REPORT OF

THE

STATE AUDITOR

Ports of Entry
Department of Revenue

Performance Audit
October 2006

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October 23, 2006

Members of the Legislative Audit Committee:

This report contains the results of a performance audit of the Ports of Entry Section located within the Motor Carrier Services Division at the Department of Revenue. The audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the State Auditor to conduct audits of all departments, institutions, and agencies of state government. The report presents our findings, conclusions, and recommendations, and the responses of the Department of Revenue, the Colorado Department of Transportation, the Colorado State Patrol, and the Public Utilities Commission.

Sally Symanski

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SALLY SYMANSKI, CPA
State Auditor

Ports of Entry
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Performance Audit, October 2006

Authority, Purpose, and Scope

This performance audit was conducted pursuant to Section 2-3-103, C.R.S., which authorizes the Office of the State Auditor to conduct performance audits of all departments, institutions, and agencies of state government. The audit work, performed from January to September 2006, was conducted in accordance with generally accepted government auditing standards.

The purpose of this audit was to review the Ports of Entry Section's (POE's) enforcement of federal and state laws related to the safe operation of commercial motor vehicles. The audit also examined whether these enforcement activities adequately protect critical highway infrastructure from damage and preserve public safety. Additionally, the audit evaluated the POE's controls for ensuring that all required fees, fines, and taxes are accurately assessed, collected, recorded, and distributed to the proper state agencies and funds. We collected data through document reviews, interviews, and surveys with other states. We also analyzed automated state and federal data regarding commercial motor vehicle safety and performance. Finally, we observed port operations at six of the State's ten fixed ports.

We acknowledge the assistance extended by the Department of Revenue and its Ports of Entry Section, the Colorado Department of Transportation, the Colorado State Patrol, and the Public Utilities Commission.

Overview

In Fiscal Year 2006 the POE reported that approximately 6 million commercial motor vehicles cleared one of Colorado's 10 fixed or 10 mobile port locations. The State's 10 fixed ports are strategically located to target the most direct, high volume routes through the State. The State's 10 mobile ports can be positioned on roadways to target local commercial motor vehicles that would not typically clear a fixed port. Commercial motor vehicles are responsible for a disproportionately higher share of highway crashes resulting in fatalities and accelerated highway damage than are passenger vehicles. It is for these reasons that state and federal laws exist to protect the traveling public by reducing the number and severity of accidents involving unsafe commercial motor vehicles and drivers. Existing laws are also intended to reduce highway damage caused by overweight and oversized commercial vehicles as well as to collect revenue intended to help fund highway repairs.

For further information on this report, contact the Office of the State Auditor at 303.869.2800.

The Ports of Entry Section, which is organizationally located within the Department of Revenue's Motor Carrier Services Division, collects revenues related to and enforces both state and federal commercial motor vehicle laws by processing or "clearing" commercial motor vehicles traveling on Colorado's state and interstate highways. Statute requires commercial motor vehicles weighing more than 16,000 pounds and all vehicles weighing more than 26,000 pounds to clear all ports of entry within five miles of the route on which the vehicles are traveling. Generally, clearing a port means that the POE staff verified that the vehicle was operating in compliance with applicable Colorado statutes, rules, and regulations. This may include weighing the vehicle; checking applicable licenses, permits, and credentials; and documenting the clearance in the POE's electronic Business System. The POE staff also conduct safety inspections on some vehicles and assess penalties on vehicles that are not in compliance with statutory or regulatory requirements.

The POE officers collect revenues on behalf of other state agencies including the Colorado Department of Transportation, the Public Utilities Commission, and other sections within the Department of Revenue. In Fiscal Year 2005, the POE officers assessed fees, fines, and taxes totaling more than $4.7 million. Of this amount, the POE staff physically collected slightly more than $2 million. The remaining approximately $2.7 million was not collected by the POE officers. Rather, carriers and drivers may mail in payments associated with fines within 20 days or challenge the penalty in court.

Summary of Audit Comments

We evaluated the POE's enforcement activities to determine their effectiveness in promoting commercial motor vehicle safety and preserving highway infrastructure. We also reviewed the Department of Revenue's controls over the POE's revenue collections to prevent the risk of fraud, abuse, and errors. Finally, we examined the Department's controls for ensuring the security, accuracy, and reliability of data maintained on the POE's electronic Business System. We found:

- **The POE is not sufficiently targeting safety inspections toward high-risk vehicles and drivers.** Like all states, Colorado cannot and does not inspect every commercial motor vehicle that travels its highways. Therefore, it is critical that the POE identify and target enforcement efforts toward high-risk commercial motor vehicles, operators, and carriers. We examined safety inspection data for March 2006 and found that more than half of the POE's safety inspections were performed on low- or moderate-risk vehicles. We also found that high-risk vehicles averaged 69 percent more safety violations than low-risk vehicles and that high-risk vehicles were 200 percent more likely to have 10 or more safety violations.

- **The POE's monitoring of the PrePass safety program is insufficient.** PrePass is a privately operated national company whose technology allows member-vehicles to clear ports of entry at highway speed without having to enter the port. In Fiscal Year 2005 approximately 1.9 million vehicles cleared Colorado ports using PrePass technology, an increase of over 70 percent since Fiscal Year 2002. PrePass maintains a safety program

which calls for 5 percent of all member-vehicles clearing a specific port to randomly enter and obtain a port clearance. In addition, the PrePass safety program calculates a carrier-specific pull-in rate of between 5 percent and 100 percent for carrier companies with a history of safety concerns. We evaluated safety inspections conducted by the POE inspectors on a total of 881 PrePass vehicles during March 2006 and found that 120 vehicles with 5 percent pull-in rates (the pull-in rate for PrePass vehicles with the best safety records) were issued one or more out-of-service violations by the POE. Out-of-service violations are of such a serious nature that the vehicle must remain at the port of entry until the violation is corrected.

- **The POE's safety inspections and port closures are highly predictable**. To maximize effectiveness, the timing of safety inspections and port closures should be unpredictable and adjusted to address vehicle traffic and safety patterns. We found that nearly 88 percent of safety inspections occur between 6:00 a.m. and 7:00 p.m. Monday through Friday. In contrast, the highest average number of safety violations per truck occurs at 3:00 a.m. and the highest average number of out-of-service violations occurs at 11:00 p.m. We also found that the POE consistently closes the same side of its six dual ports (ports that have a weight scale lane and building on both sides of the roadway) from about 10:00 p.m. to 6:00 a.m. every night. Although traffic volume decreases overnight, commercial vehicles represent a greater proportion of vehicle traffic during nighttime hours. More specifically, for three ports where data were available, we found that during nighttime hours commercial vehicles represented 40 percent of all traffic and during daytime hours commercial vehicles represented 25 percent of all traffic. Predictable safety inspection and port closure practices lessen the enforcement potential of the ports by eliminating the element of surprise for vehicles traveling during the overnight hours.

