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AUGUST 5, 2021

TO THE MAYOR, CITY COUNCIL, CITY CLERK, CITY TREASURER, AND COMMUNITY MEMBERS OF THE CITY OF CHICAGO:

The City of Chicago Office of Inspector General (OIG) has completed a second follow-up to its July 2019 audit of the Chicago Department of Transportation's (CDOT) billing process for commercial driveway permit annual fees. Based on the Department's responses, OIG concludes that CDOT has partially implemented corrective actions related to the audit findings.

The purpose of the 2019 audit was to determine whether CDOT accurately and completely billed commercial property owners for driveways that use the public way. Our audit found that the Department either did not bill, or inaccurately billed, an estimated 6,713 permitholders, resulting in an annual revenue loss between \$1.1 and \$1.5 million. In addition, CDOT had no confidence that its driveway permit system contains records of all relevant driveways. Finally, OIG found that the City did not actively pursue payment for past-due driveway permit fees.

Based on the results of the audit, OIG recommended several steps to correct data problems hampering CDOT's billing operations and to prevent such problems in the future. We also recommended that CDOT collaborate with other departments to include driveway permit fees in the City's standardized debt collection process. In its response to the audit, CDOT described corrective actions it would take.

In February 2020, OIG inquired about the status of corrective actions taken by CDOT in response to the audit and learned CDOT had created procedures to correct inaccurate driveway records and prevent future inaccuracies, developed and initiated a process to migrate data to the new Infor Public Sector (IPS) system, and documented standardized driveway permitting and billing procedures to share with relevant employees. However, no corrective actions had been fully implemented at that time.

In March 2021, OIG inquired again about corrective actions taken by CDOT in response to the audit. Based on CDOT's follow-up response, OIG concludes that CDOT has still only partially implemented corrective actions. While the Department has completed the migration to the new data management system described in the first follow-up and created internal controls to prevent future inaccuracies, many of the underlying issues found in the audit have not been addressed. Specifically, CDOT has not made necessary corrections to ensure all existing records are complete and accurate, nor begun to identify and record undocumented driveways. Additionally, CDOT has not begun to credit or reimburse incorrectly billed accounts. Finally, despite creating procedures for debt collection, CDOT has not begun to implement them nor

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integrated its procedures with the Departments of Law and Finance. It has, however, integrated its new system with the operations of the Department of Business Affairs and Consumer Protection, enabling the placement of holds on business licenses of permittees with delinquent accounts.

Until corrective actions are fully implemented, the City will continue to experience revenue loss. Once fully implemented, OIG believes the corrective actions reported by CDOT may reasonably be expected to curtail future revenue loss. We urge the Department to fully verify the accuracy of its driveway billing permit data, credit or reimburse corrected accounts, pursue outstanding debt, and monitor permits at risk for non-billing or inaccurate billing. Below, we summarize our two audit findings and recommendations, as well as the Department's response to our follow-up

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

Joseph M. Ferguson Inspector General City of Chicago

Respectfully,

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CDOT COMMERCIAL DRIVEWAY BILLING AUDIT SECOND FOLLOW-UP

FOLLOW-UP RESULTS

In March 2021, OIG followed up for the second time on its July 2019 Chicago Department of Transportation (CDOT) Commercial Driveway Billing Audit.¹ CDOT responded by describing the corrective actions it has taken and providing supporting documentation. Below, we summarize OIG's two findings, the associated recommendations, and the status of CDOT's corrective actions. Our follow-up did not observe or test implementation of the new procedures; thus, we make no determination as to their effectiveness, which would require a new audit with full testing.

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FINDING

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OIG Recommendation:

OIG recommended that CDOT take the following actions to improve the accuracy of its driveway billing practices:

1. Correct inaccurate or missing data that results in unbilled or inaccurately billed permit fees, specifically driveways with unknown property owners, prolonged pending case statuses, missing billing addresses, waiver errors, "removed" driveway errors, unchecked "able to invoice" boxes, or inaccurate central business district identification.
2. Design and implement procedures to prevent future inaccuracies, specifically driveways with unknown property owners, prolonged pending case statuses, missing billing addresses, waiver errors, "removed" driveway errors, unchecked "able to invoice" boxes, or inaccurate central business district identification.
3. Credit accounts that have been overbilled and provide reimbursements for those that have overpaid.
4. Collaborate with the Department of Assets, Information and Services (AIS, formerly the Department of Innovation and Technology) to retire NSR/Suntrack and transfer

functionality and data to Hansen.

5. Remove or consolidate NSR/Suntrack database fields that are redundant, rarely used, or unnecessary, and ensure these problems are not replicated once functionality is transferred to Hansen.

¹ City of Chicago Office of Inspector General "Chicago Department of Transportation Commercial Driveway Billing Audit," July 1, 2019, <<https://igchicago.org/wp-content/uploads/2019/06/CDOT-Driveway-Billing-Audit.pdf>> and "CDOT Commercial Driveway Billing Follow-Up," April 21, 2020, <<https://igchicago.org/wp-content/uploads/2020/04/Driveway-Billing-Follow-Up.pdf>>.

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6. Identify and record existing, undocumented driveways.
7. Document and provide standardized driveway permitting, billing, and monitoring procedures to relevant employees.
8. Develop monitoring tools to detect permits at risk for inaccurate billing or non-billing.

