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

Police Department and the Revenue Authority of Prince George's County

Red Light Camera Enforcement Program

December 2013

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County Auditor

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December 2013

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

We have conducted a performance audit of the

POLICE DEPARTMENT AND THE REVENUE AUTHORITY'S RED LIGHT CAMERA ENFORCEMENT PROGRAM

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 Police Department and the Revenue Authority of Prince George's County and wish to express our sincere gratitude to them for the cooperation and assistance extended to us during the course of this engagement.

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Results In Brief

The Prince George's County (the "County") Red Light Camera Enforcement Program (the "Program") is administered by the Police Department and is designed to help the County enforce traffic laws by using a "Traffic Control Monitoring System." The "Traffic Control Monitoring System" is a device, with one or more sensors, working in conjunction with a traffic signal to produce recorded images of motor vehicles entering intersections against a red signal indication. Our Office conducted an audit of the internal controls associated with various Program processes and examined the status and implementation of previous audit recommendations. Many of the previous audit findings were no longer applicable to the current Program because the audit was performed over ten (10) years ago and the vendor, equipment, and processes have changed significantly over time. Where possible, findings that were identified in the prior audit were revisited and tested.

The following major findings are addressed in our report:

- *The Lack of Adequate Policies and Procedures* – There are either no policies and procedures documents or inadequate procedures for certain operations of the Program. This can affect the continuity of the Program in the event of unexpected staff/vendor turnover and increase the risks associated with the Program, such as incorrectly processing citations, and improper accounting and handling of Program funds.

- *Untimely Contract Amendments and Missing Right to Audit Clause* – The contract agreement documents were not amended in a timely manner and do not include a right to audit clause. This can contribute to the vendor refusing to perform services at any time, without consequence, a sudden stop to the Program, and the inability of the County to continually manage supported processes to ensure requirements are being met.

- *Outdated Memorandum of Understanding ("MOU")* – The MOU is outdated and can cause misunderstandings and/or disputes due to the lack of clarification regarding expectations of parties involved.

- *Various Issues with the Customer Service Center ("CSC")* - The CSC operations are not in strict accordance with County procedures and better business practices. Among other things, citizens' Personal Identifiable Information ("PII") was not being securely maintained, thus increasing the chances of identity theft and the possibility of fraud. In addition, deposits greater than $100 were not being made on a daily basis, which could contribute to lost or misplaced funds and a potential loss in County revenue.

- *Inadequate Vendor and Third Party Monitoring* - The lack of adequate monitoring of vendor/third party providers can contribute to risks associated with outsourcing such as an increase of fraud and lack of adequate internal controls, which can lead to loss of data and revenue.

- *Outstanding Receivables* – Program Management has failed to account for and collect outstanding receivables, which may cause the County to understate its assets and contribute to the potential loss of millions of dollars.

- *Lack of Adequate Segregation of Duties* - The Revenue Authority's Finance Division has staff with System Administrator access to the accounting system, custody of blank checks, and the ability to initiate wire transfers.

- *Inadequate Program Monitoring* – There is a failure to adequately monitor some aspects of the Program because the current cameras are in the process of being phased out and Program Management is not using available reports to effectively manage the Program. **[Finding Previously Identified in Prior Audit]**

- *Use of Sworn Police Officers* - The unnecessary utilization of the services of sworn Police Officer personnel, both during normal work hours and off duty, is not the most effective use of Police Department resources and not an efficient use of program resources.

Other Opportunities for Improvement

Our report also includes other matters that relate to the existence of multiple customer service centers and the tracking of Program violations in instances where red light camera violators are also committing other traffic related offenses and increasing the cost of enforcement and operations.

- *Multiple Tracking Databases* – The County has multiple tracking databases for traffic offenses such as red light, automated speed enforcement, parking, towing, etc., which are not linked and which could be more effective when it comes to enforcement as it relates to offenders with multiple violations across different programs.

- *Multiple Customer Service Centers* – The County has multiple customer service centers for traffic offenses such as red light (Beltsville, Maryland), automated speed enforcement (Lanham, Maryland), parking (Largo, Maryland), etc., which can be inconvenient and costly for citizens who have multiple violations across different programs.

Internal control activities are an important part of a Program and ultimately an Agency's planning, implementing, and reviewing process. They are essential for effective and efficient operations and proper accountability of County resources. Hence, several recommendations for its improvement are made throughout this report.

Background of Red Light Camera Enforcement Program

The State of Maryland enacted a law[1] in April 1997, which became effective in October 1997, that allows the use of Automated Enforcement by law enforcement agencies. Automated Enforcement detects and identifies violators of the law without the dependency of a police presence. The County instituted the Program in April 2000 under the authority of the Maryland Vehicle Law and the County Code[2].

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[1] Maryland Vehicle Law - Transportation Article 21-202.1

[2] Prince George's County Code - Subtitle 26-163, Vehicles and Traffic

The objective of the County's Program is to reduce the number of instances of motor vehicle operators' failure to stop for red traffic signals, which will in turn reduce the number of accidents occurring at high traffic volume intersections, thereby reducing the number of injuries and fatalities due to motor vehicle collisions.[3]

The County currently has 25 camera units, 23 of which were operational as of November 14, 2012, at various locations throughout the County. Cameras are primarily located on major highways where there have been chronic red light running problems endangering both pedestrian and vehicular traffic. The County is in the process of securing a new Program vendor and expanding the Program to include cameras on school buses. As such, the old cameras are in the process of being phased out and a Request for Proposal ("RFP") was issued in July 2012 for services related to the proposed expansion.

The Program falls under the Automated Enforcement Unit ("AEU") of the Police Department and there is one employee who is detailed to the Revenue Authority for the purpose of assisting with the Program. The Police Department has an MOU with the Revenue Authority to manage the Program and handle the day-to-day operations on its behalf. The Program is currently administered by a County contractor, American Traffic Solutions, Inc. ("ATS" or the "Vendor"), and its various sub-contractors. ATS is responsible for maintaining the camera equipment, processing images, obtaining violators information, mailing of citations, collecting Program revenues, and representing the County in court appeals.

As part of the Program, images and video are captured of vehicles running a red light and a citation is mailed to the owner of the vehicle within 14 days of the event occurring, in accordance with the Law. The violation is a civil citation with a $75 fine, and there are no late fees associated with a failure to pay the fine. The owner must pay the citation or request a hearing in District Court by the due date on the citation (approximately 40 days). If the owner does not initially pay the citation or request a hearing, second and third notices are sent approximately 40 and 60 days later, respectively. If the owner takes no action after the late notice period has expired, and the vehicle is registered in the State of Maryland, the Maryland Department of Transportation ("MDOT") Motor Vehicle Administration ("MVA") is notified and the vehicle's registration is flagged. The owner must pay the fine before the vehicle's registration can be renewed. Flags are not placed on out-of-state registrations and there is no recourse if a violator fails to pay an out-of-state Red Light Camera citation.

Revenues for the Program totaled $2.83[4] million in Fiscal Year 2012. As of February 5, 2013, there were 84,667 uncollected Program citations totaling $6.35[5] million, of which $5.77 million were 91+ days past due.

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[3] Police Department Automated Enforcement Unit – Standard Operating Procedures

[4] Revenue Authority Income Statement as of June 30, 2012 – Red Light Camera Program

[5] Red Light Enforcement Document Aging Report

Objectives, Scope, & Methodology

Objectives

The objectives of the performance audit were to review the internal controls over the Red Light Camera Enforcement Program and determine whether previous audit recommendations were implemented. In addition, we addressed the overall internal control environment of the Revenue Authority's operational and financial functions related to the Program.

Scope

The scope of the audit coverage was from July 1, 2011, to June 30, 2012.

Methodology

Through inquiry, observation, and other substantive testing, including testing of source documentation, we performed the following to achieve our audit objectives:

- Reviewed the prior Program Audit report issued February 2003 and inquired of Program personnel to gain an understanding of prior issues with the Program (if any) and followed-up on outstanding remediation.

- Reviewed applicable State and County laws/regulations and existing policies/procedures, to gain an understanding of how they affect the County's Program.

- Gained an understanding of the Program through research and interviews with key County and Vendor personnel from the Police Department's Automated Enforcement Unit; the Revenue Authority's Operations Division, Finance Division, and Human Resources Division; Senior Management for the Vendor, ATS, as well as Vendor personnel at the Customer Service Center; and the key personnel within the Office of Central Services ("OCS").

- Reviewed the County's Program website to gain an understanding of the Program and identify current Red Light Camera locations.