- **The POE does not enforce all of the statutes for which it has authority and responsibility.** First, the POE is not enforcing at least four statutes which provide for more severe penalties when two or more violations occur within a specified time period (usually within 12 months or a calendar year). For example, we found that during Fiscal Year 2005, 17 different carriers were issued three or more citations for port-running (port-running is the term used to describe the action of evading or bypassing ports of entry). The POE did not impose the increased penalties for any of these 17 carriers and did not report the repeat violators to the Public Utilities Commission (PUC) for further enforcement action. Second, the POE is not enforcing federal regulations and state statutes that require the Department of Revenue to suspend the commercial driver's license of any driver who is convicted of violating an out-of-service order. As a result, the State may be at risk of losing federal highway funds.

- **The Department of Revenue lacks sufficient controls over cash handling and reconciliation procedures for the POE's collections.** As discussed previously, the POE physically collected over $2 million in taxes, fees, and fines during Fiscal Year 2005. We

found that the POE does not have a systematic process for ensuring all sequentially-numbered cash receipts and penalty assessments are accounted for. We tested 20 month-end reports and identified four instances totaling approximately $860 where receipts and assessments, as reported in month-end reports submitted by the POE supervisors, did not agree with information recorded in the Business System. These discrepancies should have been identified and resolved through a regular reconciliation process. We also found that the POE lacked procedures to reconcile the collections, as reported by the port officer at the point of collection, with the amount of collections received from the POE by state agencies (the POE collects fees, fines, and taxes on behalf of other state agencies). Finally, we found the Department lacks customer feedback mechanisms, which serve as an additional control over cash collections. Examples include signs instructing drivers to call a specific phone number if the driver is not provided with the receipt or if the amount on the receipt is different from the amount the driver paid.

- **Colorado's commercial motor vehicle fees and fines have not been comprehensively reviewed or adjusted for inflation.** Fees and fines serve several important purposes including covering the cost of highway damage and deterring repeat violations, thereby protecting the safety of the traveling public. We reviewed a sample of the permit fees and fines related to oversize/overweight vehicles and fines for violations of commercial motor carrier safety laws and found that these fees and fines are significantly lower than those imposed by other states. A 2000 audit released by the Georgia Department of Audits ranked Colorado's oversize/overweight vehicle fines among the bottom 30 percent in the nation. Another 2001 study by Portland State University found that Colorado was among the six states in the nation with the lowest fines for overweight vehicles. For example, Utah fines vehicles $300 for illegally operating 5,000 pounds overweight. In Colorado, a vehicle operator is fined $60 for the same violation.

- **The POE's electronic Business System lacks controls to ensure the security, reliability, and integrity of data, exposing the Department to risks of fraud, abuse, and errors**. First, we found the Department lacks controls to prevent port officers from having unrestricted access to the Business System database. As a result, port officers have the ability to modify or delete records in the Business System (including truck clearance records and receipts for fees, fines, and taxes) without detection. Second, we found the Business System has insufficient data integrity controls to ensure data are complete, accurate, and reliable. We found that about 285,000 of the 3.5 million truck clearance records maintained in the Business System (8 percent) were corrupt. Additionally, 295 receipt records and 34 penalty assessment records were missing from the System. Further, some penalty assessment records were not transmitted successfully from the Business System to the Penalty Assessment Section's electronic systems for collection or transmittal to county courts. County courts reported regularly dismissing penalty assessments because the court had not received a copy of the assessment from the Department's electronic systems. Third, we found the Business System lacks key internal controls to ensure that all applicable fine

and surcharge amounts are accurate. As a result the POE overcharged carriers by about $144,700 and undercharged carriers by about $7,800 during Fiscal Year 2005. Finally, we found that the Department needs to conduct a comprehensive evaluation of the Business System to address the serious control weaknesses we identified and to ensure the Business System can be depended upon to manage revenue collections, enforce statutory compliance, and ensure accurate reporting in the future.

A summary of the recommendations and responses can be found in the Recommendation Locator on page 7. The complete audit findings and recommendations and the responses of the Departments of Revenue and Transportation, the Colorado State Patrol, and the Public Utilities Commission can be found in the body of the audit report.

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
1	25	Use federal safety ratings and other criteria to prioritize risk-based safety inspections. Regularly verify the use of those ratings by individual inspectors and ports.	Department of Revenue	Agree	January 2007
2	31	Improve monitoring and oversight of PrePass vehicles to ensure that higher-risk vehicles physically clear ports and are targeted for safety inspections.	Department of Revenue	Agree	March 2007
3	35	Improve safety inspection staffing patterns by (a) ensuring that safety inspectors use available data to identify higher-risk locations and hours and target inspection resources accordingly, (b) reviewing work schedules prepared by federally funded safety inspectors to ensure compliance with federal guidelines, and (c) evaluating current staffing patterns to determine opportunities for more flexible scheduling of part-time safety inspectors.	Department of Revenue	Agree	a. January 2007 b. January 2007 c. February 2007
4	37	Ensure that dual port hours of operation maximize the identification of overweight and unsafe vehicles by routinely analyzing traffic patterns and weight information.	Department of Revenue	Agree	March 2007

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
5	40	Strengthen the operations of the mobile ports by (a) implementing regular supervisory review and approval of mobile work schedules, (b) enhancing the Business System to include data related to mobile port operations and routinely analyzing these data, (c) ensuring that data from mobile port laptops properly upload to the central server, and (d) reassessing the locations and hours of operation of mobile ports.	Department of Revenue	Agree	a. November 2006 b. December 2007 c. June 2007 d. February 2007
6	46	Enforce all commercial motor vehicle and nuclear material transportation laws by (a) reviewing statutes to identify all enforcement responsibilities and updating the Business System accordingly, (b) training management and staff on these responsibilities, (c) working with the Colorado State Patrol to establish a hearing process to appeal civil penalties related to nuclear materials transportation, and (d) implementing a notification system for vehicles that violate out-of-service orders.	Department of Revenue Colorado State Patrol	Agree Agree	a. June 2007 b. December 2007 c. Determined by CSP d. June 2007 January 2007
7	51	Work with the New Mexico Department of Public Safety to evaluate the existing joint port agreement, identify weaknesses, and take steps to improve enforcement.	Department of Revenue	Agree	July 2007
8	58	Improve controls over the Ports of Entry Section's cash collection processes to mitigate potential for fraud and abuse.	Department of Revenue	Agree	June 2007

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
9	63	Work with other state agencies to perform a comprehensive review and evaluation of the State's commercial motor vehicle fees and fines to include (a) analyzing and comparing Colorado's fees and fines with those of other states, (b) assessing the costs for administering commercial motor vehicle laws including costs to repair highways, (c) identifying ways of increasing revenue from fees and fines to support enforcement activities and finance infrastructure needs, and (d) issuing a report with findings and recommendations including proposals for statutory change.	Department of Revenue	Agree	a. May 2007 b. June 2007 c. June 2007 d. July 2007
			Colorado Department of Transportation	Agree	July 2007
			Colorado State Patrol	Agree	July 2007
			Public Utilities Commission	Agree	July 2007
10	70	Immediately strengthen controls over access to the Business System database. This should include (a) enforcing policies requiring all software to be authorized, (b) conducting periodic inventories of all network software, (c) requiring unique identification codes for all users, and (d) reviewing the appropriateness of access levels for users and administrators.	Department of Revenue	Agree	a. December 2006 b. December 2006 c. December 2006 d. September 2007
11	75	Establish adequate controls over the integrity of Business System data and over Business System data transmitted to other systems.	Department of Revenue	Agree	December 2007

