

**DEPARTMENT OF PUBLIC WORKS AND TRANSPORTATION
PRINCE GEORGE'S COUNTY, MARYLAND**

**PERFORMANCE AUDIT
MAY 2002**

**OFFICE OF AUDITS AND INVESTIGATIONS
Prince George's County
Upper Marlboro, Maryland**

TABLE OF CONTENTS

	PAGE
Summary of Performance Audit.....	i
Letter of Transmittal	
Chapter 1 – Internal Controls Over Revenues.....	1
Chapter 2 – Storm Drainage Maintenance.....	13
Chapter 3 – Fees-In-Lieu.....	17
Agency Response to Report Recommendations*.....	21

*Note: Attachments to this response are available for review in the Office of Audits and Investigations.

May 2002

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

We have conducted a performance audit of the

DEPARTMENT OF PUBLIC WORKS AND TRANSPORTATION

in accordance with the requirements of Article III, Section 313, of the Charter for Prince George's County, Maryland. Our report is submitted herewith. The scope of the audit and our findings, comments, and recommendations are detailed in the report, which begins on the following page.

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

David H. Van Dyke, CPA
County Auditor

Lawrence E. Cain, Jr.
Auditor-In-Charge

DEPARTMENT OF PUBLIC WORKS
AND TRANSPORTATION

SUMMARY OF PERFORMANCE AUDIT

MAY 2002

The Office of Audits and Investigations performed an audit of the Department of Public Works and Transportation in accordance with the County Charter. In the performance of our audit, we evaluated revenue collection procedures of the Transit Division, certain costs within the Storm Drainage Maintenance Unit, fees-in-lieu paid for road construction, and various contracts for median mowing, snow removal and tree trimming. The major areas addressed in our report are:

- Staff responsibilities regarding internal revenue controls over monies received from the various County transit services.
- Inadequate monitoring and reconciliation of monies received and reported.
- Significant discrepancies between TheBus actual fares collected and estimated revenues based on driver summary reports.
- The need for segregation of duties and rotation of staff assigned to revenue collection and recordation activity by TheBus service Contractor.
- Inadequate supervisory review of Office of Highway Maintenance credit card purchases charged to the Stormwater Management District Fund.
- Questionable allocation of Storm Drainage Maintenance Unit staff for services unrelated to storm drainage maintenance activities.
- The need for enhanced tracking and monitoring procedures for fee-in-lieu collections.
- Adherence to procedures regarding proper processing of checks and prompt bank deposits.

We wish to thank the Department of Public Works and Transportation for its assistance and cooperation. We are available to provide assistance in implementing the recommendations contained in this report, or in any other area where the Department may have concerns or questions.

CHAPTER 1

INTERNAL CONTROLS OVER REVENUES

INTRODUCTION AND SCOPE

Management is responsible for establishing and maintaining a system of internal accounting controls. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly.

The Department of Public Works and Transportation (Department), Transit Division is responsible for managing and operating the County's transit services for residents. The Division provides transit services throughout the County through the Call-A-Bus program, Call-A-Cab program and TheBus. The Call-A-Bus program provides services to all residents who are not served by or cannot use existing bus or rail services. The Call-A-Cab is a transportation assistance program that provides mobility at a reduced cost for senior and disabled residents. TheBus provides bus service through designated routes that connect with Metro stations and with other centers and localities.

The Transit Division receives monies through various fares and fees that are charged for services, coupons, passes and transfers. The County also receives reimbursements for Metro tokens and tickets, Department of Corrections' tickets, torn currency and foreign coins. During fiscal years 2000 and 2001, the Transit Division received \$522,618 and \$576,425, respectively, in revenues from the various transit services.

During our audit, we reviewed the internal controls over revenue collections for the various Transit Division transit programs to determine if procedures were adequate, complete,

and current. We reviewed records and files to determine if collections were processed according to procedures, and that revenue records were transmitted to the County's Office of Finance, Treasury Division in a timely manner. We also determined whether management conducted adequate reviews of the money-handling process for monitoring purposes. Additionally, we reviewed the internal controls over transit mover passes and transfers to determine if they were tracked and monitored adequately.

