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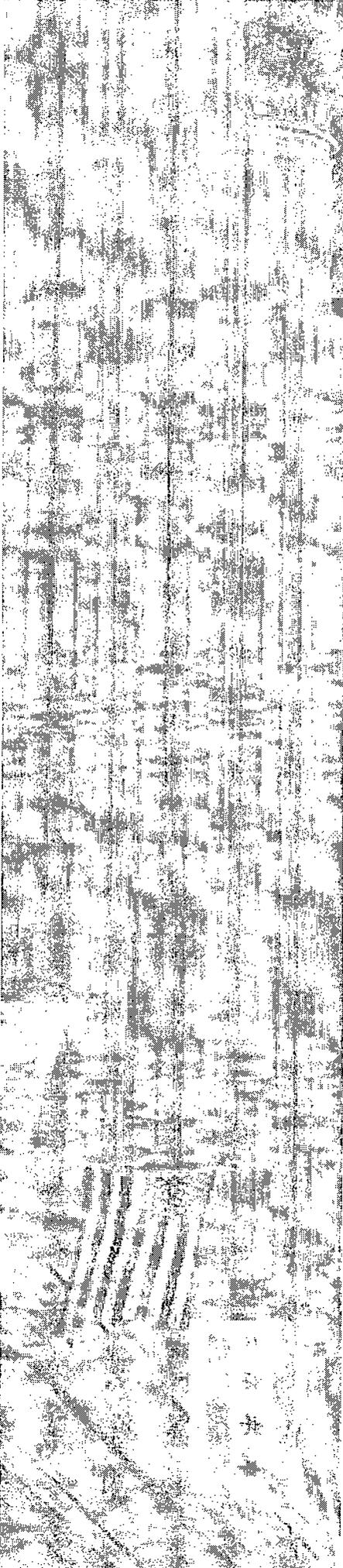
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Committee(s) Assignment:



OFFICE OF INSPECTOR GENERAL
City of Chicago



REPORT OF THE OFFICE OF INSPECTOR GENERAL:

***DEPARTMENTS OF TRANSPORTATION AND FINANCE
LOADING ZONE AND RESIDENTIAL DISABLED SIGN
PROCESSES FOLLOW-UP INQUIRY***

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OFFICE OF INSPECTOR GENERAL
City of Chicago

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July 01, 2016

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed a follow-up to its June 2015 Loading Zone and Residential Disabled Sign Processes audit of the Departments of Transportation (CDOT) and Finance (DOF). OIG concludes that CDOT and DOF have partially implemented corrective actions related to the audit findings.

Our original audit revealed that CDOT conducted site surveys and billing for loading zone signs, while DOF conducted site surveys and billing for disabled parking signs. Aldermen reviewed both types of sign requests, and, if approved via ordinance, CDOT installed the signs. The purpose of the audit was to determine if the applicable fees were collected and to identify any delays in the installation processes.

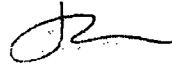
Regarding the loading zone sign process, OIG found that the City had failed to collect \$3.9 million in recurring loading zone fees invoiced in 2013, and miscalculated installation fees resulting in overpayments of \$10,550 by business owners who requested signs. Also, CDOT took an average of 337 days after receiving an approved request to install a loading zone sign. Based on our findings, OIG recommended that CDOT restructure the loading zone process to improve efficiency, as the department itself had proposed in 2013, or pursue alternative means of correcting problems with its billing and installation processes. Possible alternatives identified by OIG included creating a complete inventory of signs, thereby enabling CDOT to identify business owners responsible for annual fees, and developing procedures for collecting unpaid fees. In addition, we recommended that CDOT take measures to ensure that the installation fees charged, accurately reflected the Municipal Code of Chicago (MCC) requirements, and that the Department work with City Council to establish reasonable and specific timeframes for installation.

Regarding the residential disabled parking sign process, OIG found that the City had collected 100% of installation fees for signs installed in 2013, but failed to collect \$3,250 in annual renewal fees and took an average of 207 days after receiving an approved request to install a disabled parking sign. Based on our findings, we recommended that DOF review all disabled parking sign records to ensure that they were marked with the appropriate billable status, and review the process to ensure accuracy moving forward. Also, we recommended that DOF work with City Council to develop a more cost-effective and timely way to provide residential disabled parking signs.