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
12	78	Establish internal controls in the Business System including (a) limiting the ability to modify data to authorized staff and ensuring all data modifications are supported by an audit trail, (b) ensuring that fines and surcharge amounts are accurate, (c) automating calculations of fines and surcharges, (d) tracking separately all permits and registrations, and (e) documenting and testing all updates and changes to the Business System.	Department of Revenue	Agree	a. December 2007 b. January 2007 c. December 2007 d. September 2007 e. Implemented June 2006
13	81	Establish a comprehensive business continuity/disaster recovery plan for the Business System.	Department of Revenue	Agree	December 2006
14	82	Mitigate the risks to data due to connectivity problems by (a) ensuring all ports have necessary backup devices, (b) enforcing Department policies that require daily data backups and offsite storage backups, and (c) investigating solutions to address connectivity disruptions caused by poor telecommunications services.	Department of Revenue	Agree	a. Implemented August 2006 b. December 2006 c. June 2007
15	85	Conduct a comprehensive needs analysis of the Ports of Entry Business System.	Department of Revenue	Agree	December 2007

Ports of Entry

Overview

In Fiscal Year 2006 approximately 6 million commercial motor vehicles traveled on Colorado's 85,000 miles of state and federal roadways. Colorado statute defines a commercial vehicle as "a vehicle used to transport cargo or passengers for profit, hire, or otherwise to further the purposes of a business or commercial enterprise." Additionally, a commercial carrier is statutorily defined as "any owner of a motor vehicle, truck, laden or unladen truck tractor, trailer, or semitrailer used in the business of transporting persons or property over the public highways for profit, hire, or otherwise to further the purposes of a business or commercial enterprise."

Commercial motor vehicles are a vital part of the transportation network that moves goods across the State and the nation. However, as described in Chapter 1, commercial motor vehicles are responsible for a disproportionately higher share of highway crashes resulting in fatalities and accelerated highway damage than are passenger vehicles. It is for these reasons that state and federal laws exist to ensure that commercial vehicles and those who own or drive them meet certain standards. These laws have two broad purposes. First, they are intended to protect the traveling public by reducing the number and severity of accidents involving unsafe commercial motor carriers, vehicles, and drivers. Second, these laws are intended to reduce the highway damage caused by overweight and oversized commercial vehicles, as well as to collect revenue intended to help fund repairs of public roads due to damage caused by commercial vehicles.

In general, to operate in Colorado, commercial carrier companies must document (1) proper registration of all vehicles, either in Colorado for Colorado-based companies or in another state if based there; (2) valid insurance on all vehicles; (3) purchase of all required permits, including nuclear and hazardous material transportation permits as required; (4) payment of all required taxes; and (5) proper licensure of all drivers. Independent commercial motor vehicle drivers must be able to provide similar documentation. In addition, interstate carriers, those operating in more than one state, must provide evidence of proper registration and authority to operate in multiple states.

Ports of Entry

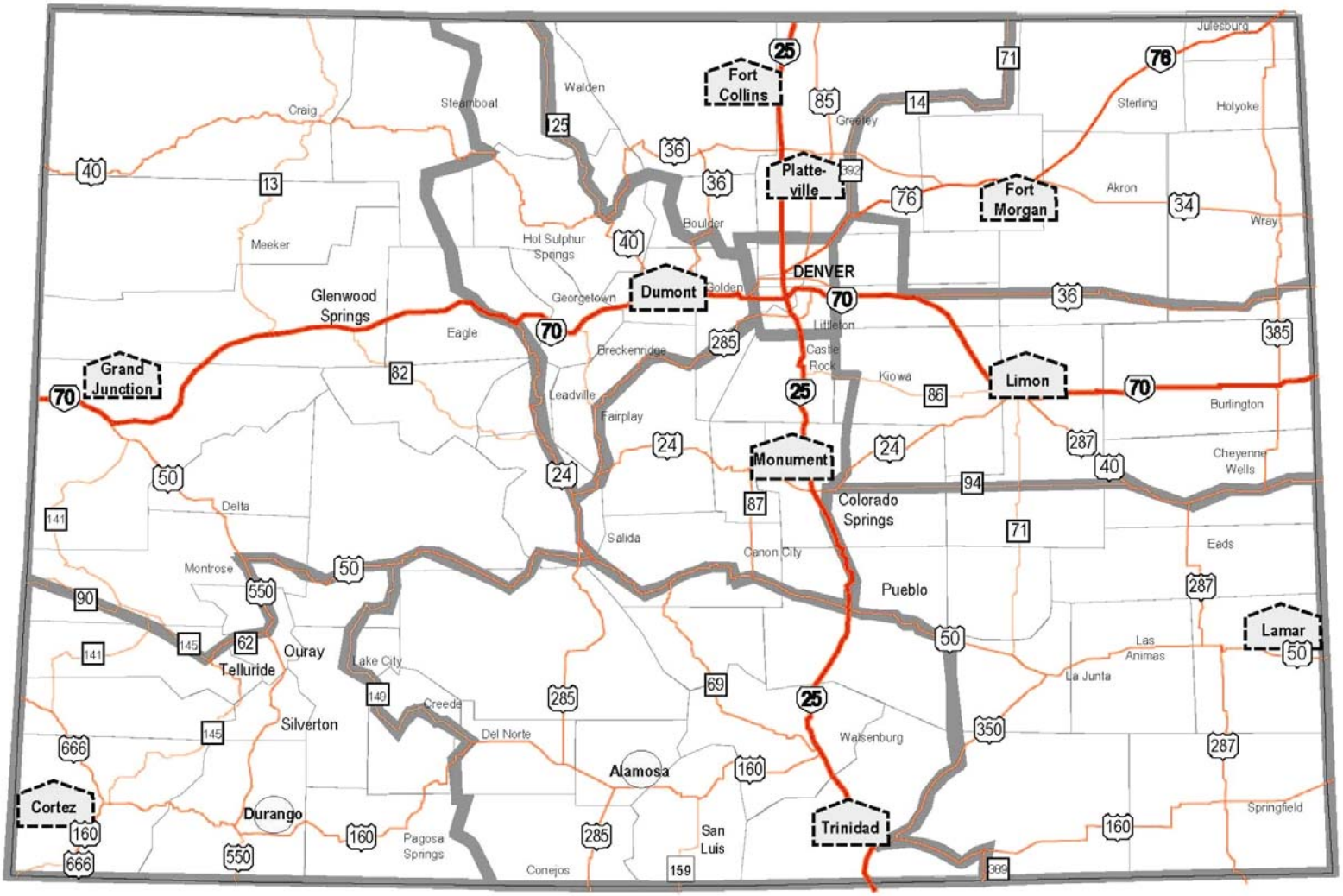
Colorado's ports of entry weigh stations were originally created in 1927 to collect taxes on commercial motor vehicles. Since that time, the ports' functions have expanded significantly. According to Section 42-8-101, C.R.S., ports of entry weigh stations are located on Colorado's public highways for the purposes of:

- Facilitating enforcement of state laws concerning motor carriers and owners and operators of motor vehicles.