FINDINGS, COMMENTS AND RECOMMENDATIONS

Call-A-Cab Program

The Call-A-Cab program provides transit services at a reduced cost for seniors and disabled residents through local participating cab companies. Qualified residents can purchase coupons at half price and use them to pay taxi fares. The coupons can be purchased at the Transit Division or through the mail.

Coupon requests and payments received through the mail are entered onto a mail log. Once requests are processed, the Transit Division staff member prepares an Agency/Activity Collection/Transmittal Report (Transmittal Form), endorses the checks/money orders, and forwards the Transmittal Form and payments to the Financial Management Division.

A Financial Management Division staff member prepares a deposit slip for Call-A-Cab payments and monies received from other divisions within the Department. Monies are deposited by Financial Management Division staff and the various divisional Transmittal Forms and deposit slips are forwarded to the Treasury Division.

During our audit, we reviewed the Call-A-Cab money-handling process to determine if internal controls over monies were adequate. We reviewed a sample of payments made during May 2000 and April 2001 to determine if the monies were processed appropriately and in a timely manner. From our review, we found the following:

- The same person who opens and logs the coupon requests and payments on the mail log also processes the payments and requests. These duties should be segregated.
- Checks/money orders should be endorsed immediately upon receipt.
- Several payments were not deposited in a timely manner. We found that 84.6% of the payments in our sample were deposited after five days, and that 46.1% of the payments in our sample were deposited after ten days. Administrative Procedure 346 requires that collections in excess of \$100 should be transmitted on the day of receipt. If monies are collected late in the day, the collections should be transmitted the next business day.
- The same person who prepares the deposit slip makes the deposit. These duties should be segregated.
- No one within the Transit Division or Financial Management Division reconciles Transmittal Forms that were sent to the Treasury Division to the Department's revenue account to ensure deposits were properly recorded in the accounting system.
- We found an incident (a \$90 difference) in which the deposited amount did not match the total amount of the Transmittal Forms. From a review of the bank statements for May and June 2000, we could not locate a \$90 adjustment by the bank. Additionally, no one verifies the accuracy of the totals on each Transmittal Form to ensure that all monies are accounted for and deposited.

To ensure that monies are processed appropriately and that adequate internal controls are in effect to safeguard monies, we recommend that:

1. **The Associate Director of the Office of Transportation reassign the duty of opening Call-A-Cab mail and recording the data on the mail log to one staff member, and assign the duty of processing the payments and requests to another staff member.**
2. **The Associate Director of the Office of Transportation require that checks be endorsed immediately upon receipt.**
3. **The Staff Administrator have someone who does not prepare deposit slips make deposits.**
4. **The Staff Administrator reconcile Transmittal Forms to revenue accounts, or periodically (at least quarterly) reconcile account balances to the revenue records. If revenue records are unavailable, the Administrator request the Office of Finance/Accounting Division to provide the Department with sufficient records to adequately monitor the Department's revenue accounts.**
5. **The Staff Administrator require that all monies are deposited in accordance with Administrative Procedure 346.**

6. **The Staff Administrator require staff to verify the accuracy of the totals on each Transmittal Form, and that what is recorded on deposit slips correlates to the Transmittal Forms used to make up each individual deposit slip.**

Para-Transit Bus Services

The Transit Division's Transit Operations Section manages and operates the Call-A-Bus service and the special transit services for seniors. The Call-A-Bus program provides curb-to-curb services to all residents who are not served by or cannot use existing bus or rail services. Residents must call the Section to make reservations for transportation. Special transit services for seniors include transportation to medical facilities, meal service, field trips, and similar services.

Bus drivers are provided a Driver Trip Report each day that lists the residents to be picked-up and the amount of fare to be paid by each resident. The drivers record the amount of fare paid by each resident. Each day's farebox monies are counted by Transit Division staff and deposited daily. Each deposit amount is recorded in a Dunbar deposit log by the Transit Division staff. Transmittal Forms are forwarded to the Treasury Division bi-monthly.