- Reviewed the Revenue Authority's Fiscal Year 2012 Annual Financial Statement and interviewed personnel from the County's Office of Finance, as well as the County's external Auditors, to determine the reporting of Program revenues, the treatment of Program receivables, and the allowance for uncollectibles.

- Consulted a County Council Attorney to obtain legal interpretation for specific elements of the law.

- Obtained and reviewed copies of the contract documents governing the program to assess contractual and legal compliance. These included: the Request for Proposal; the Two-Party Agreement between the Vendor and the County, including extensions; the Vendor's Cost Proposal; and the MOU between the Police Department and the Revenue Authority. Consulted with personnel from the County Executive's Office ("CEX") regarding the Administrative

Review Committee ("ARC"); as well as personnel from OCS, the Police Department, and the Revenue Authority regarding finalized contract agreements.

- Consulted with OCS personnel to gain an understanding of specific elements of the contract.
- Visited the Customer Service Center in Beltsville, Maryland, to interview Customer Service Representatives and to assess the collection and processing of payments and the handling of returned mail. During this visit we also examined controls related to bank deposits, storage of customers' personal identifiable information, and physical access security.
- Created a narrative, Program organization chart (**Appendix A**), and flowcharted a high level overview of the County's Red Light Camera Enforcement Program (**Appendix B**).

We determined the data used in this review were sufficiently reliable and believe the evidence obtained provides a reasonable basis for our findings.

Management's Responsibility for Internal Controls

During our audit of the Program and subsequent reviews of the various Program areas, we noted internal control weaknesses around certain financial and operational areas of the Program that require management's attention, which are addressed throughout this Report. Although noticeable improvements have been made in the collection of funds and reporting of information since the previous audit, we also observed many reportable items that likewise require management's attention.

The following strengths were noted in relation to the internal controls we reviewed for the Program:

- Compliance with applicable laws and regulations;
- Professional and knowledgeable Program staff;
- Efficiency in the processes used to collect Program revenues; and,
- Excellent workflow and reporting capabilities from the system used to manage the Program.

Internal controls are systems, policies, procedures, and practices that are used to detect or prevent errors of commission and omission. Internal controls should safeguard the Program's assets, which include accurate financial records. Internal controls also promote operational efficiency and encourage adherence to prescribed managerial policies and procedures, as well as laws, rules, and regulations. Effective internal control is a cornerstone of successful management.

Internal control is a process, effected by people at every level of the organization, designed to provide reasonable assurance that the following objectives are being achieved[6]:

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[6] Internal Control – Integrated Framework published by the Committee of Sponsoring Organizations of the Treadway Commission, Copyright 1994

- Effectiveness and efficiency of operations;
- Reliability of financial reporting; and,
- Compliance with applicable laws and regulations.

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

While management sets the tone, parameters, and structures, the responsibility of compliance belongs to all employees, and their attitudes will help determine the success or failure of established controls. Management must demonstrate the importance of controls by ensuring their consistent application and by showing that compliance and controls are an integral part of the Program and Agency operations.

A strong internal control environment is essential in minimizing operational risks and improving accountability. This further helps in the achievement of Program and Agency objectives. While a well-designed internal control system, when utilized, cannot prevent errors, it can reduce the probability of their occurrence and/or lack of detection.

Program Management should seek to establish a stronger and more effective internal control environment. Although an adequate internal control system should prevent errors, an effective system will help detect errors when they occur within a reasonable time period. There are several tools available to assist in the design of an internal control system. These methods highlight strengths and weaknesses which may exist in the internal control system. Program Management should seek to implement a sound internal control environment and can do so by using some of the tools outlined below:

- *A checklist review process is one form of evaluating a system.* Issues of separation of duties, completeness of data, adequacy of checks and balances, effect on operating efficiency, and possible overrides should be addressed. Checklists can be directed to the general environment, as well as cycles within the operation. The checklist should state the objective to be achieved, possible risks if it's not achieved, and a series of questions to determine if the controls achieve the objective. The questions should relate to whether or not the controls are actually in use. If the questions are answerable by "yes/no", then they need to be worded in such a way that "yes" is not automatically the "correct" answer. An "incorrect" answer indicates a weakness and requires additional questions or investigation.

- *Flowcharting* is another means of designing and evaluating an internal control system. Flowcharts can show the flow of document processing and/or the controls of a system. *Decision trees* are similarly helpful in designing proper controls, but these tools are useful only if they are updated as changes occur.

- *"Walk-throughs"* and *"transaction tracing"* can be a useful tool. A transaction is walked through the system to determine if following the procedures on paper can accurately be relied upon to produce intended results.

A successful internal control environment needs the cooperation of the employees, with executives and senior management taking the lead. Because of the possibility of human error, a system may need redundant and/or compensating controls. The extent of additional controls should be determined through

cost/benefit analysis. The implementation of a sound internal control system must be well thought out, weighing compliance against cost/benefit. The risk of non-compliance and its results must also be weighed. In order to maximize the effectiveness of the internal control system, management needs to pay attention to employee feedback about what does and does not work. One set of controls may not govern every transaction.

Program Management should seek to ensure completeness of records and an adequate audit trail. An audit trail is a chain of evidence. It is the path of an original source document to its final record in the accounting records. To establish an audit trail, all transactions, routine and non-routine, need to be documented, especially, the non-routine exception transactions.

Documenting internal control is vital in assuring all transactions are recorded. Managers need to understand the flow of documents, which should be outlined in a manual. Written job descriptions should designate the roles of employees in document processing. As a processing phase is completed, it should be documented (initialed, dated, etc.). If a computer is completing some of the processing steps, computer access should be restricted to authorized users and applications. The program should contain controls and checks for completeness, limits, and reasonableness.

We recognize that the Program is in the process of changing and expanding and, as such, there will be an even greater need by Program Management to ensure that the Program is operating and being managed as effectively and efficiently as possible.

The following sections detail the reportable items noted during our review.

Lack of Adequate Program Policies and Procedures

During our audit and subsequent reviews of the various Program areas, we noted the lack of adequate documentation in the form of policies and procedures related to all aspects of the Program. We noted that none of the following Program areas had documented policies and procedures:

i. The Revenue Authority's (the "Authority") Operations Division – responsible for managing the Program on behalf of the Police Department.

ii. The Revenue Authority's Finance and Human Resources Divisions – responsible for ensuring the correct accounting for Program revenues and expenses.

iii. American Traffic Solutions Inc. ("ATS") – responsible for providing all services related to the Program such as: camera equipment and maintenance, imaging, mailing of citations, payment processing, etc.

We noted that while the Police Department's Automated Enforcement Unit ("AEU"), responsible for reviewing red light camera events and approving citations prior to issuance, provided a document dated November 2012, titled "Standard Operating Procedures" ("SOP"), the document was not approved and did not adequately address Program operations. We noted that the document incorrectly referenced the red light camera program in the automated speed enforcement section as follows Section IV (H):

"All red light violations are to be approved within 14 days of the violation."

In addition, while the document refers to responsibilities of the AEU staff as it relates to the Program, the document does not provide any procedures or guidance on how to accomplish critical Program tasks and, therefore, does not appear to be adequate. For example, Section V – Red Light Enforcement Unit ("RLEU") states that: *"The Officer's primary responsibility is the review of all violations captured by the Red Light Camera Systems"* and, *"The Officer will also assist in the reporting and compilation of statistical data,"* however, there are no procedures documented in the SOP on how to access the system, how to perform the review of violations, what types of reports and statistical data the Officer will assist with, and where the data would be obtained from.

The General Accountability Office ("GAO") in its publication Standards for Internal Control in the Federal Government (November 1999) recommends the following:

> *"Internal control and all transactions and other significant events need to be clearly documented, and the documentation should be readily available for examination. The documentation should appear in management directives, administrative policies, or operating manuals and may be in paper or electronic form. All documentation and records should be properly managed and maintained."*

The Program Managers have not made this a priority for the Program and this, coupled with staffing constraints and the lack of adequate resources, have contributed to the lack of existing Program documentation such as policies and procedures.

Without written procedures, the continuity of an activity may be threatened if there is unexpected staff/vendor turnover and the introduction of new employees to an unfamiliar activity. The lack of written procedures may also result in Program activities, such as the review of events by Police Officers, being carried out inconsistently by different staff. Written procedures may protect the County from unplanned interruptions in that activity. Further, it establishes proper procedural guidelines to abide by, which lends to the integrity of the process and serves to reduce risks, such as improper accounting or handling of funds. Written procedures serve to reinforce management's objectives for the activity and to ensure that these objectives are consistently considered.