CDOT and DOF agreed to implement corrective actions in response to our recommendations. In April 2016, OIG followed up with the Departments regarding the status of the corrective actions, as well as any other actions they may have taken. Based on their responses, OIG concludes that, although CDOT did not restructure the loading zone process, it has fully implemented three of the recommended corrective actions, including by simplifying the sign approval process in cooperation with City Council, and it has partially implemented the fourth. DOF has begun the process of addressing our recommendations, but has not yet fully implemented one of the recommended corrective actions. We commend the Departments for the corrective actions they have implemented, and encourage them to continue to pursue changes tailored to resolve the findings noted in the original audit.

We thank the staff and leadership of CDOT and DOF for their cooperation during the original audit and responsiveness to our follow-up inquiries.

Respectfully,



Joseph M. Ferguson
Inspector General
City of Chicago

I. FOLLOW-UP RESULTS

In April 2016, OIG followed up on a June 2015 audit of the City's loading zone and residential disabled sign processes. CDOT and DOF replied by describing the corrective actions they have taken in response to the original audit, and provided supporting documentation. We have summarized the six original findings, the associated recommendations, and the status of the Departments' corrective actions below. OIG's follow-up inquiry did not observe or test implementation of the new procedures and thus makes no determination as to their effectiveness, which would require a new audit with full testing of the procedures.

FINDING 1: **CDOT did not collect \$3.9 million, or 59.9%, of annual loading zone fees invoiced in 2013, including amounts due from previous years.**

OIG Recommendation: We recommended that CDOT management consider restructuring the loading zone process by pursuing changes such as those described in the Department's 2013 *Loading Zone Restructuring* proposal.¹

If CDOT chose not to overhaul the process as it had proposed, we recommended that CDOT at a minimum conduct a review of all loading zone locations to create an accurate and complete inventory of locations and to identify the business owners responsible for the past and ongoing annual fees. Furthermore, we recommended CDOT identify and implement process controls to ensure the accurate and complete inventory and identification of responsible business owners in the future.

We also recommended that CDOT work with DOF to create and implement procedures to collect unpaid fees. This would include an analysis of past due fees associated with each location/business owner and the collectability of those fees. If deemed collectable, CDOT should pursue payment. If deemed uncollectable, CDOT should update its records to reflect that determination.

In addition, we recommended that CDOT work with DOF to identify and fully implement procedures to comply with the City's Cash Management policy. The controls identified within that policy are designed, in part, to ensure "that all payments are received, properly safeguarded and deposited." Specifically, we recommended the following:

¹ During our initial audit interviews, a previous CDOT management team described the loading zone sign application and installation processes as inefficient, and shared the *Loading Zone Restructuring* proposal it had presented to the Mayor's Office in 2013 to address the inefficiencies. For details on the Proposal, see the "Background" section of the original audit.

- a. CDOT and DOF should define procedures to achieve compliance with the policy's directive that "payments should be made directly to DOF managed resources through established payment processing systems."
- b. CDOT should transition its stand-alone billing system to the City's FMPS Accounts Receivable system or another billing system sanctioned by DOF.

Because CDOT had stated that the loading zone billing and collection processes mirrored other billing and collection processes within CDOT (e.g., commercial driveways), OIG recommended that CDOT implement controls addressing the above recommendations for all comparable processes. OIG also recommended CDOT consult with DOF to determine if these billing and collection processes can be combined with others, such as annual business licensing, to streamline billing for users and for the City.

Status of Corrective Action: **Partially Implemented.** Regarding CDOT's 2013 *Loading Zone Restructuring* proposal, the Department has decided not to overhaul the process in precisely the manner outlined in the proposal, but will "continue to look to improve the program," and states that "some of those potential areas for improvements are identified in the 2013 Loading Zone Restructuring Proposal." CDOT stated that it has "undertaken various improvements to the loading zone program," focusing initially on addressing billing inconsistencies and streamlining the application process (described in Finding 3 below). For example, CDOT, in conjunction with DOF, worked to identify, and took action against, 1,586 delinquent accounts. Of those accounts, DOF placed holds on 352; closed out 359; determined that 192 had actually been paid; determined that 49 were duplicates; and sent demand letters to 634, resulting in the collection of a total of \$748,137.44 in outstanding fees. However, CDOT has not identified the locations of all loading zones (and thus potentially delinquent accounts), stating it "does not have the funding or staffing to conduct a citywide survey of the over 4,000 miles of streets where loading zones could potentially be located."