During our audit, we reviewed the para-transit bus services money-handling process to determine if internal controls over monies were adequate. We reviewed a sample of deposits made during May 2000 through April 2001 to determine if the monies were processed appropriately and in a timely manner. We found the following:

- Deposits were made in a timely manner.
- Counters record deposit amounts in the Dunbar log, however, they do not record the date the fare was collected or the date the money was counted. These dates should be recorded for tracking and monitoring purposes.
- No one within the Transit Division or Financial Management Division reconciles Transmittal Forms that were sent to the Treasury Division to the Department's revenue account to ensure deposits were properly recorded in the accounting system.

NOTE: The same finding was noted under our review of the Call-A-Cab program and should be included as part of the reconciliation recommended in Recommendation 4.

Again to ensure that monies are processed appropriately and that adequate internal controls are in effect to safeguard monies, we recommend that:

- 7. The Associate Director of the Office of Transportation require money counters to record in the Dunbar deposit log the date the money was counted and the date the fares were collected.**

TheBus Services

The Transit Division provides bus service through designated routes that connect with Metro stations and other centers and with localities through TheBus. TheBus system is operated through a contract vendor (hereafter called the Contractor) who is responsible for managing all routes, staffing, bus maintenance, fare collection, and other activities. The Transit Division is responsible for monitoring and overseeing the Contractor's operations. At the time of our audit, TheBus system had 18 routes, 60 buses, and 118 drivers.

Various fare mediums are collected from passengers such as full-fares, half-fares, bus tokens, transfers, Department of Corrections' tickets, mover passes, free passes, and bus tickets. Passengers deposit fares in either an electronic or a manual farebox. Drivers do not handle monies or provide change.

Fareboxes are pulled daily from buses and monies are consolidated by the type of fareboxes (electronic or manual). Monies are counted by type of farebox by two Contractor staff members (coins are electronically counted by a coin counter and currency is counted manually). Once monies are counted, Contractor staff prepare deposit bags and deposit slips, and record deposit amounts in the Dunbar deposit log. Monies are deposited daily. Contractor staff count the number of false coins and Metro tokens collected and record the

count on the coin counter report. Coin counter reports, deposit slip copies, deposit bag slips, tokens, false coins, passes, and other fare mediums are forwarded to the Transit Division.

The Contractor's bus drivers maintain manual bus ridership records on a driver Trip Sheet. They record on the Sheet the number of full-fare passengers, half-fare passengers, transfer passengers, the number of mover passes sold, and other fare data. Data from these Sheets is combined into a revenue report (called Table 2) which tracks the estimated fares for each day by route. The data from Table 2 is then combined into a revenue report (called Table 9) which tracks estimated fares for the month by route. Additionally, Table 9 shows total Contractor deposits for the month compared to the estimated total fares for the month (called variance). These reports are submitted to the Transit Division.

During our audit, we reviewed the TheBus services money-handling process to determine if internal controls over monies and other fare mediums were adequate. We reviewed a sample of deposits made during calendar year 2000 to determine if the monies were processed appropriately and in a timely manner. We also reviewed an additional sample of deposits in which County staff had found differences between the amount deposited at the bank and the original deposit slip amount prepared by the Contractor. Based on our reviews, we found the following:

- Deposits were made in a timely manner.
- The Contractor staff were adding up numbers incorrectly on deposit slips and transposing numbers incorrectly from the coin counter report to the deposit slips.
- The Contractor staff were not making notations of corrections on coin counter reports and not noting certain coins counted on the coin counter reports such as 50-cent pieces.

NOTE: According to discussions with Transit Division staff, meetings were held with the Contractor to correct the issues discussed in the prior two bullets. We reviewed deposit records made in May 2001 and found that the coin counter reports were notated with corrections or other notes and signed by staff; and deposit slips were completed accurately.