Status of Corrective Action: Partially Implemented

1. As of April 2021, CDOT estimated it had reviewed 300 of the approximately 24,000 records. The Department acknowledged that it has "not proceeded efficiently."² In response to the 2019 audit, CDOT had dedicated an entry-level staff member to reviewing and correcting driveway permit records, but the City terminated that individual's employment in March 2021. CDOT stated it is currently working with the Office of Budget and Management to approve an engineering position to focus on the correction efforts. CDOT estimates the remaining corrections will take more than two years. In addition to the internal correction efforts, the Department developed a Driveway Permitting Web Portal that allows permitholders to "verify and, if necessary, correct the information associated with their driveway permit."³ In April 2021, CDOT notified approximately half of the permitholders of the portal, inviting them to "claim" their permits and correct related data. CDOT notified the remaining permitholders on July 19, 2021.
2. CDOT stated that its new data management system, IPS 11, includes mandatory data fields that prevent the omission of information about property owners and addresses. The Department also reports that IPS 11 eliminates inaccurate designations of central business district location by validating addresses with the City's GIS database. CDOT is currently developing an IPS 11 mobile application that will allow it to verify "removed" driveway status; it plans for this application to go live in summer 2021. As reported in the April 2020 follow-up report, CDOT had developed Standard Operating Procedures for Driveway Permits (SOPs) and it conducted staff training in January 2020. The Department has since updated rules and regulations to reference the new IPS 11 system and developed guides for both internal and external users.⁴

² CDOT reported it had reviewed 60 records when OIG inquired in February 2020 and that, since that time, the staff member assigned to perform this role had reviewed approximately 240 records. The approximation was based on the staff member's assertion that they had reviewed "one percent."

³ The Driveway Permitting Web Portal can be accessed at <<https://ipi.cityofchicago.org/Permits>>.

⁴ The rules and regulations, as well as the guides for both public users and City staff, are available on CDOT's website: <<https://www.chicago.gov/city/en/depts/cdot/supp%20info/driveway%20permits.html>>.

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3. As of April 2021, CDOT has not credited accounts or reimbursed overpayments. CDOT will take such action, if necessary, during the data corrections process.
4. CDOT and the Department of Assets, Information, and Services (AIS) implemented IPS 11 in November 2020. As mentioned above, data correction efforts were not complete at the time of data migration. Therefore, the IPS 11 development team incorporated a "non-compliant" status in the system. The system automatically assigns the status to permits with delinquent debt, outdated insurance information, or inactivity. As of July 2021, IPS 11 reflected 17,085 non-compliant permits.
5. CDOT stated that during development of IPS 11, it was able to "eliminate many unnecessary fields, including the three conflicting status fields and fields with unnecessary or null data." The Department and the IPS development team accomplished this by considering workflow and mapping the prior system's data fields onto new IPS fields.
6. CDOT stated it has not yet begun to identify undocumented driveways, but will launch an IPS mobile application in summer 2021 that will allow staff to document such driveways as they are identified. The Department has not yet defined procedures to identify undocumented driveways, as this will largely depend upon the application's final design and functionality.
7. As reported previously, CDOT had issued SOPs to driveway unit personnel on December 12, 2019, and the Driveway Record Corrections Procedures to individuals conducting the driveway data cleanup on February 24, 2020. After the data migration to IPS 11, CDOT trained relevant staff using the updated rules and regulations as well as the IPS 11 system guide.
8. CDOT stated that IPS 11 automatically assigns a non-compliant status to permits with delinquent debt, outdated insurance information, or inactivity. The system also prompts corrections by automatically notifying permittees of noncompliance. In addition, IPS 11 automatically creates a weekly report of non-compliant permits. The effectiveness of the weekly monitoring report is largely dependent on completion of data correction efforts discussed earlier in this report.

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OIG Recommendation:

OIG recommended that CDOT develop procedures to collect past due driveway permit fees and include these fees in the City's standardized debt collection and verification processes. Another option would be to add annual driveway permit fees to the City's utility bill because driveway and water/sewer fees are both tied to real property. To ensure these processes are efficient and effective, CDOT should collaborate with the Departments of Finance and Law, as well as any other departments as necessary.

Status of corrective action: Partially Implemented

As of April 2021, CDOT determined there were 19,333 driveway permits with unpaid fees, totaling nearly \$4.4 million. Despite the creation of the Debt Collection Policy and Procedures, CDOT has not pursued driveway debt collection. CDOT will take such action during the data corrections process.

CDOT has integrated IPS 11 with the Department of Business Affairs and Consumer Protection's (BACP) database. CDOT stated this will allow BACP to put a hold on business licenses with delinquent driveway permits. CDOT will begin sending delinquent account information to BACP starting in November 2021, one year after the migration to IPS 11, to provide permit holders enough time to make corrections to driveway permit records themselves.

CDOT has not yet incorporated driveway billing debt into the City's overall collection process.

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 by its Investigations Section;
- performance audits of City programs and operations by its Audit and Program Review Section;
- inspections, evaluations and reviews of City police and police accountability programs, operations, and policies by its Public Safety Section; and
- compliance audit and monitoring of City hiring and human resources activities by its Compliance Section.

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 violations of laws and policies; to improve the efficiency, cost-effectiveness government operations and further to prevent, detect, identify, expose and eliminate waste, inefficiency, misconduct, fraud, corruption, and abuse of public authority and resources.

OIG's authority to produce reports of its findings and recommendations is established in the City of Chicago Municipal Code §§ 2-56-030(d), -035(c), -110, -230, and 240.

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