- Collecting and distributing the payments of any fees, licenses, or taxes imposed by state laws on motor carriers and the owners and operators of motor vehicles.

- Assisting motor carriers and motor vehicle owners and operators to comply with all tax laws, rules, and regulations pertaining to them.

Today, the Ports of Entry Section (POE), which is organizationally located within the Department of Revenue's Motor Carrier Services Division, collects revenues related to and enforces both state and federal commercial motor vehicle laws. To carry out its duties, the POE operates 10 stationary, or fixed, port facilities located on the most frequently traveled state and federal highways used by commercial motor carriers to enter or exit Colorado. In addition, the POE has 10 mobile ports that it can position at different, less traveled locations throughout the State. Generally, each of the 10 mobile ports operates within the geographical area associated with one of the 10 fixed ports as indicated in the map on the following page.



In Fiscal Year 2006 POE staff at the 20 ports reported processing or "clearing" almost 6 million commercial motor vehicles traveling on Colorado's state and interstate highways. Generally, clearing a port means that POE staff verified that the vehicle was operating in compliance with applicable Colorado statutes, rules, and regulations. This may include weighing the vehicle; checking applicable licenses, permits, and credentials; and documenting the clearance in the electronic Business System. In addition, as described in detail in Chapter 1, POE staff conduct safety inspections on some vehicles and assess penalties on vehicles that are not in compliance with statutory or regulatory requirements.

Staffing and Funding

The Ports of Entry Section employs 120 FTE, including 119 full-time port officers who are assigned to the 20 fixed and mobile ports. The remaining staff member works in POE's central office in Denver. In addition, there are 10 federally funded safety inspectors who are attached to the Motor Carrier Services Division's Safety Section, rather than the POE Section. Eight of the ten federally funded safety inspectors conduct vehicle safety inspections at specific fixed ports. The remaining two include an inspector who performs administrative tasks for the Safety Section and the Director of Safety. According to Section 42-8-104(2), C.R.S., port officers are peace officers. This means that during the time they are engaged in enforcement activities at the ports, they have and are to exercise powers invested in peace officers. This includes the authority to restrain and detain drivers or vehicles and impound or place vehicles out-of-service until any outstanding taxes or fees are paid, or compliance with safety or other regulations are met. However, port officers are not authorized to carry weapons or make arrests. Port officers also issue permits, licenses, and registrations for which they collect payments, and issue and collect penalty assessments (fines) and taxes for vehicles they weigh and/or inspect. The POE does not retain the revenues from these sources. Rather, revenues are transferred to other state agencies and funds in accordance with statute.

In Fiscal Year 2006 the Motor Carrier Services Division expended just over $9.0 million. The majority (almost 98 percent) of these expenditures, or approximately $8.8 million, were related to the programs and activities of the Ports of Entry Section. The POE receives funding from the Highway Users Tax Fund (HUTF), Nuclear and Hazardous Materials Transportation Funds, the Aviation Fund, and three federal grants. In Fiscal Year 2006 approximately $7.8 million, or 89 percent, of the POE's funding was derived from the HUTF.

Duties and Responsibilities

Enforcement Functions

Most of the Ports officers' daily activities are related to administering and enforcing commercial motor vehicle weight laws. As previously stated, in Fiscal Year 2006, POE staff reported that nearly 6 million vehicles cleared Colorado ports of entry weigh stations. Section 42-8-105, C.R.S., requires commercial motor vehicles weighing more than 16,000 pounds and all vehicles weighing more than 26,000 pounds to clear all ports of entry within five miles of the route upon which they are traveling. As vehicles enter the fixed ports or travel through a mobile port, they are weighed by the ports' scales. As the vehicle rides over the in-ground scales, a port

officer enters the vehicle's identification number into the POE's electronic Business System. The Business System is the POE's primary information database and details whether the vehicle is within its declared weight limit and has the required permits and registrations. If the vehicle meets all statutory and regulatory requirements, it is allowed to return to the roadway. If the vehicle is oversized, overweight, or lacks the required permits or registrations, the driver must enter the port office and obtain the needed documentation and pay any resulting fee or penalty before leaving the port.

The majority of commercial motor vehicles entering a port are weighed and their registration and permits verified. However, only a small number also undergo a safety inspection. Vehicles are randomly selected for safety inspections by specially trained safety inspectors. During Fiscal Year 2006 the POE reports that these officers inspected just over 30,200 vehicles, or less than 1 percent, of the almost 6 million vehicles that cleared ports. Safety inspectors apply safety standards established by the Commercial Vehicle Safety Alliance (CVSA), an association of state, provincial, and federal officials responsible for the administration and enforcement of motor carrier safety laws in the United States, Canada, and Mexico. The safety inspections are intended to ensure that items such as brakes, tires, and steering mechanisms comply with the Federal Motor Carrier Safety Administration (FMCSA) standards. Vehicles found to have minimal safety violations receive a list of the violations, and drivers must agree to correct all of them within 15 days. The vehicle is then permitted to leave the port. Vehicles with serious violations are placed out-of-service and are barred from leaving the port until repaired. Drivers of out-of service vehicles also receive citations, or penalty assessments, which the driver may pay immediately, mail in payment within 20 days, or challenge through a court appearance. The POE's enforcement functions are discussed in greater detail in Chapter 1.

Revenue Collection Functions

As stated earlier, the Ports of Entry collects revenues on behalf of other state agencies and state funds such as the HUTF and the Motor Carrier Fund. In Fiscal Year 2005, POE officers assessed fees, fines, and taxes totaling more than $4.7 million. Of this figure, POE staff physically collected slightly more than $2 million. The remaining revenue, approximately $2.7 million, was not collected by POE officers. Rather, the payments were mailed in or paid in court. Generally, the revenues the POE assesses and collects can be grouped into three categories:

- **Fees**. The Ports of Entry provides permits or registrations on behalf of two state agencies. These include permits for oversize or overweight vehicles, for the transportation of nuclear or hazardous materials, and for transportation of harvested crops. In addition, POE issues applications for registration for those commercial motor vehicle companies based in

Colorado. In Fiscal Year 2005, POE collected just over $1 million from the issuance of permits and registrations.