- Counters do not record in the Dunbar deposit log the date of the fare and the count date. These dates are necessary for tracking and monitoring purposes.
- Counters do not keep a daily record or log on the amount of Metro tokens and tickets, and Department of Corrections' tickets collected each day. We found that there was a significant difference between the number of tokens the Contractor had recorded as sent to Transit Division and the amount the County requested for reimbursement (the amount the Division was reimbursed for was higher than the Contractor's records).
- We noted a significant difference, regarding the tokens, between the summary report (driver data) and what was collected by revenue counters and sent to the Transit Division (the amount recorded by drivers was less than that counted by money counters). NOTE: A log should be kept for tokens, tickets, and Department of Corrections' tickets to compare what the Contractor collected and sent to the Transit Division to what is received at the Transit Division.
- The two clerical staff who count the money a majority of the time also do the tallying of the drivers' Trip Sheets and summary reports which reflects revenue estimates. Staff should not be handling money and keeping revenue records, these duties should be segregated. Additionally, counters are not rotated on a regular basis.

To improve internal controls over monies and other fare mediums, we recommend:

8. **The Associate Director of the Office of Transportation continually monitor the completeness and accuracy of deposit slips and revenue documents prepared by the Contractor.**
9. **The Associate Director of the Office of Transportation require the Contractor to record in the Dunbar deposit log, for each deposit, the date the fare was collected and the date the fare was counted.**
10. **The Associate Director of the Office of Transportation require the Contractor to maintain a daily log on Metro tokens, Metro tickets, and Department of Corrections' tickets that are collected through the fareboxes.**
11. **The Associate Director of the Office of Transportation require the Contractor to segregate staff duties so that staff who count monies do not maintain revenue records.**
12. **The Associate Director of the Office of Transportation require the Contractor to periodically rotate staff who count monies.**

During our audit, we reviewed the monthly variances between estimated revenues and deposited revenues (based on the Contractor's Table 9 reports) for February 1998 through June 2001. We also reviewed ridership statistics for calendar year 1999 through June 2001.

We found that the accumulated monthly variances for calendar year 1998 through June 2001 totaled a positive \$728 in 1998; a negative \$27,840 in 1999; a negative \$172,606 in 2000; and a negative \$42,512 for the first six months of 2001. (Positive variance is a cash overage; negative variance is a cash shortage.) During calendar years 2000 and 2001, the monthly variances were all negative and significant. The variances ranged from \$1,280 to \$28,497, or 3.8% to 45.8%. During calendar year 2000, eight months had negative variances above 10.0%, of which, six were in the 30.0% to 40.0% range. During calendar year 2001, the variances were negative and ranged from \$4,729 to \$11,300, or 10.0% to 20.0%.

According to discussions with Contractor staff, the variances are the result of driver errors with the manual records of fares and passengers. Currently not all buses are equipped with the electronic fareboxes. The Contractor does not use the electronic system to account for revenues since a large number of the electronic fareboxes are broken. Additionally, the Contractor is counting monies collectively and depositing monies by the type of fareboxes (electronic or manual). Individual farebox collections are not identified and matched to corresponding buses or routes.

The Contractor occasionally compares the monies in a farebox to driver's Trip Sheet(s) to determine variances in revenues; however, this is not performed on a regularly scheduled basis for each route. According to procedures, the Contractor is to conduct random checks on driver Trip Sheets for each route, along with deposit tickets, in an effort to ensure proper accounting. According to Transit Division staff, County staff did not perform comparisons for over a year due to staff shortages, but did review the monthly variance amounts.

From a review of other jurisdictional bus services, we found that one jurisdiction uses a standard variance rate of 10.0% as an indicator of problems, and 5.0% as their normal range, and other jurisdictions use rates of 5.0%, 3.0%, and 2.0%. According to Transit Division staff, the County does not have an established standard variance rate.

From our review of passenger statistics, average monthly ridership increased from calendar year 1999 to calendar year 2000 by 17,185 riders, or 14.4%; and from calendar year 2000 through May 2001 by 18,281 riders, or 13.4%. The number of routes remained relatively constant at approximately 18.

