - Civilian Supervisor 1 - Admin. Asst. 5 - Code Enforcement Specialists

* Towing Fees collected are transferred to the towing companies and are not maintained by Montgomery County.

Description of Fee	Prince George's County	District of Columbia	Montgomery County
Storage Fees	\$25/day	\$20/day	\$29/day
FY 14 Storage Fee Revenue	\$73,370	\$106,466	\$460,529
FY 15 Storage Fee Revenue	\$79,540	\$327,253	\$572,977

Attachment A: FY 2014 and FY 2015 Revenue and Expenditures

ABANDONED VEHICLE REVENUE	FY 2014 Actual	FY 2015 Actual
Towing Fees	\$ 78,375	\$ 67,875
Storage Fees	\$ 73,370	\$ 79,540
Vehicle Sales	\$ 116,030	\$ 218,845
Other Revenue	\$ 137,090	\$ 150,865
Total Revenue	\$ 404,865	\$ 517,125
ABANDONED VEHICLE EXPENDITURES	FY 2014 Actual	FY 2015 Actual
Compensation	\$ 482,823	\$ 601,550
Fringe Benefits	\$ 165,885	\$ 196,060
Operating Expenditures		
TELEPHONE	\$ 17,414	\$ 8,684
UTILITIES - ELECTRICITY	\$ 5,697	\$ 3,960
PRINTING AND BINDING	\$ 195	\$ 1,873
POSTAGE COSTS	\$ 2,402	\$ 178
ADVERTISING COSTS	\$ 580	\$ 1,306
GENERAL AND ADMINISTRATIVE CONTRACT SERVICES	\$ 102,594	\$ 98,442
TOWING CONTRACT	\$ -	\$ 15,322
OTHER OPERATING CONTRACT SERVICES	\$ 109,096	\$ 126,973
GENERAL OFFICE SUPPLIES	\$ 407	\$ 2,913
TRAFFIC SIGNS/RELATED MATERIALS	\$ 933	\$ 921
FOOD	\$ 158	\$ 63
OTHER OPERATING SUPPLIES	\$ 2,963	\$ 2,778
OTHER OPERATING EQUIPMENT REPAIR/MAINTENANCE	\$ 378	\$ 125
VEHICLES AND HEAVY EQUIPMENT REPAIR & MAINTENANCE	\$ 7,011	\$ 12,000
OTHER EQUIPMENT RENTAL/LEASE	\$ 4,620	\$ 4,881
OTHER BUILDING REPAIR & MAINTENANCE	\$ 1,303	\$ 3,845
Total Operating Expenditures	\$ 255,752	\$ 284,263
Total Expenditures	\$ 904,461	\$ 1,081,873
NET REVENUE	\$ (499,596)	\$ (564,748)

Attachment B: Historical Abandoned Vehicle Revenue and Impound Data

Fiscal Year	Revenue Collected			Vehicles Impounded		
	Abandoned Vehicle Revenue	Variance (\$)	Variance (%)	# of Vehicles Impounded	Variance (#)	Variance (%)
1999	\$1,660,962	N/A	N/A	7305	N/A	N/A
2000	\$1,281,522	(\$379,440)	-23%	6500	-805	-11%
2001	\$1,225,252	(\$56,270)	-4%	6653	153	2%
2002	\$1,100,000	(\$125,252)	-10%	5475	-1178	-18%
2003	\$854,600	(\$245,400)	-22%	6265	790	14%
2004	\$1,263,142	\$408,542	48%	5650	-615	-10%
2005	\$1,102,510	(\$160,632)	-13%	4801	-849	-15%
2006	\$1,609,917	\$507,407	46%	4800	-1	0%
2007*	\$1,833,723	\$223,806	14%	N/A	N/A	N/A
2008*	\$1,557,220	(\$276,503)	-15%	N/A	N/A	N/A
2009*	\$1,221,873	(\$335,347)	-22%	N/A	N/A	N/A
2010	\$877,373	(\$344,500)	-28%	1407	N/A	N/A
2011	\$672,321	(\$205,052)	-23%	1177	-230	-16%
2012	\$720,096	\$47,775	7%	1280	103	9%
2013	\$557,820	(\$162,276)	-23%	1045	-235	-18%
2014	\$404,865	(\$152,955)	-27%	916	-129	-12%
2015	\$517,075	\$112,210	28%	706	-210	-23%
2016	\$342,035	(\$175,040)	-34%	944	238	34%

* Actual number of impounds not provided.