- **Fines.** The POE officers issue penalty assessments for size and weight violations and also when commercial motor vehicle drivers lack the required permits or registrations to legally operate in Colorado. Vehicles placed out-of-service for serious safety violations also are assessed penalties. As stated above, drivers have the option of immediately paying the fine at the port, mailing payment within 20 days, or challenging the penalty assessment in court. In Fiscal Year 2005, POE assessed fines totaling slightly more than $2.9 million. Of this total, officers physically collected about $242,000. In addition, the POE collected just over $79,000 for distraint warrants (a demand for payment of unpaid taxes) and almost $220,00 in penalties on behalf of the Public Utilities Commission.

- **Taxes.** The POE currently collects a total of three taxes on behalf of the Department of Revenue. The passenger mile tax is collected from commercial passenger buses and is based on the number of passengers and miles traveled. The POE also collects the special fuel tax and specific ownership tax on special mobile machinery, such as construction machinery. In Fiscal Year 2005 the POE collected about $461,000 in tax revenue.

As mentioned earlier, the POE does not retain any of the revenues it collects. Rather, revenues collected by port officers are remitted to the Central Department Operations Division within the Department of Revenue, which is responsible for transferring the revenue to the appropriate state agency and fund. The POE's revenue collection functions are discussed in Chapter 2.

Agency Cooperation

Section 42-8-108, C.R.S., states that the Governor shall require the Executive Director of the Department of Revenue, the Chief of the Colorado State Patrol, the Chief Engineer of the Division of Highways (within the Colorado Department of Transportation), the Commissioner of Agriculture, and the Chairman of the Public Utilities Commission to cooperate to the fullest extent possible so that the ports of entry weigh stations should serve the broadest possible functions. In the following sections, we describe the various federal and state agencies with which the Ports of Entry Section interacts, or acts on behalf of, to enforce the laws and collect the revenues associated with Colorado's commercial motor vehicle regulations.

Federal Government

The POE has responsibilities related to carrying out the programs and directives of two federal agencies—the Federal Highway Administration (FHWA) and the Federal Motor Carrier Safety Administration (FMCSA)—within the U. S. Department of Transportation. The FHWA requires each state to develop a plan for the enforcement of vehicle size and weight restrictions on highways that receive federal financing. The state plans are to be designed to ensure that violations are discouraged and that vehicles traveling on the federal highway system do not exceed specified size and weight limits. A state's failure to enforce such a plan can result in the loss of federal highway funding. The federal government requires states to annually submit an *Enforcement Plan for Vehicle Size and Weight Laws*. Colorado's Governor, through this annual document, designates the POE as the State's chief enforcement agency for federal size and weight limitations.

The FMCSA is the federal agency with primary responsibility for decreasing the number and severity of accidents involving commercial motor vehicles. Nationally, in 2005 approximately 5,000 people died and another 114,000 were injured in crashes related to commercial motor vehicles. The FMCSA develops safety regulations and standards for commercial motor vehicles and provides states with funding for vehicle and driver safety inspections through its Motor Carrier Safety Assistance Program (MCSAP). In Fiscal Year 2006 Colorado received approximately $2.6 million for the MCSAP grant program. The Colorado State Patrol is the designated lead agency for the MCSAP program in the State and receives annual federal funding for the program. As a subrecipient of the MCSAP grant, the POE received about $700,000 in Fiscal Year 2006 to fund eight full-time safety inspector positions, an administrative inspector position, and the Director of Safety in the central office.

Department of Agriculture

Statute (Sections 35-53-129 and 130, C.R.S.) requires the Department of Agriculture (DOA) to issue permits for the transportation of horses and cattle. The POE enforces these requirements by ensuring vehicles and carriers have the proper permits. In addition, the Department of Agriculture approves and certifies the accuracy of the scales used by the POE to weigh commercial motor vehicles.

Department of Public Health and Environment

The Colorado Department of Public Health and Environment (CDPHE) regulates and oversees shipments of transuranic nuclear waste traveling through Colorado and bound for the Waste Inspection Pilot Plant (WIPP) in Carlsbad, New Mexico.

Transuranic waste is a regulatory classification of waste that only applies in the United States. It comprises certain wastes (e.g., clothing, equipment, soils, sludge) contaminated with manmade radioisotopes heavier than uranium that are produced primarily during nuclear fuel assembly, nuclear weapons research and production, and nuclear fuel reprocessing. The U.S. Department of Energy has considerable transuranic waste in storage that it has begun sending to the WIPP site in New Mexico. The CDPHE allocates federal grant monies to the Motor Carrier Services Division's Safety Section for the costs associated with inspecting all vehicles transporting these waste materials. Generally, the POE conducts these inspections at the Ft. Collins Port of Entry.

Department of Public Safety

The Department of Public Safety's Colorado State Patrol (CSP) defines rules and regulations for the safe operation of commercial motor vehicles and issues violations to drivers who fail to comply with them. Statutes provide the POE with direct authority for enforcing the commercial motor vehicle rules and regulations adopted by the CSP. As the State's lead recipient of the federal MCSAP grant, the CSP conducts both terminal (carrier site-based) safety inspections and random, roadside inspections of commercial motor vehicles. As noted previously, a portion of the federal MCSAP grant is distributed to the POE to conduct safety inspections on behalf of the CSP. The CSP is responsible for reporting required safety inspection statistics to the federal government. In addition, the CSP designates the roadways that may be used for the transportation of both nuclear and hazardous materials and tracks the movement of these materials through Colorado.

Department of Revenue

As described earlier, the POE, on behalf of the Department of Revenue, collects three types of taxes related to commercial motor vehicles. Port officers collect the passenger mile tax (Section 42-3-304(13), C.R.S.) from commercial buses, the special fuel tax (Section 39-27-102, C.R.S.) from vehicles using special fuel while traveling in Colorado, and the specific ownership tax on special mobile machinery (Section 42-3-107, C.R.S.). POE also checks drivers' commercial driver's licenses and verifies vehicle compliance with the International Registration Plan.

Department of Transportation

According to Section 42-4-510, C.R.S., the Colorado Department of Transportation (CDOT) is one of the state agencies statutorily responsible for issuing permits for oversize and overweight vehicles. The POE enforces the State's commercial motor vehicle size and weight restrictions, issues penalty assessments to violators, and

collects payments for permits and/or fines on behalf of CDOT. In addition, the Department of Transportation owns the rights-of-way upon which the Ports of Entry's fixed port weigh stations are located.

Public Utilities Commission

The Public Utilities Commission (PUC) issues and monitors the fee schedule for hazardous and nuclear materials transportation permits. In addition, the PUC sets the liability insurance regulations for all commercial carriers. The POE enforces the Public Utilities Commission's commercial vehicle regulations, including assessing penalty violations. Additionally, the POE has delegated authority to issue single-trip permits for the transportation of hazardous and nuclear materials, and provides registration and permit application forms to those carriers who need to register for intrastate travel in Colorado and for vehicles operating on behalf of commercial carriers not registered in Colorado, respectively.