We conclude that the negative variance levels discussed above are significant and require management action. We believe that a standard variance rate needs to be established by the County and used as a benchmark for specific actions when the standard is not met. The County and the Contractor need to perform reviews and tests on each route and bus on a regularly scheduled basis to determine where high variances are occurring and take the necessary steps to correct the reasons for the differences. We conclude that all buses should be equipped with the electronic fareboxes so that more accurate estimated revenues are determined and used for comparison and monitoring purposes. We recommend that:

- 13. The Associate Director of the Office of Transportation establish a standard for the amount of variance acceptable between TheBus services estimated revenues and actual monies collected/deposited.**
- 14. The Associate Director of the Office of Transportation require the Contractor to install electronic farebox systems on all buses.**
- 15. The Associate Director of the Office of Transportation monitor variance levels based on the standard variance rate discussed in Recommendation 15. Significant variances should be investigated and documented, and appropriate actions taken to correct the reasons for the variance.**
- 16. The Associate Director of the Office of Transportation, as well as the Contractor, perform periodic tests on each route and each bus to determine any significant variances between estimated revenues and actual monies collected. Significant variances should be investigated and documented, and appropriate actions taken to correct the reasons for the variance.**

Once monies have been deposited with the bank, the Transit Division receives a deposit receipt from the bank. Bi-monthly the Transit Division staff prepare a Transmittal Form for the various deposit receipts and forwards them to the Treasury Division.

During our review of the money handling process for TheBus revenues, we learned that no one in the Transit Division or in the Financial Management Division compares Transmittal Forms to the revenue accounts to ensure all deposited monies are recorded in the revenue account. NOTE: The same finding was noted under our review of the Call-A-Cab program and the para-transit bus services and should be included as part of the reconciliation recommended in Recommendation 4.

Mover Passes and Bus Transfers

The Transit Operations Section provides mover passes to the Contractor that are sold to TheBus passengers for all day regional bus transportation. The passes are pre-numbered and dated, and valid for one day only. The Section also provides bus transfers to the Contractor that are given to passengers to use when transferring from one bus line to another. The transfers are pre-numbered and pre-dated, and valid for one day only. The Section maintains a log on passes and transfers provided to the Contractor.

The Contractor's dispatchers issue the passes and transfers to drivers each day. A transfer log is maintained on the passes and transfers issued to the drivers by the sequence numbers listed on the passes and transfers. The drivers initial the log for the passes and transfers they receive. At the end of a driver's shift, he/she is to record in the log the remaining sequence numbers of the passes and transfers that were not used that day and initial the log. The drivers record on their Trip Sheet the sequence numbers of the passes and transfers they received at the beginning of their shift and the remaining numbers at the end of

their shift. The drivers also record the number of passes sold and transfers given to riders on their Trip Sheet.

During our audit, we reviewed the internal controls over the passes and transfers. We found that the transfer log is not adequately maintained. The sequence numbers of the passes and transfers are not being recorded on the log when they are issued to drivers and at the end of their shifts. We found that the Contractor does not reconcile what was issued to the drivers to what is on hand at the end of the drivers' shifts and to what is recorded on the drivers' Trip Sheet as being sold or given to riders. To ensure that passes and transfers are being appropriately accounted for, we recommend that:

- 17. The Associate Director of the Office of Transportation require the Contractor to properly maintain the transfer log. The Associate Director should also require the Contractor to periodically compare the number of bus transfers and mover passes turned in by the drivers to the driver's Trip Sheet and to the transfer log.**
- 18. The Associate Director of the Office of Transportation periodically review the Contractor's mover passes and bus transfer records for accuracy and proper accountability.**

Also, during our audit, we found that Transit Operations Section staff do not periodically inventory the mover passes and bus transfers that are in storage and compare it to the Section's passes and transfers logs to ensure that what is recorded on the logs as being on hand is actually present. We recommend that:

- 19. The Associate Director of the Office of Transportation periodically inventory the mover passes and bus transfers that are in storage and compare the inventory to the Section's passes and transfers logs. If discrepancies are found, the Associate Director determine the reasons for the differences and take corrective measures to correct the findings.**

CHAPTER 2

STORM DRAINAGE MAINTENANCE

INTRODUCTION AND SCOPE

The Office of Highway Maintenance – a division of the Department of Public Works and Transportation – provides the services required to maintain the County’s road system ensuring that the system is relatively free from hazards. Within this division is the Storm Drainage Maintenance Unit. Although this Unit is operationally a part of the Office of Highway Maintenance, it is funded entirely from one of the County’s enterprise funds – the Stormwater Management District Fund. The Stormwater Management District Fund was established by Subtitle 10, Section 10-264 of the Prince George’s County Code. This enterprise fund was established to account for the revenues and costs of the County’s stormwater management functions, including storm drain maintenance activities. This Fund derives most of its revenues from an ad valorem property tax.