Regarding cash management controls, CDOT continues to rely on a stand-alone system for loading zone billing while it pursues a transition to the City's Hansen 8 permitting system. According to the Department, "[t]he integration of systems used by CDOT and DOF for billing and collections processes is part of a citywide paperless initiative to enhance tracking and to improve collections and recordkeeping," and the transition of all stand-alone systems to Hansen 8 is not yet complete. In the meantime, the Department

stated that “as of January 1, 2016, CDOT employs both the FMPS Accounts Receivable System and the Point of Sales invoicing method for the loading zone program. Both systems comply with the City’s Cash Management Policy and have been reviewed by the Department of Finance.” CDOT also provided to OIG an Aged Accounts Receivables report, as well as its Cash Management Procedures memo, which outlines the Department’s procedures for complying with the City’s Cash Management Policy. CDOT stated that it “has identified the commercial driveway program as another potential opportunity to streamline processes, improve collections, and enhance customer satisfaction,” but that this program has not yet been transitioned to Hansen 8 or FMPS AR.

FINDING 2: CDOT inaccurately billed for loading zone installations.

OIG Recommendation: We recommended that CDOT immediately design and implement procedures to ensure installation fees reflect the current requirements of the MCC. Such procedures should ensure business owners are charged a single annual fee equal to \$110 if the loading zone is outside the Central Business District (CBD) or \$500 if inside the CBD.

CDOT should also determine all overpayments by business owners and develop the necessary corrective action to issue reimbursements.

Finally, CDOT should review all loading zone locations in the billing system and correct any that are inaccurately designated as outside the CBD although they are inside the CBD, or vice-versa.

Status of Corrective Action: **Implemented.** CDOT stated that it “worked with the Department of Law to update the MCC to remove inconsistent language.” The Department further stated that it reviewed its billing inventory to ensure that loading zone locations in the CBD are invoiced at the proper rate, and verified that the billing system correctly distinguishes between CBD and non-CBD locations. The Department corrected approximately 120 accounts based on its review.

CDOT reviewed the 389 new loading zone installations approved from January 2012 to January 2015 (when the Department changed from a per-sign to a per-location basis for calculating fees). It identified 324 accounts entitled to a total of \$50,570 in credits resulting from overbilling. The Department stated that it notified the affected account holders and it will apply any credits due toward future annual loading zone maintenance fees.

FINDING 3: **The loading zone sign program lacked complete and accurate tracking and performance data because the City Council did not centrally track application dates and CDOT did not maintain complete data for 88.4% of requests. Where complete data was available, OIG estimated that the City installed loading zone signs in an average of 337 days from the time of application.**

OIG Recommendation: We recommended that CDOT management consider restructuring the loading zone process by pursuing changes such as those described in the Department's 2013 *Loading Zone Restructuring* proposal. If CDOT did not implement an overhaul of the process as proposed, we recommended that CDOT,

- a. engage with City Council to set specific time period performance measures for each task within the process and to track progress;
- b. develop and implement controls to ensure the completion of each task within the newly defined time periods; and
- c. design an application form, available electronically if possible, that captures all necessary data, and require that all requests be completed on that standardized form.

We also recommended that CDOT develop and implement procedures to ensure Customer Service Request (CSR) data is entered accurately, completely, and in a timely manner.

Finally, we recommended that CDOT evaluate its staffing needs in the sign management program and work with the Office of Budget and Management (OBM) to address any confirmed staffing shortages.

Status of Corrective Action: **Implemented.** CDOT "determined that the best way to expedite new installations and to eliminate non-critical processes was to convert the program from a legislative process under City Council purview into an administrative function within CDOT." In late 2015, the Department worked with the Mayor's Office, the Department of Law, and City Council to amend relevant portions of the MCC. As a result, the loading zone installation process has changed from one that required full City Council approval to one that requires only the local alderman's approval and is thereafter administered by CDOT.

CDOT stated that it created a standardized loading zone application form and made it available on the Department's

website. CDOT also held training sessions in February 2016 to educate aldermanic staff on the new process and to ensure that they utilize the new application form.²

Under the new method, applicants request approval from their aldermen. If approval is granted, the alderman's office enters the request into the CSR system under a new service request category created for this purpose. This new process allows CDOT "to track the progress of a request as it goes through the various stages through to installation." The two CDOT divisions involved in sign installation—the Division of Infrastructure Management for site surveying, and the Division of Sign Management for sign fabrication, installation, and billing—receive weekly reports on pending loading zone sign requests. Each division has 90 days to perform its respective duties for each request. This new tracking process and 90-day metric went into effect in late February 2016. The Department stated that it expects the new process to shorten task-completion time. However, as a result of the recent implementation date, it has not yet gathered sufficient data to confirm this expectation.