Audit Scope

Our audit focused on the Ports of Entry Section's enforcement and revenue collection functions. Specifically, we evaluated whether the Ports of Entry Section's enforcement activities adequately protect critical highway infrastructure from damage created by overweight and oversized vehicles and preserve public safety by enforcing federal and state laws related to commercial motor vehicles. Additionally, we examined whether the Department maintains adequate controls to ensure that all required fees, fines, and taxes collected by the POE are accurately assessed, recorded, and distributed to the proper state agencies and funds.

As part of the audit, we conducted site visits to six fixed ports of entry to observe the ports' operations. We interviewed staff from the Ports of Entry Section, the Colorado State Patrol, the Colorado Department of Transportation, and the Public Utilities Commission. We also surveyed other states and analyzed data from both state and national databases regarding commercial motor vehicle safety provisions and performance.

Enforcement Activities

Chapter 1

Overview

The commercial trucking industry is a vital link in the nation's economy. According to the Transportation Research Board, state and federal regulations governing the weight and dimensions of trucks have important economic consequences because trucks account for four-fifths of the expenditures on freight transportation in the United States (2002 data). However, data indicate that large commercial vehicles represent a greater public safety risk than passenger vehicles. In December 2005 the U.S. Government Accountability Office reported that more fatalities result each year in the United States from passenger vehicle crashes than from truck crashes. However, the likelihood that a fatality will occur is greater for crashes that involve large trucks. In 2004 large trucks were involved in only 4 percent of all accidents nationwide, yet they contributed to 12 percent of the fatalities. Also, according to a 2005 report by the National Conference of State Legislatures, the driving records of commercial motor vehicle drivers are comparable to the driving records of other drivers in terms of prior license suspensions, revocations, and convictions. However, "bigger vehicle size makes large trucks a greater threat to other vehicles and pedestrians."

In addition to traffic fatalities, large trucks are responsible for a disproportionate share of the damage to and deterioration of highway pavement. Pavement wear results from a number of factors including existing pavement condition, climate, and subsoil type. Load-related factors, however, contribute significantly to the accelerated deterioration of highway pavement. These factors include vehicle and axle weight, number and width of tires on the axle, and spacing between axles. Highway damage increases as the size and weight of the vehicle increases.

It is because of the increased safety risks and premature highway damage resulting from large, heavy trucks that the Federal Highway Administration (FHWA) requires each state to enforce vehicle size and weight laws to ensure that violations are discouraged and that vehicles traveling the highway system do not exceed established limits. As previously stated, the Ports of Entry Section (POE) was established in 1927. The POE is responsible for enforcing Colorado and federal commercial motor vehicle laws intended both to protect the traveling public and to preserve the highway infrastructure. Basically, the POE's enforcement duties can be

grouped into three categories. First, the POE enforces all state and federal weight and size regulations, including weighing and measuring vehicles and assessing penalties for violations. Second, POE inspectors enforce state and federal commercial motor vehicle safety laws by conducting safety inspections on selected vehicles. Safety inspections include a driver compliance check and the review of 13 critical vehicle items, including a check of vehicle brake, exhaust, and fuel systems. The POE is authorized, through the use of out-of-service orders, to restrict the continued operation of vehicles and drivers in violation of state and federal safety laws, and to assess the required penalties for violations. Third, the POE enforces other applicable commercial motor vehicle laws by requiring drivers to show that the necessary permits, registrations, and licenses are current before allowing the vehicle to continue traveling.

We evaluated the POE's enforcement activities to determine their effectiveness in promoting commercial motor vehicle safety and preserving highway infrastructure. We identified systemic weaknesses that lessen the likelihood of achieving these goals. As described in this chapter, we found problems with the POE's safety inspections, staffing and facility resource allocations, penalty assessments for violations of weight and safety laws, and applications of statutory mandates. Overall, we concluded that the Department of Revenue needs to do more to ensure the POE Section adopts a rigorous and consistent enforcement program.

Safety Inspections

In Colorado, as in the rest of the nation, commercial motor vehicle accidents are more likely to result in fatalities than are passenger vehicle-only accidents. In Calendar Year 2004, the most recent year for which data are available, commercial motor vehicles were involved in almost 2,200 accidents resulting in 89 fatalities in Colorado. Similar to the previously cited national data, these commercial motor vehicle accidents accounted for only a small percentage (less than 2 percent) of total statewide accidents. However, they resulted in 21 percent of total highway fatalities during that year.

Safety inspections are central to the effectiveness of the POE’s enforcement activities aimed at reducing the number and severity of commercial motor vehicle-involved accidents. According to the Federal Motor Carrier Safety Administration (FMCSA), Colorado commercial motor vehicle enforcement agencies, including the POE, prevent 5.89 accidents and save approximately .23 lives for every 1,000 safety inspections completed. Based on the data and the number of safety inspections the POE reports completing in Fiscal Year 2006, we estimate that POE safety inspectors prevented about 178 commercial vehicle accidents in Fiscal Year 2006 and saved nearly 7 lives.

Vehicle inspections serve as the primary means of monitoring for compliance with state and federal safety requirements. The federal Motor Carrier Safety Assistance Grant Program (MCSAP) exists to assist states in funding long-term strategies for improving commercial motor vehicle, operator, and carrier safety. Among the MCSAP goals are to:

- Increase the number of inspections and compliance reviews to ensure all high-risk commercial vehicles, operators, and carriers are examined.
- Improve the quality and effectiveness of databases by ensuring that all states and inspectors accurately and promptly report complete safety information.
- Provide for a sufficient number of federal and state safety inspectors.

In Colorado the Department of Public Safety (DPS), specifically the Colorado State Patrol's Motor Carrier Safety Section, is the designated lead agency for administering the federal MCSAP. Through an Interagency Agreement with the DPS, the Department of Revenue (DOR) receives 27 percent of Colorado's MCSAP grant for enforcement of the federal rules and regulations. In Fiscal Year 2006 Colorado received approximately $2.6 million from the MCSAP grant. Of this total, the POE received almost $700,000.

Targeting High-Risk Vehicles

Like all states, Colorado cannot and does not inspect every commercial motor vehicle that travels its highways. Resources limit the number of ports staff available to conduct safety inspections. Therefore, it is critical that the POE target its enforcement activities and resources to those vehicles posing a greater risk for violations. We evaluated the POE's safety inspection program to determine whether it is sufficiently risk-based to identify and select for inspection vehicles that are most likely to be in violation of safety requirements. We found that the POE is not doing enough to ensure that its safety inspections target high-risk carriers and their vehicles and drivers.

In Fiscal Year 2006 the POE reported inspecting about 30,200, or less than 1 percent (0.5 percent), of the almost 6 million commercial motor vehicles that cleared its ports. Because the POE inspects only a small portion of commercial motor vehicles that travel through Colorado, it is important that inspections are conducted on vehicles with the highest risk for violations. During our site visits to five port facilities, we surveyed and observed safety inspectors' methods for selecting vehicles to inspect. We found that inspectors have no systematic or risk-based method for identifying and sanctioning carriers, vehicles, and drivers at high-risk for violating safety standards. Rather, upon completing one inspection, inspectors typically

inspect the next truck waiting to clear a port, or they inspect vehicles with obvious safety violations.