During our audit, we examined various costs of the Storm Drainage Maintenance Unit to determine if they were appropriate. These costs included payroll and non-payroll costs. We examined charges for the calendar year January 1, 2000 through December 31, 2000.

FINDINGS, COMMENTS AND RECOMMENDATIONS

Credit Card Purchases

The Office of Highway Maintenance has approximately 15 authorized credit card holders under the County’s credit card program. Authorized credit card holders can make purchases up to their daily and monthly limits. The daily limits for the Office’s cardholders range from \$500

to \$5,000. The monthly limits range from \$2,500 to \$50,000. Purchases made under the County's credit card program are required to have certain specified supporting documentation and there are monthly procedures that each holder must comply with at the close of each month. These monthly procedures include the preparation of a Cycle Log Sheet listing each transaction for the month, which is reviewed and signed by the holder's supervisor.

In conducting our examination of credit card purchases that have been charged to the Stormwater Management District Fund, we selected a random sample of 30 items of purchases made in calendar year 2000. We tested these items to ensure that purchases were properly authorized and supported, and that purchases were related to the Fund's purpose.

Our testing revealed that 6 of the 30, or 20.0%, of the purchases examined did not have a supervisor's signature on the Cycle Log Sheet. This may indicate that the Office of Highway Maintenance does not always ensure that a supervisory review is conducted on the monthly purchases of each cardholder.

The Office of Highway Maintenance issued an August 3, 1999 memorandum, establishing the Office's policy on credit card usage. One of the requirements of that policy statement is that the Cycle Log Sheet, documenting the cardholder's monthly purchases, must be signed by their supervisor and submitted by "the 5th of each month following receipt of the prior month end credit card statement."

If the appropriate supervisors do not properly review cardholders' purchases, it weakens the controls established to detect the inappropriate use of County credit cards. We recommend that:

- 1. The Associate Director of the Office of Highway Maintenance take the steps necessary to ensure that all monthly purchases by credit cardholders' are reviewed by the appropriate supervisors, pursuant to their August 3, 1999 Policy Statement.**

Leaf Pick-Up Activity

During the process of our audit, the Office of Highway Maintenance personnel informed us that the staff assigned to the Storm Drainage Maintenance Unit is used for seasonal leaf pick-up activity. As stated earlier, the costs of this Unit are charged through to the Stormwater Management District Fund – an enterprise fund established to account for the revenues and costs associated with the County's stormwater management activity.

Based on discussions with Department staff, we learned that the Storm Drainage Maintenance Unit staff is engaged exclusively in leaf pick-up activity for approximately three to five months of the year – between November through March. As such, the employee cost associated with this activity is charged through to the Stormwater Management District Fund for the staff assigned to the Storm Drainage Maintenance Unit – approximately 93 full-time positions.

In our opinion leaf pick-up activity does not fit within storm drainage maintenance core services as set forth in the Annotated Code of Maryland and the Prince George's County Code. Though the Codes' requirements are general in nature, they set forth the purpose of the Storm Management District. The Annotated Code of Maryland, Article 29, Section 3-205, of the Annotated Code of Maryland states that monies should be used to pay for the maintenance of stormwater management systems, the payment of principal and interest on certain bonds, and the cost of stormwater management activities. The Prince George's County Code, Subtitle 10, Section 10-264, mirrors these requirements.

If Storm Drainage Maintenance Unit resources are diverted from the core activity of maintaining the County's storm drain system for approximately three to five months of the year,

this will certainly have a detrimental effect on the upkeep of the system, and may cause a corresponding backlog in preventative maintenance services. Further, we surveyed four Counties in the Washington metropolitan area in order to determine what the standard industry practice was pertaining to leaf pick-up services. We discovered that none of these other Counties' stormdrain maintenance functions performed leaf pick-up activity.