In addition to the eight Sign Management positions CDOT added during the original audit in 2014, it received funding in 2016 for two new positions in the Sign Management Division: a Field Service Specialist and a Director of Administration. The Department is working to fill those positions. As CDOT gathers data related to the new loading zone sign request process, the Department will work with OBM and DHR to make any further required staffing adjustments.

FINDING 4:	CDOT lacked segregation of duties between invoicing and collection of loading zone fees.
OIG Recommendation:	We recommended that CDOT develop procedures to ensure segregation of duties is considered each time a shift in roles and responsibilities occurs. Furthermore, CDOT should examine all areas of operation to ensure duties for the receipt and recording of payment are properly segregated.
Status of Corrective Action:	Implemented. CDOT provided to OIG its Cash Management Procedures, which align with the City's Cash Management Policy. Regarding segregation of duties, CDOT explained that it reviewed the revenue collection process with DOF in 2015. According to CDOT, the review resulted in the development of procedures to

² CDOT Standing / Loading Zone Application forms can be accessed at <http://www.cityofchicago.org/content/dam/city/depts/cdot/LoadingStandingZones/APPLICATION.pdf>.

ensure proper segregation of duties for revenue collections, account reconciliations, invoicing, recording receivables, recording revenue collection, and issuing work orders.

CDOT also established financial protocols that include issuing an invoice, recording the transaction, and reviewing DOF's collections records and recording receipts.

FINDING 5: **DOF collected installation fees for disabled parking signs, but did not bill for annual fees in 10% of the installations reviewed.**

OIG Recommendation: We recommended that DOF review all disabled parking sign records to ensure they are marked with the appropriate billable status. In addition, to avoid the reoccurrence of this issue, we recommended that DOF define and implement procedures to ensure the status of sign installations is properly updated in the future.

Status of Corrective Action: **Implemented.** DOF stated that it implemented a procedure whereby a supervisor reviews monthly and quarterly sign billing reports to ensure that bills are accurate. Further, Department staff review reports from the City Council's Committee on Pedestrian and Traffic Safety to ensure that work orders are correctly routed to CDOT. Finally, the Department stated that it reviewed the records of installed disabled sign permits dating from 2014, and found that 2% of the permits had not been billed for annual fees.

DOF continues to take steps to ensure the accuracy of residential disabled parking sign billing, and plans to document its procedures for doing so. According to DOF, once it determines what caused the 2% inaccuracy rate, it will resolve the issues. In addition, DOF has documented procedures for reviewing disabled parking permit records. The Department also stated that it "added process controls such as monthly notifications to CDOT of pending sign installations and removals, monthly notification to aldermen in regards to permits awaiting aldermanic action (introduction or passage of the ordinance), review of exception reports and a monthly audit of the permit records by the manager." Finally, by July 31, 2016, DOF plans to automate the disabled parking sign renewal process so that "second notices will be automatically sent 45 days after the first renewal notice if the renewal fee is not paid."

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- FINDING 6:** **The City installed disabled parking signs in an average of 207 days.**
- OIG Recommendation: We recommended that DOF work with the City Council to define goals for each portion of the disabled parking sign installation process, measure actual performance compared to those goals, and determine if there are more cost-effective and timely ways to provide residential disabled parking signs.
- Status of Corrective Action: **Pending Implementation.** DOF stated that it has worked with the City Council Committee on Pedestrian and Traffic Safety to schedule meetings on this issue; however, these meetings have not yet occurred. The Department noted that the MCC provides a 30 day deadline for DOF to complete a parking study from the date of receipt. DOF stated that it currently completes parking studies in an average of 26 days, and that the current average timeframe for applications received in 2015 from complete application to installation is 106 days.

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

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MISSION

The City of Chicago Office of Inspector General (OIG) is an independent, nonpartisan oversight agency whose mission is to promote economy, efficiency, effectiveness, and integrity in the administration of programs and operations of City government. OIG achieves this mission through,

- administrative and criminal investigations;
- audits of City programs and operations; and
- reviews of City programs, operations, and policies.

From these activities, OIG issues reports of findings and disciplinary and other recommendations to assure that City officials, employees, and vendors are held accountable for the provision of efficient, cost-effective government operations and further to prevent, detect, identify, expose, and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

AUTHORITY

The authority to produce reports and recommendations on ways to improve City operations is established in the City of Chicago Municipal Code § 2-56-030(c), which confers upon the Inspector General the following power and duty:

To promote economy, efficiency, effectiveness and integrity in the administration of the programs and operations of the city government by reviewing programs, identifying any inefficiencies, waste and potential for misconduct therein, and recommending to the mayor and the city council policies and methods for the elimination of inefficiencies and waste, and the prevention of misconduct.