THE PRINCE GEORGE'S COUNTY GOVERNMENT
Department of the Environment

Rushern L. Baker, III
County Executive

May 16, 2017



Adam Ortiz
Director

TO: David H. Van Dyke, County Auditor
Office of Audits and Investigations

FROM: Adam Ortiz, Director
Department of the Environment

RE: Department of the Environment - Abandoned Vehicle Unit
Audit Report Responses

AL OH

On May 3, 2017, the Department of the Environment met with you and your staff to review the Abandoned Vehicle Unit draft Audit Report prepared by your office, dated March 16, 2017. Based upon the audit finds and our discussion, we have provided our response, attached.

Should you have any questions or would like to discuss further, please feel free to contact me at (301) 88305812.

Attachment

cc: Nicolas A. Majett, Chief Administrative Officer
Office of the County Executive

Barry L. Stanton, Deputy Chief Administrative Officer
for Public Infrastructure

Joseph P. Gill, Deputy Director
Department of the Environment

**Official Response to the Performance Audit of the Abandoned Vehicle Unit (AVU) in the
Department of the Environment, Prince George's County Government
From Audits and Investigations Report (dated 3/16/2017)**
4/28/2017

Agency staff of the Department of the Environment have provided a coordinated response for each finding/issue detailed in the Notification of Findings and Recommendations – Audit of the Abandoned Vehicle Unit. We prepared this document in response to the final audit report dated March 16, 2017.

Finding/Issue 1: Lack of Reconciliation of Collections.

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Of note, staff currently performs monthly reconciliations between bank deposits and the Office of Finance and continued SAP training and use will strengthen this ability.

Action Steps:

- Coordinate with Finance to make sure agency is following same accounting principles when it comes to how revenues are posted, especially for year-end transactions.

Finding/Issue 2: Inadequate Documentation/Lack of Supervisory Review

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Of note, there is a difference between the Police Department's Auto Theft vehicles and those that AVU has impounded and discover are "recovered stolen". Further clarity between those two items may be necessary.

As it pertains to Auto Theft vehicles, fees in PGIM are considered waived when the date of the release is adjusted to reflect the date of the actual theft provide by auto theft detectives. This process will need to be included in updates to SOP's and documentation supporting date changes should be included in file.

Action Steps:

- Update of SOP's is in progress, but haven't been made official. These recommendation can be incorporated when finalizing the updated SOP's.
- Ensure proper staffing is in place that creates a system of checks and balance and overall review of documentation.
- Add signatures and dates to Vehicle Auction Sales Reconciliation forms.
- Additional action to be implemented to document justification for waivers.
- Incorporate a signature process upon vehicle release of auctioned vehicle to indicate person picking up as well as date and time stamp.

Finding/Issue 3: *Inadequate Controls over Cash Handling.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- Review of current procedures to determine any necessary changes in operational procedures.
- Obtain supplies and other equipment needed to improve cash handling procedures.

Finding/Issue 4: *Lack of Segregation of Duties.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- Placement of supervisory staff and overall staffing need review pending decisions around potential reorganization.

Finding/Issue 5: *Outdated Procedures/Lack of Written Procedures.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- Updates needed to current Standard Operating Procedures, which should also incorporate best management practices and procedures from industry standards, County financial standards and the Government Accountability Office.

Finding/Issue 6: *Untimely Deposits and Journal Entry Postings.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- Managerial review and implementation of recommendations.

Finding/Issue 7: *Information Technology (IT) Control Weakness.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- See audit recommendations

Finding/Issue 8: *Auction Billing Not in Accordance with Contract Agreement.*

AGENCY RESPONSE: The Department concurs with the finding and recommendation for this finding.

Action Steps:

- Review and discussion is needed based on contract terms mentioned in finding and budgetary affects to determine what should be done moving forward.

Finding/Issue 9: *Update Administrative Procedure 346.*

AGENCY RESPONSE: As noted, the Department does not have the responsibility or authority to make updates to the County's Administrative Procedures. However, the relevancy of the Department's functions reviewed in this audit to this procedure are duly noted.

Action Steps:

- n/a