1a) We recommend that Program Management seek to develop or ensure that written procedures are developed or improved for all activities related to the Program and implement periodic quality control reviews to ensure staff and/or vendor compliance with developed procedures.

Untimely Contract Amendment/Missing Right to Audit Clause

During our review of the Program contract and extensions, we noted that red light camera enforcement services were being provided to the County without a ratified contract. The following issues were noted with the contract amendments related to the program:

- The Vendor, ATS, contracted to provide red light camera enforcement services to the County until September 30, 2011. Contract Amendment No.2, which allowed ATS to continue to provide these services for the period of October 1, 2011 – March 31, 2012, was not signed until February 2, 2012, approximately two months before the end of the contract period.

- A third Amendment to provide services for the period March 31, 2012 – March 31, 2013, was not effective until December 21, 2012, almost nine (9) months following the expiration of the previous contract amendment.

- The Police Department request for approval of the third contract extension was received on September 6, 2012, by OCS, but not approved by OCS until October 17, 2012. Contract Amendment No. 3 was approved for legal sufficiency on November 13, 2012, and finally signed off by all parties on December 21, 2012, at which point the agreement became effective. The length of time between the expiration of the agreement and the request for an extension suggests a lack of adequate contract monitoring procedures in place for the Program.

- Although the Vendor was extremely co-operative with audit requests, and the County Code stipulates the right to periodically monitor work performed under a contract awarded, we noted that there was no unqualified right to audit provisions in the contract with the Vendor, and there is apparently no policy requiring the inclusion of a "right-to-audit clause" in vendor contracts.

According to industry standards, best practices in contracting for services indicate that:

"Contracts for the purchase of services must be formal, written documents. Specifically, the contract should:

- *Clearly state and define the scope of work, contract terms, allowable renewals, and procedures for any changes.*
- *Contain inspection and audit provisions.*
- *Include provisions for contract termination. Contain appropriate signatures, approvals, acknowledgements, or witnesses."*

"The reviewing of service contract statuses should be done as part of the monthly or quarterly program review with the program team. The contracting office should keep an inventory of open service contracts by customers for ready reference and as an aid in the initiation of planning for follow-on contracts. A graphic inventory of activities looking out for at least two years is most appropriate where many contracts are involved. This helps to ensure that planning will commence in sufficient time to allow for overlapping coverage."

The Prince George's County Code Sec. 10A-123, Inspection of contractor's plant and records states that:

(a) "The County may inspect the plant or business of a contractor or any subcontractor under any contract awarded or to be awarded by the County.

(b) The County shall be entitled to audit the books and records of a contractor or any subcontractor under any contract or subcontract entered under this Subtitle. Such books and records shall be maintained by the contractor for a period of three (3) years from the date of final payment under the prime contract and by the subcontractor for a period of three (3) years from the date of final payment under the subcontract.(CB-1-1992)"

It appears as though OCS, which is responsible for ensuring the maintenance and monitoring of the contract with the Vendor, failed to discontinue the services of the Vendor upon the expiration of the contract.

Furthermore, it appears as neither the Program staff at the Revenue Authority nor the Police Department has a system in place to adequately monitor contract expiration dates. We noted that the Police Department did not notify OCS until five (5) months after the latest contract end date that an extension was needed.

The contract with the Vendor was derived from OCS's standard template for Request for Proposals, which includes the two-party agreement template to be signed by the parties. Those templates do not contain general unqualified right-to-audit provisions and there is apparently no County policy requiring the right-to-audit language in County contracts.

A contract that is not amended in a timely manner, or one that remains unratified, is not legally binding. Therefore, the County cannot hold the Vendor providing the red light camera enforcement services, ATS, responsible for performing services as outlined in the contract. Since the Vendor is not legally bound to the contract, they may refuse to perform services at any time without consequence.

The County becomes at risk when there is no longer authorization for enforcement of traffic laws. A contract not amended or ratified in time will decrease the chance of the County's Red Light Camera Enforcement Program meeting its objective of reducing the number of red light instances of motor vehicle operators failing to stop for red traffic signals, thus reducing the number of accidents at high traffic volume intersections.

The key to successful vendor management lies in defining the relationship correctly before it begins, and in actively managing the relationship once it has been established. During the life of an outsourcing relationship, the County must continually manage supported processes to ensure its requirements are being met. All programs, and in particular those that are required to meet specific regulatory requirements as in the case of the Red Light Camera Enforcement Program, should develop and implement a mature vendor management program that includes the critical component of the right to audit.

2a) We recommend that the Office of Central Services and/or the Revenue Authority establish a system to monitor the Program contract to ensure that the Vendor does not continue to provide services to the County beyond their term limits, adhere to their contractual terms, and maintain the integrity of the County's Red Light Camera Enforcement Program.

2b) We recommend that the Office of Central Services ensure that County contract instructions, administrative regulations, purchasing manual, and other guidelines are updated, if needed, to include language specifying the County's right to audit. In addition, the Office of Central Services, as a good business practice, should ensure that future agreement documents include a right to audit clause.

Outdated Memorandum of Understanding

The existing MOU governing the Program between the Revenue Authority and the County, dated June 25, 2010, is not current and does not reflect the existing operations of the Program.

We noted the following items which were outdated:

- The Revenue Authority does not act as an agent of the Prince George's County Police Department regarding approving and citing automated red light camera violations, as stated in the MOU. Instead, County Police Officers perform these duties.

- It was intended that the Revenue Authority would collect the fees, fines, and other income for the Program and make deposits for the Program. However, the Program Vendor, ATS, and their sub-contractors, have always performed the collection functions and continue to do so. Therefore, the

Revenue Authority does not deposit all fees, fines, and other income into the RLEU Program bank account, as stated in the MOU.

- The Revenue Authority does not process Program revenues and deposits are not picked up by armored car services a minimum of two days per week, as stated in the MOU.

- The MOU states that *"upon execution of the MOU, the County Police Department will transfer all Police Department employees currently assigned to the RLEU Program for assignment to other areas in the Police Department."* The Police Department is operating the RLEU Program under a new name, the Automated Enforcement Unit ("AEU") and the AEU is housed at the Revenue Authority.

- The MOU states that *"the Revenue Authority will provide a monthly unaudited report to the County and Police Department regarding the Red Light Enforcement Unit Program's revenues, expenses, and number and type of violations during the preceding month and year to date."* This report is not being prepared by the Revenue Authority and presented to the parties stated in the MOU. We noted that the Revenue Authority's Finance Division was providing a quarterly spreadsheet to the County's Office of Finance, which includes income statements, journal entries, and a check request. However, the quarterly spreadsheet did not include the number and type of violations during the preceding month and year-to-date totals. This section of the MOU does not specify exactly which County agency/division should be provided with the unaudited report within "*the County.*"

- The MOU states that *"the Revenue Authority will provide an audited fiscal year (July 1st –June 30th) annual statement to the County and Police Department of all the RLEU Program's revenues, expenses, and fees with comparisons to the prior year to be submitted by December 1st, following the end of the fiscal year."* While the Revenue Authority was providing a statement to the County for the Fiscal Year, there was no evidence that the information was audited and there is no comparison to the prior fiscal year. In addition, there is no clarity as to whether the auditor being referred to in this segment of the MOU is internal or external in nature.

- The MOU states that "*any profit as reported in the audited/certified annual statement, will be transferred to the County on or before February 15, of the following year.*" The FY 2012 net income was transferred to the County in January 2012, February 2012, July 2012 and September 2012, prior to being audited.

- The contact information in the MOU for the Chief of Police and the head of the Revenue Authority is outdated.

In addition, the following issue was noted:

- The MOU document was not formally communicated to all parties involved, specifically the Revenue Authority's Finance Division, and does not explicitly address the roles and responsibilities of all the Revenue Authority divisions involved with the Program. For example, there is no distinction between the Revenue Authority's Operations Division and the Revenue Authority's Finance Division responsibilities, resulting in neither party adequately monitoring the third party lockbox service.

While not required, better business practices indicate that there are many benefits to formalizing a partnership through an MOU. The value of this document is evident in the existence of MOUs between the County and the Revenue Authority since 2008, as it relates to the Red Light Camera Enforcement program. The MOU:

- Ensures that all parties are in agreement on the individual partner roles and activities, thereby decreasing misunderstandings and future conflicts.
- Outlines how decisions about the partnership will be made during implementation.
- For many alliances, represents the only document that formalizes the relationship between the two partners.
- Can help keep the partnership on track and focused on the original objectives/activities.