Federal Carrier Ratings

The Federal Motor Carrier Safety Administration compiles a national safety rating for each commercial motor carrier company that can be used to identify, and target for inspection, unsafe carriers. The FMCSA has identified three major factors causing or contributing to truck crashes: motor carrier operations, truck driver performance, and vehicle performance. To improve the safety performance of high-risk carriers; ensure drivers are fully qualified, safe, alert, and healthy; and ensure commercial motor vehicles have optimum safety performance, the FMCSA's enforcement approach is to conduct roadside inspections and compliance reviews. The ratings developed by the FMCSA identify unsafe carriers though the compilation of crash histories, roadside inspection results, driver records, and other data. The FMCSA makes the ratings available to states through a computer database.

According to a December 2005 Government Accountability Office report, many states use the FMCSA ratings to target their safety inspections of drivers and their trucks. We found, however, that individual Colorado POE safety inspectors do not routinely use the safety ratings to select vehicles for inspection. Although each inspector has a laptop computer equipped with software that provides quick access to the ratings, inspectors do not regularly use this resource. Moreover, POE management does not use the national ratings on a statewide basis to prioritize inspections toward high-risk carriers. Consequently, the POE's safety inspection efforts are less effective than they should be in addressing the major factors contributing to truck crashes. For example, we reviewed March 2006 POE safety data and found that of the total safety inspections POE staff conducted during that month, close to one-half (46 percent) were on vehicles identified by the FMCSA as being at high-risk for violations. The majority, 54 percent, of the vehicles inspected by the POE during this period were determined by the FMCSA to be of moderate or low risk for safety violations. In addition, we found that vehicles rated as high-risk by the FMCSA that cleared Colorado ports during March 2006 averaged 69 percent more safety violations than those vehicles at low risk for violations. Furthermore, our analysis showed that high-risk vehicles were 16 percent more likely to have one or more safety violations than low-risk vehicles and significantly more likely (200 percent) to have 10 or more safety violations.

The federal Motor Carrier Safety Assistance Program enforcement targets high-risk commercial motor vehicles, operators, and carriers. The POE needs to do more to ensure it is fulfilling this goal by adopting a risk-based safety inspection program. This should include identifying and prioritizing vehicles at greater risk for violating state and federal highway safety standards while ensuring an element of randomness

by not overlooking lower-risk vehicles and vehicles with obvious safety violations. One way to more effectively target high-risk vehicles would be for POE management to issue regular inspection priority lists of carriers based on the FMCSA ratings and/or other criteria such as violations of size and weight restrictions and driver conviction histories. For example, management could compile national ratings and require inspections of certain high-risk carriers on a statewide basis. Finally, the Department should adopt policies and procedures, including a supervisory review, to ensure that POE safety inspectors are accessing and using the national safety ratings and that individual ports are complying with priority lists when selecting vehicles for inspection.

Recommendation No. 1:

The Department of Revenue should ensure Ports of Entry safety inspections are sufficiently risk-based by prioritizing inspections on the basis of federal Motor Carrier Safety Administration ratings and other criteria and by regularly verifying the use of these ratings by individual inspectors and ports across the State.

Department of Revenue Response:

Agree. Implementation date: January 2007.

The Department will develop a method to prioritize Ports of Entry safety inspections using federal Motor Carrier Safety Administration (FMCSA) ratings and other appropriate criteria. The safety manager will ensure that FMCSA ratings are consistently used through regular communication to all POE safety inspectors and the inclusion of this requirement in the new Safety Procedure manual, which will begin development in December. In addition, the program will investigate other information available that identifies high-risk carriers and to the extent possible, conduct inspections of these carriers as they may travel through Colorado Ports of Entry.

The Department will also adopt policies and procedures for its safety inspectors to access and use the information necessary to apply the Department's risk standards and to ensure that safety inspectors are complying with any of the Department's priority inspection requirements for high-risk vehicles and/or drivers.

PrePass Monitoring

PrePass is a privately operated national company with approximately 64,000 commercial motor carrier members. PrePass technology allows member-vehicles to clear the ports of entry of participating states at highway speed, without having to stop. PrePass precertifies its commercial motor carrier members by verifying each carrier's safety record, registrations, permits, and any other necessary credentials (such as a commercial driver's license) with applicable federal and state agencies. Carriers must pay a fee to become a member of PrePass; fees are $14.99 per month for each truck in the carrier's fleet. Currently 27 states have agreements with PrePass that allow PrePass to clear its member-vehicles through participating states' ports of entry.

PrePass clears its member-vehicles through ports of entry by weighing the vehicle (if the participating state has installed an embedded weigh-in-motion scale (WIM) in the highway lane, as discussed below) and by verifying the vehicle's compliance with all applicable laws and requirements. When member-vehicles pass over the embedded WIM scale, a PrePass antenna reads the vehicle's weight and captures the vehicle identification number from a transponder located in the vehicle's cab. PrePass checks the weight and vehicle identification number against information in the PrePass database to verify that the vehicle is in compliance with all requirements. If PrePass verifies that the vehicle has no weight or compliance issues, the vehicle's transponder will show a green light, indicating that the truck can bypass the port of entry. If the vehicle is oversize or overweight, or is not in compliance with permit, registration, or other requirements, the vehicle's transponder will show a red light, indicating that the vehicle must pull in to physically clear the port.

In addition to verifying the compliance of member-vehicles with weight and legal requirements, PrePass maintains a safety program. PrePass's safety program includes two components:

- **Random 5 percent pull-in rate.** All PrePass carriers, regardless of their safety records, are subject to a random 5 percent, site-based pull-in rate. In other words, 5 percent of all PrePass vehicles clearing a specific PrePass site will, at random, receive a red light on their transponders and be required to pull in and physically clear a port of entry. This allows states to directly verify that PrePass is effectively ensuring compliance with weight and legal requirements. Additionally, it provides states with the opportunity to conduct safety inspections on PrePass vehicles, if deemed appropriate.

- **Mandatory safety-related pull-in rate.** PrePass calculates a carrier-specific pull-in rate (ranging from 5 percent to 100 percent of the carrier's vehicles)

for every carrier that has a history of safety concerns. PrePass calculates the pull-in rate by considering factors such as the safety records of the carrier's truck drivers and trucks, the quality and comprehensiveness of the carrier's safety program, and the carrier's accident history. The more serious the carrier's safety record, the higher the mandatory pull-in rate. For example, carriers with high numbers of safety violations and accidents and poor safety programs may have a 100 percent pull-in rate. A 100 percent pull-in rate means that every vehicle operated by the member-carrier will be required to pull in and physically clear the port of entry.