Leaf pick-up activity was only assigned to the Storm Drainage Maintenance Unit as a cost cutting/job retention measure in the early 1990's. This was done to take advantage of other sources of funds outside of the County's General Fund. Prior to that, the General Fund, not the Stormwater Management District Fund, was funding this activity.

We recognize that this is a debatable issue, but we believe that the Office of Highway Maintenance should re-evaluate the appropriateness of charging employee time spent on leaf pick-up activity through to the storm drainage activity. We present this item for the Department's further review and are not making any recommendations at this time.

CHAPTER 3

FEES-IN-LIEU

INTRODUCTION AND SCOPE

The Department of Public Works and Transportation (Department) is responsible for maintaining County roads. The Department also is responsible for reviewing and approving permit applications for road construction that are submitted through the County's construction/building permit process or directly through the Department.

Applicants, as an alternative to building the road themselves, can request the Department for a fee-in-lieu payment to the County for all or part of the road construction in the amount equal to the value of the work as estimated by the Department, plus a 25.0% contingency. The Engineering Section calculates the amount of the fee-in-lieu, which normally is paid prior to obtaining the permit. However, there are incidents in which the fee-in-lieu is paid in installments while construction is underway.

During our audit, we reviewed the process for calculating fee-in-lieu payments and reviewed the adequacy of the monitoring and tracking mechanisms for fee-in-lieu payments.

FINDINGS, COMMENTS AND RECOMMENDATIONS

The Engineering Section receives requests for fee-in-lieu payments. The District Engineers calculate the fee-in-lieu payment based on construction material costs and blue prints for the road construction. The District Engineers maintain a log of all applicants and the fees due. Each permit application is recorded in the automated permit system where various data is maintained on the permittee and all applicable permit fees required to obtain the permit. The District Engineers forward manual records regarding the fee-in-lieu payments to

the Department's Permits Section and Program Control Division for collection, tracking and monitoring purposes.

The Permits Section monitors the permit application records to ensure that all permit fees are paid prior to the permit being issued. The Program Control Division monitors and tracks all fee-in-lieu payments to ensure that all fee-in-lieu payments are properly received and recorded by the Department.

During our review, we learned that the automated permit system contains various screens for recording various permit data. The Fees screen has various boxes that can be checked to indicate the type of fees that need to be paid to obtain the permit. Additionally, the Conditions screen can be used to record data regarding fees, exceptions, and other data related to the permit.

We found that adequate processing steps are in effect to ensure that fees are collected, however, the use of the County's automated permit system could be used to enhance tracking and monitoring fee collections. The Fees and Conditions screens in the permit system should be used to indicate when fee-in-lieu payments are due, what the fee amount is, and other data regarding the fee payments such as yearly payment arrangements. Additionally, the use of the permit system would reduce the amount of paper records required to document and track payments. We recommend that:

- 1. The Director of the Department of Public Works and Transportation require the District Engineers to record fee-in-lieu payments in the automated permit system (check box for fee-in-lieu in the permit system's Fees screen, and record data and the amount of the fee-in-lieu in the permit system's Conditions screen). The Department's Permits Section staff should then review these permit system screens to ensure that all fees due are collected.**

Depending on the amount of the fee, the fee-in-lieu payments are received by the Permits Section or by the Program Control Division. The payment and an Agency/Activity Collection/ Transmittal Report (Transmittal Report) are forwarded to the Office of Finance,

Accounting Division to be recorded in the proper accounts. The Accounting Division then deposits the checks.

During our audit, we found that checks are not always immediately stamped with the County's endorsement stamp. Checks should not be forwarded to the Accounting Division but deposited at the bank to prevent the loss of checks. Once deposited, the deposit slip copy should then be forwarded to the Accounting Division with the Transmittal Report. We recommend that:

- 2. The Chief of the Department of Public Works and Transportation's Permits Section ensure that fee-in-lieu checks are immediately endorsed with the restrictive endorsement stamp.**
- 3. The Deputy Director of the Department of Public Works and Transportation require that fee-in-lieu payments be deposited by the Department's Financial Management Division staff, and then forward the deposit slip and Transmittal Report to the Office of Finance, Accounting Division.**