Among other things, better business practices for an effective MOU generally includes the following areas that the parties have reached agreement on:

- The role of each party;
- Responsibilities of each party;
- Tasks to be undertaken by each party;
- Quality and performance monitoring or performance management;
- Agreed protocols or policies and procedures;
- Risk management;
- Rights and safeguards (such as intellectual property, confidentiality, privacy);
- Resource use arrangements; and,
- Reporting and accountability.

There are several reasons which have contributed to the current Red Light Camera Enforcement Program MOU no longer being applicable to the current operations of the Program. Among the reasons are:

- In FY 2008, the Revenue Authority took over the functions of the Police Department's RLEU, which included review of citations and the intent to collect program funds. In FY 2010, as a result of a different interpretation of the Law (21-201.1) governing the Program by the Office of Law, the Police Department took over review of the citations for the Red Light Camera Enforcement Program.
- While it appears to have been the intent of the Revenue Authority to take over the processing of the funds received from the Program, a lack of resources by the Revenue Authority and the continued contract with the Vendor for these services, has caused the Revenue Authority to continue to rely on the Red Light Camera Enforcement Vendor to provide processing support for payments related to the issuance of red light citations.

- For approximately two (2) years, the Revenue Authority staff reviewed and approved red light camera events on behalf of the Police Department. However, these duties were taken over by the Police Department staff and no formal communication documenting this change was provided to the Revenue Authority regarding the change.

- The MOU document was written in such a manner that roles and responsibilities for the parties are not clearly defined, which has caused certain responsibilities stipulated in the MOU to remain unaccomplished. For example, the document refers to the Revenue Authority, but does not clearly define which Division of the Revenue Authority (Operations or Finance) is responsible for providing monthly and annual reports. The report provided by the Revenue Authority's Finance Division does not meet all of the criteria stipulated in the MOU.

- The MOU does not address performance monitoring by the two parties.

- As Program processes have evolved over time, and roles and responsibilities have shifted, the MOU was not amended.

An outdated MOU shows that there is, in fact, no mutual agreement or understanding between the two parties involved, which we believe is causing misunderstandings and/or disputes due to a lack of clarification regarding the expectations of both parties involved.

3a) We recommend that the Revenue Authority and/or County personnel cancel or amend the current Memorandum of Understanding and work together to create a revised Memorandum of Understanding that fully reflects the current operations of the Program, promotes greater transparency, and provides a clear definition of the roles and responsibilities of all parties involved in the process.

Customer Service Center Processing Issues

During our review of the Program Vendor's walk-in CSC processing facility, operated by ATS, we identified the following issues, which we subsequently reviewed and noted were later corrected by the Vendor:

- ATS was not properly and consistently securing customers' Personally Identified Information ("PII") being maintained in the CSC and the information was left unsecured after hours. In addition, unsupervised access was afforded to non-ATS employees/contractors, such as week-end cleaning crews. Examples of information left unattended included: copies of citations with customer's names, addresses, and vehicle tag information; copies of confirmation of payments made by credit card; and copies of cashier's checks and money orders containing customers' names, signatures and addresses.

- Although the CSC staff has a stamp that is used to endorse the cashier's checks/money orders, the endorsement was not being performed immediately upon receipt but, instead, at the end of the business day.

- Although customers were receiving receipts, CSC signage did not advise customers to ensure that they received one.

- Prior to the start of the audit in November 2012, ATS staff were not making deposits greater than $100 to the bank on a daily basis in accordance with County policy but, instead, on a weekly basis.

- The Office Manager was unable to log into the monitoring system for the security cameras installed to monitor CSC activities because of a forgotten password.

Furthermore, we noted that in the event that deposits cannot be made on the same day, the CSC has a safe, which has both keys and a combination. However, there is only one individual, the Office Manager, who has access to the safe.

The Government Accountability Office (GAO) states in its publication for internal controls (GAO/AIMD-00-21.3.1) that:

> *"Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained."*

The County's Administrative Procedure 346 – Revenue Collection Procedure are in-line with good business practices which states that:

> *3-b-1: Internal Controls are designed to provide (among other things) reasonable assurance regarding "The safeguarding of revenue collections against loss from unauthorized use or disposition."*
>
> *3-d: "In certain cases, it may not be possible to establish the recommended internal controls due to an insufficient number of employees or because the cost of the procedure may exceed the potential loss of revenue due to unauthorized use or disposition. In these cases, the Department should develop alternatives that will achieve the same measure of control."*
>
> *4-b-1: Cashiers should "immediately endorse checks restrictively with a stamp that indicates "For Deposit Only to the Account of Prince George's County, Maryland."*
>
> *5-b: Cashiers assigned to accept revenue collections should" "Issue a receipt for the money collected."*
>
> *8-3: "Collections over $100 should be deposited daily before the bank closes for business."*

Good business continuity practices seek to ensure that business can continue operating as usual, without stoppage, irrespective of the adverse circumstances or events.

Lack of adequate policies, requirements, training, and monitoring of the operations at the CSC appears to be the cause of the issues noted at the CSC. In addition, the small number of employees and payments collected at the CSC does not always make it feasible for the funds to be deposited daily.

Improper security of PII compromises the private information of customers. If information is compromised, there is an increased chance of identity theft for customers and the possibility of fraud. Improperly secured PII can also jeopardize the personal safety of customers. Due to a lack of personal information security, customers are at risk of falling victim to anyone who may want to cause harm or

commit a malicious act against the customer. The loss of customer's data also can cause harm to the integrity of the program.

The lack of adequate internal control measures and the monitoring of those controls around revenue collection functions also can contribute to a potential loss in revenue.

4a) We recommend that Program Management monitor the operations of the Vendor as it relates to the collection of funds and maintenance of data related to the Program to ensure that adequate internal controls are in place to protect the County and customers' interests.

4b) We recommend that Program Management communicate to American Traffic Solutions, Inc., the importance of training their employees and subcontractors to adequately secure customers' Personally Identified Information at all times to avoid unauthorized persons gaining access to the information.

4c) We recommend that Program Management explore alternate methods to ensure compliance with County requirements and/or good business practices as it relates to the deposit of funds collected. The Program funds are deposited into a Bank of America account. Bank of America has a remote deposit capture feature, which allows for the deposit of unlimited amounts of funds for a minimal $40 per month charge. American Traffic Solutions, Inc., should consider using this feature which will allow American Traffic Solutions, Inc., to make deposits daily without having to go to the bank every day or store checks on site in the event that the Manager is not available.

4d) We recommend that American Traffic Solutions, Inc., provide a second employee/contractor with keys to the safe at the Customer Service Center, in the event that the current Office Manager is not available or suddenly leaves.

4e) We recommend that Program Management consider moving the Red Light Camera Customer Service Center collection/deposit operations in-house at the Revenue Authority. The Revenue Authority already has a similar unit to process parking citations, which can then be used as leverage to lower fees paid to the Vendor and allow for better control over this aspect of Program collections.

Accounting for and Collections of Outstanding Receivables

Outstanding receivables for the Program are not being reported by the Revenue Authority to the County or disclosed in the County's Comprehensive Annual Financial Report ("CAFR"). In addition, an allowance for doubtful accounts has not been established for the Program. As of February 5, 2013, open Program receivables were $6.35 million, of which $5.77 million, or 91%, were greater than 90 days past due.

We also noted that there are currently no collection activities being pursued by the County for outstanding receivables related to the Program.

Generally Accepted Accounting Principles ("GAAP") requires that Proprietary Funds and Discrete Component Units using the accrual basis of accounting should recognize revenues and receivables when all eligibility requirements have been met. Governmental Accounting Standards Board ("GASB") 33, paragraph 20 I, states that "the reimbursement eligibility requirement is met when a recipient has incurred allowable costs under the applicable program." Therefore, receivables should be recognized when allowable costs have been incurred, assuming all other eligibility requirements have been met. In addition, if the entity determines that part of the receivables recognized may not actually be collected,

then GAAP requires that an allowance for doubtful accounts should be established for the amount of the receivable that is not expected to be collected.

Although the amounts due the County for the Program as receivables may not be recorded on the financial statements or may not currently be recorded in any account because the Program revenues are treated on a cash basis in the Financial Statements, it is good business practice to ensure adequate controls are in place to ensure that:

- Reasonable collection efforts are made.
- Proper/independent supervisory personnel approve any non-collection.
- Non-collection approval is documented.

Adequate policies, procedures, monitoring and reporting mechanisms are not currently in place for the Program as it relates to tracking, reporting, and collecting outstanding receivables.

The assets, as reported on the County's CAFR, may be understated and may not be in strict accordance with GAAP.

The County may be forgoing potentially millions of dollars in revenues because adequate collection procedures are not in place.

5a) We recommend that the Office of Finance ensure that all County agencies/component units take responsibility for tracking and reporting accounts receivable information on a regular basis.

5b) We recommend that the Office of Finance work closely with the County's external auditors and the Revenue Authority's Finance and Operations Division's staff to determine whether the receivable amounts for the Red Light Camera Enforcement Program should be reported in the County's CAFR and/or disclosed in the financial statements and notes to the Revenue Authority's financial statements.

5c) We recommend that should the County and its external auditors decide to report the receivables for the Program, that a prior period adjustment or disclosure be made in next year's CAFR, and the amounts of the outstanding receivables (net of allowances for uncollectible) be disclosed.

5d) We recommend that the Office of Finance work closely with the County's external auditors and the Revenue Authority's Finance and Operations Division's staff to develop a policy to determine how the estimate of receivables, that will not be collected, will be made for the Program. Professional judgment should be exercised, since the County has no prior experience in collecting receivables from the Program. Any amount established as an allowance should be supported by documentation demonstrating how the allowance was developed and to ensure aging information is collected, maintained, reported, and acted upon in a standardized and consistent manner.

5e) We recommend that the Revenue Authority begin tracking the receivables as it relates to the Program, and report the amounts to the County's Office of Finance on a regular basis.

5f) We recommend that Program Management develop policies and procedures and seek to identify various ways and means to facilitate the collection of open receivables.

5g) We recommend that Program Management consider whether amounts that remain uncollected through routine follow-up procedures should be documented with a letter from the Office of Law or referred to collection agencies for further collection efforts.

Unapproved Invoices and Non-Interest Bearing Bank Account

We noted the following issues related to the general financial management of the Program:

Unapproved Invoices

We examined twelve monthly invoices from the Red Light Camera Enforcement Vendor, ATS, for the period July 2011 – June 2012 and noted that none of the invoices were approved for payment. We inquired of the Program Manager, who noted that although the invoice is received via email, there is no approval outside of Accounting required to pay the invoice. We noted that there was a compensating control in place where the Program's check register was periodically reviewed and signed off on by Executive Management, which somewhat reduces the risk that fraud could occur and remain undetected for a long period of time.

It is good business practice to ensure that invoices are properly reviewed and analyzed, and that payments are made to vendors only for goods and services received and accepted, pursuant to contractual terms and conditions. The individual who signs off on an invoice is essentially providing authorization for the disbursement of the Program funds and is ultimately held accountable for the transaction. The Government Accountability Office ("GAO") states that "Accountability is established by having the signature or initial be traceable to the individual providing the approval, whether manual or electronic."

In the publication on Standards for Internal Controls (GAO/AIMD-00-21.3.1) (11/99) the GAO states that:

> *"Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."*

It is not the policy of the Revenue Authority to require the approval of the Program Manager or other Program personnel with the Revenue Authority to ensure that invoices are valid and approved prior to disbursement. As such, there is an increased possibility of fraud/embezzlement by accounting personnel, who have both the authority to disburse payments and access to Program assets.

6a) We recommend that the Revenue Authority's Finance Division review its policies and procedures to ensure that there is adequate segregation of duties related to the disbursement of Program funds.

Late Payments

Two payments to ATS were made approximately 30 days late. The July 2011 invoice, due August 10, 2011, was not made until September 15, 2011, and the May 2012, due on June 10, 2012, was not paid until July 17, 2012.

The payment terms for the Vendor as stipulated in their invoices are "net 10th of next month."

Insufficient staffing levels, at the time, and the large volume of transactions involved with reconciling the monthly invoices, contributed to the length of time that it took to process the invoices from ATS.

By not paying Program bills on time, the Revenue Authority is not following good business practices, which could cause the County and/or the Revenue Authority to lose credibility with business partners and contribute to the Vendor's refusal to perform services.

6b) We recommend that the Revenue Authority's Finance Division review its disbursement process and prioritize invoices by their due dates to ensure that invoices are paid on time.

Non-Interest Bearing Bank Accounts

We examined the Bank of America account balance for the Program and noted that the average account balance for the 12 months reviewed (July 2011 – June 2012) was $1.785 million. We noted that the interest rate for Treasury Inflation-Protected Securities (TIPS), which protects against inflation, fluctuated between 1.981% (July 31, 2011) and 1.696% (June 30, 2012) for the period reviewed. Using the lower interest rate we estimate that had the funds from the Program been invested in an interest bearing account for the one (1) year period reviewed, the County could have potentially earned $30,280 in interest.

As stewards of money that is generated by the Program, Program Managers have a fundamental responsibility for ensuring that revenues are used efficiently and effectively (such as being held in an interest bearing account or being transferred to the County more frequently).

The Revenue Authority's Finance Division staff reported that they had very little time to get the Program up and running and, as a result, the Program bank account was set up as a non-interest bearing account.

In addition, there is a loss of potential interest income that is being forfeited by not using an interest bearing account.

6c) We recommend that the Revenue Authority Management and/or County Office of Finance personnel ensure that the funds collected for this Program are not only collected, but also maintained and disbursed in a manner that represents good business sense and are of maximum benefit to the citizens that the Program is set up to serve. As such, the County should require that the Revenue Authority place the funds in an interest bearing account to maximize the benefits of holding such large revenue balances or have the funds transferred to the County on a more frequent basis than the current once a year stipulated in the Memorandum of Understanding.

Lack of Adequate Monitoring of Vendor/Third Party Providers

The Program relies exclusively on the operations of a Vendor, ATS, to provide the County with a turn-key program. In order to fulfill the requirements of the contract, ATS utilizes several third party vendors to execute the contract with the County. During the course of the audit we noted the use of the following third-party vendors by ATS:

1) **U.S. Bank** – operates the lockbox service to process program payments and correspondence mailed to a lockbox in Cincinnati, Ohio. It also handles and processes web-payments and payments made using the toll free automated system.

2) **ACCEL Corporation** – staffs the Customer Service walk-in center and handles customers who call in with inquiries and make payments over the phone.

3) **Business Ink** (since February 1, 2013) and previously **Questmark** – mails citations, which have been approved by County Police Officers.

Neither the operations of the Program Vendor or any of its subcontractors are being adequately monitored by the County.

GAO Standards for Internal Controls in the Federal Government – November 1999 states that:

> *"Internal control should generally be designed to assure that ongoing monitoring occurs in the course of normal operations."*

Good business practices stipulate that the Board of Directors and Senior Management of an Agency are ultimately responsible for managing activities conducted through third-party relationships, and identifying and controlling the risks arising from such relationships, to the same extent as if the activity were handled within the Agency. The use of third-party relationships does not relinquish responsibility of the Board of Directors and Management. The Agency officials are expected to have a clearly defined system of risk management controls built into the management system that governs the Agency's compliance operations, including controls over activities conducted by affiliates and third-party vendors. The more significant the third-party program, the more important it is that the Agency conduct regular periodic reviews of the adequacy of its oversight and controls over third-party relationships.

In order for the County to effectively execute the Program, it has had to secure the services of an outside vendor, ATS. In the interest of efficiency and in order to meet deadlines set by law, as well as the need to ensure that payments and correspondence are processed timely and efficiently, ATS has had to outsource various key aspects of the Program to fulfill its obligations under the current contract with the County. Areas outsourced include the mailing of citations and processing of payments. Program Management does not have adequate controls, policies, and oversight procedures in place to monitor the Vendor and/or its third-party vendors.

The following are some of the potential outsourcing risks:

- There are chances of fraud by the third-party. For example, there may be risk of data leakage of customers' Personally Identifiable Information, such as tag numbers, name, and addresses.
- Failure of mailing citations on time. The third-party may fail to deliver citations before the deadline, thereby incurring potential substantial losses to the County.
- Loss of revenue. If the Vendor or third-party collecting Program revenues do not have adequate internal controls in place, revenue may be lost/stolen.

7a) We recommend that Program Management and the Vendor adopt appropriate controls, policies, procedures, and oversight to mitigate outsourcing risks effectively.

7b) We recommend that Program Management ensure that the Vendor is disclosing the use of all third-party vendors and take the necessary steps to ensure that adequate controls and monitoring procedures are in place for the type of service being outsourced. These include (but are not limited to):

- Obtaining and reviewing Statement on Standards for Attestation Engagements No. 16 Type II auditor's reports (if possible) to gain comfort over the existence and effectiveness of adequate internal controls and ensure that user controls are in place and are being followed.

- Obtaining and reviewing other auditor reports (such as Service Organization Control ("SOC") commonly known as SOC 2 Report – Reporting on Controls at a Service Organization relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy.

- Ensuring adequate business continuity and contingency plans are in existence at third-party facilities (such as U.S. Bank processing center) to avoid possible disruptions and loss of revenues in the event of a disaster.

- Ensuring that courier servicers (if used) are licensed, bonded, and insured.

Lack of Adequate Segregation of Duties

During the course of the audit, we noted that one individual, the Senior Accountant, Revenue Authority Finance Division, has Administrator rights to the Accounting system and can create, change, and/or delete accounting transactions, maintain custody of blank Program checks, and also has the ability to initiate payments and wire transfers without Supervisory approval. We also noted that the previous Controller also had the same capabilities.

Additionally we noted that the Accounting system used by the Authority does not allow for the automatic routing of accounting transactions to the next level of Management and the approval process in place is entirely manual. As such, the Senior Accountant or the Controller can singlehandedly disburse Program funds and remain undetected.

In the publication on Standards for Internal Controls (GAO/AIMD-00-21.3.1) (11/99) the Government Accountability Office ("GAO") states that:

> *"Key duties and responsibilities need to be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event."*

GAO also states that:

> *"Access to resources and records should be limited to authorized individuals, and accountability for their custody and use should be assigned and maintained. Periodic comparison of resources with the recorded accountability should be made to help reduce the risk of errors, fraud, misuse, or unauthorized alteration."*

The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Framework defines segregation of duties as a monitoring activity and states that:

> *"Appropriate organizational structure and supervisory activities provide oversight of control functions and identification of deficiencies. Also, duties of individuals are divided so that*

individual personnel serve as a check on each other. This is also a deterrent to employee fraud since it inhibits the ability of an individual to conceal his or her activities."

Finally, segregation of duties serves as a deterrent to fraud because it requires collusion with another person to perpetrate a fraudulent act.

The lack of segregation of duties between the Accounting and IT functions is caused by the limited personnel to adequately segregate duties and the lack of sufficient accounting software licenses to ensure responsibilities are properly segregated.

Segregation of duties is critical to effective internal controls and where there is inadequate segregation of duties there is an increased risk of both erroneous and inappropriate actions and the possibility that errors or fraud may go undetected.

8a) We recommend that the Chief Financial Officer ensure that the approval function, the accounting/reconciling function, and the asset custody function be separated among employees. When these functions cannot be separated, a detailed supervisory review of related activities is required as a compensating control activity and should be documented.

8b) We recommend that if the Revenue Authority continues to use its current accounting software that Management secure additional software licenses (as needed) to ensure that adequate segregation of duties is maintained. System Administrator rights should not be afforded to individuals who are responsible for accounting transactions, as this may provide an opportunity to perpetuate a fraud and/or manipulate or make changes in the system and go undetected.

8c) We also recommend that the Revenue Authority Management consider whether the Agency has outgrown the current Peachtree accounting system because of its limited functionality and a growing need for more users to simultaneously access the system than Peachtree allows. Investment in a new system that is better suited to the needs of a growing organization should be considered. Additionally, having an accounting system that will automatically require next level approvals will ensure a stronger control framework than the current manual controls in place.

Continued Inadequate Program Monitoring

As a follow-up to prior audit findings in our report issued February 2003, we noted that there is little or no monitoring of Program operations, and there still appears to be no clear goals, standards, or guidelines relating to the various statistical data used to measure, monitor, and manage Program activities. For example, we noted that the Program objective is to reduce the number of instances of motor vehicle operators failing to stop for red traffic signals, which will in turn reduce the number of accidents occurring at high traffic volume intersections, thereby reducing the number of injuries and fatalities due to motor vehicle collisions. We noted that there is no monitoring of the number of accidents at each monitored location to compare the data generated for each camera to determine whether the camera is effectively deployed at its current location.

We also noted that camera locations have remained unchanged for over ten (10) years and Program Management is not actively reviewing data at all locations to monitor whether cameras are placed at intersections with the highest accident rates.

In addition, we noted that although certain statistical reports are being generated by Program personnel, they are not being used to effectively manage the Program. For example, we noted that the Payment Statistics Report shows 79,758 outstanding citations classified as "No Hearings and Not Paid", representing approximately $5.982 million owed to the County since 2000, and no attempt is being made by Program personnel to either perform collection activities internally, or ensure that a reasonable attempt is made to collect the funds using third parties such as collection agencies.

Furthermore, we examined a sample of 120 violations, which were rejected by the Red Light Camera Vendor, noting six (6) instances where the violations were valid and incorrectly rejected. We noted that items that are initially rejected are not monitored for accuracy. In addition, we noted four (4) instances where the reason captured for the rejection was incorrect in the system, thus compromising the reporting used by Management.

Monitoring, as defined in the COSO Framework, is implemented to help ensure *"that internal control continues to operate effectively."* When monitoring is designed and implemented appropriately, programs benefit because they are more likely to:

- Identify and correct internal control problems on a timely basis;
- Produce more accurate and reliable information for use in decision making;
- Prepare accurate and timely financial statements; and,
- Be in a position to provide periodic certifications or assertions on the effectiveness of internal control.

Ongoing monitoring activities evaluate and improve the design, execution, and effectiveness of internal control. Over time, effective monitoring can lead to program efficiencies and reduced costs because problems are identified and addressed in a proactive, rather than reactive, manner.

Since the County is in the process of securing a new Red Light Camera Enforcement Vendor and the old cameras are in the process of being phased out, there are no monitoring activities being performed as it relates to the performance of existing cameras. The system was inherited, and the cost and expense of moving any of the cameras from their current locations is not feasible. The current Red Light Camera Request for Proposal ("RFP") was issued on July 19, 2012, and was scheduled to closed on August 30, 2012, however, as of July 31, 2013, almost one (1) year later, a Program vendor had not yet been selected.

Also contributing to lack of adequate monitoring of the Program is the failure of current Program Management to effectively use the information that is available to adequately manage the Program.

In addition, there is a failure to set measurable goals and adequately monitor the Program against the goals, which makes it difficult to evaluate how well the Program is performing, how effective the Program is, and whether the objectives of the Program are being met.

Invalid rejections of citations compromise the overall reliability of the Program and the objective of the Program is not fulfilled. When a driver violates the red light enforcement law and the event is not properly addressed because of errors in the review process, the driver is more likely to repeat the offense.

Furthermore, when the reason for a rejection is not correctly identified, data collected regarding the reason for rejections throughout the year will be compromised and not provide a clear depiction of why administrators rejected certain red light camera events.

9a) We recommend that Program Management establish specific and measurable program goals and seek to utilize the various statistical data that is generated to ensure that the goals are being met. For example, if the goal is to make intersections safer with the presence of a red light camera, data should be obtained and reviewed to determine whether this goal is being achieved and whether the accident rate has, in fact, changed for the better at intersections with a camera.

9b) We recommend that Program Management ensure that adequate controls are in place to ensure that the reporting that is received is not only accurate and reliable, but also utilized.

Use of Sworn Police Officers

During the course of our audit we noted that sworn Police Officers from the Police Department's AEU, upon the advice of the Office of Law, have assumed the responsibility for the review and approval of Red Light Camera events unnecessarily.

AEU sworn Police personnel review red light camera events, if time permits, during the course of a normal work day. In the event that the work is not completed during normal work hours, the Officer continues, on an off-duty basis, at a rate of $50/hour, which is charged to the Program. For the six (6) month period January 2012 – June 2012, one (1) sworn Officer incurred expenses of $5,500 for 110 hours of off-duty time spent reviewing events related to the Program.

We noted that the Program Vendor, ATS, and not Police personnel, represent the County in court hearings related to the Program. In addition, we also noted that there was a period of time (approximately two years) when the Revenue Authority staff, as authorized agents of the Police Department, performed the duties currently being performed by the sworn Police Officers. During the period when Revenue Authority personnel were handling the review and approval responsibility now performed by Police Officers, there were no issues with public perception or with the courts.

The law governing the Program is derived from the Transportation Article, Section §21–202.1, of the Annotated Code of Maryland and states that:

> *a-2) "Agency" means:*
>
> *(f) For a traffic control signal operated and maintained at an intersection under the control of the State, the law enforcement agency primarily responsible for traffic control at that intersection; or*
>
> *(ii) For a traffic control signal operated and maintained at an intersection under the control of a political subdivision, a law enforcement agency of the political subdivision that is authorized to issue citations for a violation of the Maryland Vehicle Law or of local traffic laws or regulations.*

e-1-(viii) A signed statement by a technician employed by the agency that, based on inspection of recorded images, the motor vehicle was being operated in violation of § 21202(of this subtitle).

(f) (1) A certificate alleging that the violation of § 21202(h) of this subtitle occurred, sworn to or affirmed by a duly authorized agent of the agency, based on inspection of recorded images produced by a traffic control signal monitoring system shall be evidence of the facts contained therein and shall be admissible in any proceeding alleging a violation under this section."

We noted that the criteria stipulated in the law governing the Program does not specify the use of sworn Police personnel and there is no specific limitation in the statute limiting enforcement in District Court to sworn Police personnel. Revenue Authority staff, as authorized to enforce these and other civil citations, should have ample authority to appear in court actions for the County.

In FY 2008, the Revenue Authority took over the functions of the Police Department's RLEU, which included review of citations and the intent to collect Program funds. In FY 2010, as a result of a different interpretation of the Transportation Article, Section §21–202.1, of the Annotated Code of Maryland governing the Program by the Office of Law, the Police Department took over review of the citations for the Red Light Camera Enforcement Program.

The use of sworn Police Officers to review red light camera events, both during normal work hours and off-duty, at a rate of $50/hour, when the Revenue Authority has been duly authorized to perform these functions is not an effective use of Police Department resources and not an efficient use of Program resources.

10a) We recommend that since there is no specific limitation in the statute governing the Program that limits enforcement in District Court to sworn Police personnel, and since Police Department personnel do not currently represent the County in court cases related to the Program, that Revenue Authority staff, who are already authorized to enforce these and other civil citations, such as parking enforcement, use their authority to appear in court actions on behalf of the County. The use of authorized personnel would include, but not be limited to, the review of red light camera events and the issuance of citations, with Police Department oversight.

10b) We recommend that if sworn Police Officers continue to review red light camera events, that the AEU and Program Management work closely with the Police Department's Risk Management Division and seek to utilize the services of Police personnel who are on light duty assignment to both reduce the cost to the Program and minimize the unnecessary reliance on fully active sworn Police Officers.

Other Opportunities for Improvement

In addition to the previously identified issues, as part of the review of the Red Light Camera Enforcement Program, we noted the following areas for improvement, which, if addressed, could further improve the efficiency of how the County processes and handles violations of offenders across multiple County programs.

Use of Multiple Databases to Track Offenses

During the audit it came to our attention that there is no County-wide system to track whether offenders with red light citations have other outstanding County citations, such as assessed parking or speeding tickets. In some instances, an offender may owe hundreds of dollars to the County from other programs, but the cost and efforts put forth to collect funds from one program does not carry over to other County programs for similar types of offenses.

Similarly, an offender may have a vehicle impounded because of a failure to pay a parking citation and have that vehicle released, even though they may owe the County substantial amounts in red light camera and/or automated speed enforcement fines, because there is no centralized database of fines owed to the County.

GAO guidance states that:

> *"efficiency measures tend to be most useful for similar, repeated practices. Efficiency measures are not appropriate for every program, project, or goal but every agency, program, and goal-focused effort should continually search for practices to accomplish more with the same resources or the same value with fewer resources after effective actions have been identified."*

Each County program operates separately and independent of each other and includes multiple, different vendors and/or enforcers and there is no communication between the various program participants.

Having several different systems, which do not share information, is not an efficient or effective use of County resources, including staff, equipment, supplies, space, etc. Such practices unnecessarily duplicate efforts and incur costs.

11a) We recommend that the Police Department and/or Revenue Authority personnel seek to conduct a cost/benefit analysis to determine whether they should create a comprehensive database of violators across multiple program areas, such as red light enforcement, automated speed enforcement, parking, towing, etc.

11b) We recommend that the Police Department and/or Revenue Authority utilize a shared database tool to reduce the number of outstanding citations across the various programs by using a uniform collection service to reach out to offenders with multiple offenses, thus reducing the cost and redundancy of having each program conduct separate mailings, collections, etc.

11c) We recommend that the Police Department and/or Revenue Authority utilize a shared database to leverage the capabilities allowed for one program, such as the ability to boot or tow a vehicle for failure to pay a parking citation, to ensure that other outstanding County citations are also satisfied prior to the release of such a vehicle.

Multiple Customer Service Centers

The County has multiple Customer Service Centers for traffic offenses such as red light (Beltsville, Maryland), automated speed enforcement (Lanham, Maryland), parking (Largo, Maryland), etc. We noted that the locations of the various Customer Service Centers are not in close proximity to each other and a

customer with violations across multiple programs would have to provide several separate checks/money orders.

Providing a good customer service experience to citizens who already have to expend valuable resources is key to ensuring the continued co-operation of citizens and support for these programs.

Each County program operates separately and independent of each other and includes multiple providers of customer service.

Having several Customer Service Centers can be inconvenient and costly for citizens who have multiple violations across different programs and may cause a customer to expend significant effort, time, and money to satisfy all violations. In addition, the cost to the County increases as both time and money must be spent to adequately monitor each of the separate locations.

12a) We recommend that the Police Department and/or Revenue Authority personnel seek to conduct a cost/benefit analysis to determine whether it would be beneficial to both the County and customers to have one service center across multiple program areas, such as red light enforcement, automated speed enforcement, parking, towing, etc.

12b) We recommend that the Revenue Authority consider whether they have the space and facilities available to lease to the various vendors who are currently administering customer service centers on behalf of the County, such that each separately operated facility is in close proximity to one another. This will provide for better convenience for the customer, creating a better customer service experience and serving to generate revenue for the Revenue Authority and County. In addition, this also will help County staff to better monitor the operations of the Customer Service Centers and reduce program costs in general.

List of Titles and Terms

Term	Definition
AEU	Automated Enforcement Unit
ATS and Vendor	American Traffic Solutions, Inc.
ARC	Administrative Review Committee
CAFR	Comprehensive Annual Financial Report
CEX	County Executive's Office
COSO	Committee of Sponsoring Organizations of the Treadway Commission
County	Prince George's County
CSC	Customer Service Center
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GASB	Governmental Accounting Standards Board
MDOT	Maryland Department of Transportation
MOU	Memorandum of Understanding
MVA	Motor Vehicle Administration
OCS	Office of Central Services
PII	Personally Identifiable Information
Program	Red Light Camera Enforcement Program
RFP	Request for Proposal
RLEU	Red Light Enforcement Unit
SOC	Service Organization Control
SOP	Standard Operating Procedures
TIPS	Treasury Inflation-Protected Securities
§	Law Section

REVENUE AUTHORITY OF PRINCE GEORGE'S COUNTY

October 15, 2013

David H. Van Dyke
County Auditor
14741 Governor Oden Bowie Drive
Upper Marlboro, Maryland 20772

Dear David,

The Revenue Authority of Prince George's County has reviewed the Audit Report for the Red Light Camera Enforcement Program.

Please accept this document as our official response and acknowledgement of the Audit Report.

We appreciate the time and effort that the Office of Audits and Investigations provided during the audit process and we see this as a welcome resource for improving our processes.

Below is a summary of our response and comments for each finding and recommendation in your report.

==========

Lack of Adequate Program Policies and Procedures

Response: Management concurs.

Comments: The Revenue Authority notes that Policies and Procedures do exist and were reviewed by the Office of Audits and Investigations, but lacked documentation for some aspects of the Red Light Program.

Untimely Contract Amendment/Missing Right to Audit Clause

Response: Management concurs.

Outdated Memorandum of Understanding

Response: Management concurs.

Customer Service Center Processing Issues

Response: Management concurs.

Comments: The Revenue Authority suggests that the right to audit clause be established in the MOU between the County and the Revenue Authority and Included in the contract between the County and the red light program vendor.

Accounting For and Collections of Outstanding Receivables

Response: Management concurs.

Unapproved Invoices and Non-Interest Bearing Bank Account

Response: Management concurs.

Lack of Adequate Monitoring of Vendor/Third Party Providers

Response: Management concurs.

Lack of Segregation of Duties

Response: Management concurs.

Comments: The Revenue Authority has addressed and corrected this matter as of May 30, 2013.

Continued Inadequate Program Monitoring

Response: Management concurs.

Use of Sworn Police Officers

Response: Management does not concur

Comments: The use of sworn officers to review and approve violations provides a public safety component that is directed by the Police Department. In addition, the Office of Law has recommended that the Police Department assume these duties. The Revenue Authority suggests that a formal interpretation of the law be provided by the County Attorney, which would provide better and final guidance for all parties. We agree that a light-duty officer (if available) may assume these duties; however he/she should have police powers.

Use of Multiple Databases to Track Offenses

Response: Management concurs.

Comments: Consolidation of Parking, Towing, Speed and Red-Light Programs will involve renegotiation of contracts with current vendors and possibly County legislation.

Multiple Customer Service Centers

Response: Management concurs.

Comments: Consolidation of Parking, Towing, Speed and Red-Light Programs will involve renegotiation of contracts with vendors.

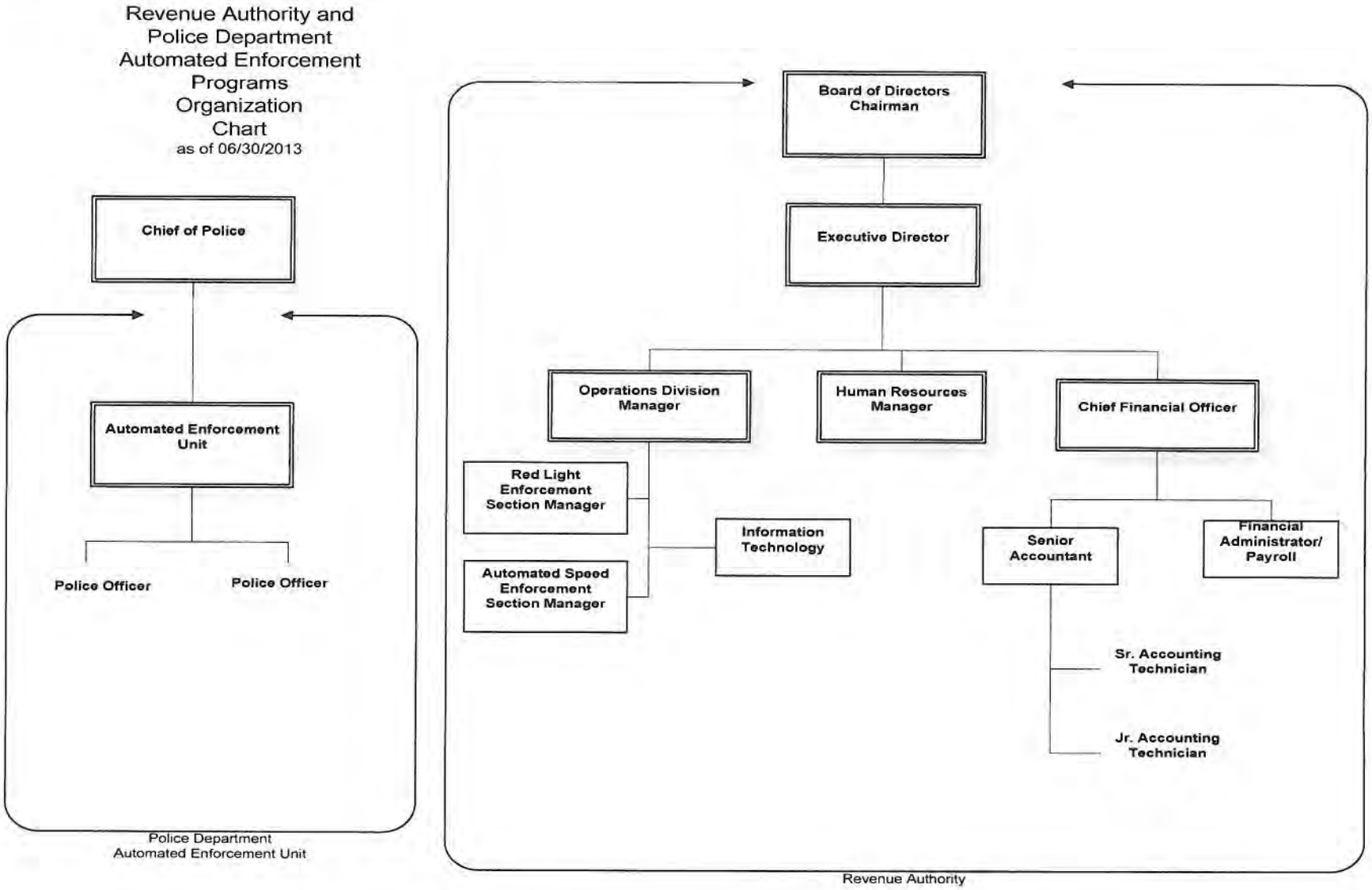
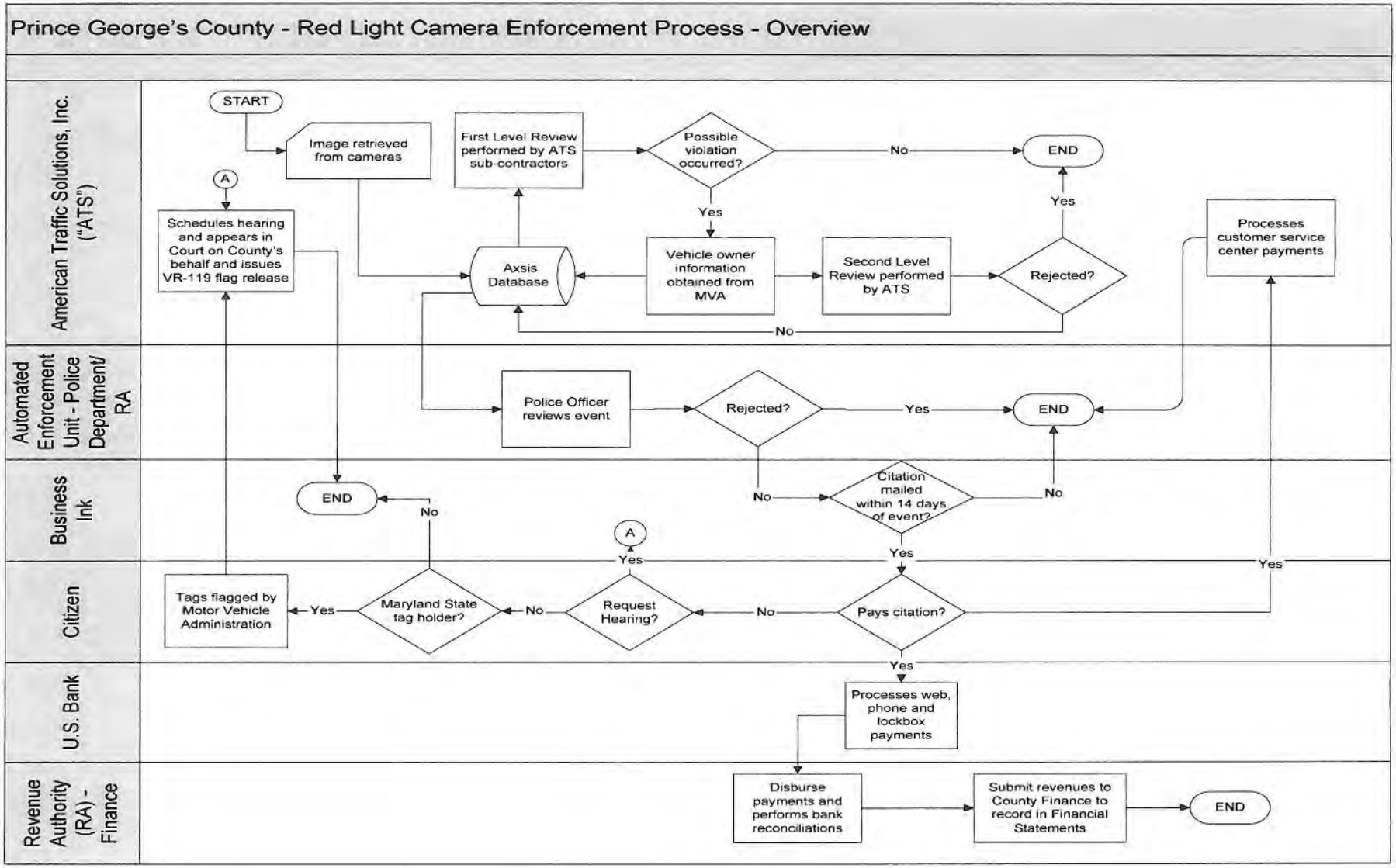
Again, we thank you for your time and cooperation. If you have any questions or concerns, feel free to contact me, or Mark Graves, our Chief Financial Officer.

Sincerely,

Peter A. Shapiro
Executive Director
Revenue Authority of Prince George's County

Cc: Major Robert Liberati, Police Department
Tamisha Keitt, Red Light Program Manager
Troy Thompson, Operations Division Manager

Appendix A – Program Organization Chart



Appendix B – Red Light Camera Enforcement Program Overview