Although states do not pay to locate PrePass at their ports of entry, states must provide embedded WIM scales in the highway for PrePass to weigh its member-trucks. In Colorado the Department of Transportation (CDOT) has placed embedded WIM scales in either one or both lane directions at eight ports of entry (Dumont, Fort Collins, Monument, Fort Morgan, Lamar, Limon, Loma, and Trinidad). PrePass has installed antennas over the scales at all of these ports to read the weights of its member-vehicles when they pass over the scale. PrePass has also installed an antenna at one port, Cortez, that does not have an embedded WIM scale. At this port, PrePass cannot read the vehicle's weight, but the PrePass antenna reads the vehicle's identification number to check for compliance with all permits, registrations, and other legal requirements. One of Colorado's ports—the Platteville port—does not have PrePass. Therefore, all vehicles must enter and clear the State's Platteville port.

The number of PrePass vehicles clearing ports has grown substantially since PrePass first began operating in Colorado in Fiscal Year 2000. (As discussed previously, the number of PrePass clearances includes both electronic clearances at highway speed and physical clearances at the port of entry.) The POE reports that between Fiscal Years 2002 and 2005, the number of PrePass vehicles clearing Colorado ports increased from about 1.1 million vehicles to about 1.9 million vehicles, an increase of over 70 percent. As of Fiscal Year 2005 PrePass vehicles represented about 40 percent of the approximately 6 million vehicles that the POE reported cleared Colorado ports. In March 2006 more than 64 percent of all commercial vehicles clearing Colorado ports (about 248,000 of approximately 386,000 vehicles) were PrePass members.

We reviewed the POE's oversight of PrePass clearances in Colorado to determine whether PrePass was contributing to the State's goals for commercial motor vehicle safety and protection of the highway infrastructure. We found that, overall, PrePass appears to be effective in ensuring its member-vehicles comply with Colorado's legal and safety requirements. For example, we found that PrePass vehicles average fewer safety violations than non-PrePass vehicles. However, we also found that some PrePass vehicles are high-risk and have a significant number of safety and out-of-

service violations. The POE needs to improve its monitoring of the safety component of the PrePass program to ensure that PrePass carriers with poor safety records are identified and that their vehicles are required to pull in and physically clear Colorado ports. Additionally, POE needs to ensure its safety inspections target high-risk PrePass carriers. We discuss these issues in the next two sections.

PrePass Safety Program

We reviewed PrePass clearance data for March 2006 and identified almost 114,000 PrePass vehicles that were required to pull in and physically clear a Colorado port of entry. Data are not available to determine the reasons these 114,000 PrePass vehicles were required to pull in and physically clear ports of entry. However, our review of clearance and safety inspection data indicate that POE inspected 881 (about 0.8 percent) of these approximately 114,000 vehicles in March 2006. The remainder were weighed and checked for compliance with required permits and registrations.

We contacted PrePass to obtain the pull-in rates for the 881 vehicles that received safety inspections during March 2006. We compared the pull-in rates for these vehicles with the number of safety and out-of-service violations assessed by POE safety inspectors during the March 2006 inspections. Overall, we found that a substantial number of vehicles with 5 percent pull-in rates (the pull-in rate representing PrePass vehicles with the best safety records) were issued safety violations or out-of-service orders by the POE. Of the 881 vehicles POE inspected:

- 236 vehicles (about 27 percent) received one or more out-of-service violations from the POE. Of these, 120 vehicles had 5 percent pull-in rates established by PrePass. Vehicles can receive more than one out-of-service violation during a single safety inspection. Out-of-service violations are of such a serious nature that a vehicle with an out-of-service violation must remain at the port of entry until the violation is corrected.

- 183 vehicles (about 21 percent) received more than five safety violations from the POE. Of these, 82 vehicles had 5 percent pull-in rates from PrePass.

- 42 vehicles (about 5 percent) received more than 10 safety violations from the POE. Of these, 18 had 5 percent pull-in rates from PrePass.

Additionally, we identified one PrePass carrier with a 5 percent pull-in rate that physically cleared 97 trucks through Colorado ports in March 2006; three of its trucks each received a safety inspection. Of these three trucks, the POE issued 12 safety violations and 3 out-of-service violations to the first truck; 13 safety violations

and 1 out-of-service violation to the second truck; and 12 violations and 1 out-of-service violation to the third truck. We also identified another PrePass carrier with a 5 percent pull-in rate that physically cleared 23 trucks through Colorado ports in March 2006; two of its trucks received one safety inspection each. Of these two trucks, the POE issued 17 safety violations and 8 out-of-service violations to one truck and 1 safety violation and 1 out-of-service violation to the other truck. Our analysis indicates that the 5 percent pull-in rate may allow some PrePass vehicles with safety problems to travel on Colorado highways without having to physically clear a port. This limits the opportunity of safety inspectors to inspect, cite, or order these vehicles out-of-service, if necessary.

PrePass allows states to establish the specific safety criteria that PrePass must use to determine its carrier pull-in rates. Additionally, PrePass allows states to request that the pull-in rate for specific carriers be increased. Colorado's POE has not evaluated or modified the safety criteria used to determine PrePass pull-in rates for specific carriers. Furthermore, the POE has never requested or analyzed data from PrePass on the pull-in rates for carriers that, on the basis of Colorado data, have high numbers of safety violations or out-of-service orders. This information would be useful for determining whether PrePass pull-in rates for these carriers need adjustment and whether PrePass criteria for determining pull-in rates in Colorado should be modified. Also, the POE has not considered whether PrePass should incorporate additional criteria, such as the numbers of oversize/overweight violations or carrier compliance history, when calculating its pull-in rates. Finally, the POE has never requested that PrePass increase the pull-in rate of a specific carrier due to problems with its safety or compliance record. Only one other state, California, has worked with PrePass on specific criteria for pull-in rates. However, PrePass is a relatively new program in many states, and as the number of PrePass trucks continues to increase, all states, including Colorado, will need some level of assurance that PrePass trucks with poor safety records are not clearing ports unchecked.

PrePass Inspections

When a PrePass member-vehicle clears a port, port officers are able to monitor the clearance through a computer monitor located in the port of entry office. For example, when a PrePass vehicle is passing over the embedded WIM scales and under the PrePass antenna, the computer monitor will indicate whether the vehicle received a green or red light. If the PrePass vehicle receives a red light, the monitor will also indicate why the vehicle has been pulled in to clear the port. For example, if the vehicle is overweight, the word "weight" will appear on the computer monitor.

If a PrePass member-vehicle is required to pull in to a port as part of the PrePass safety program, PrePass provides the safety inspector with some information on the

reason for the pull in. For example, when a member-vehicle is pulled in due to the random 5 percent rate, the computer monitor indicates the reason as "random." When a member-vehicle is pulled in due to its safety history (i.e., the member-vehicle operates under a carrier with a pull-in rate ranging between 5 and 100 percent), the computer monitor indicates the reason as "safety." However, we found that the PrePass monitor does not provide safety inspectors with information on the carrier's pull-in rate. In other words, the safety inspector cannot determine from the computer monitor whether the carrier whose member-vehicle was pulled in for "safety" has a 5 percent or a 100 percent pull-in rate. Knowledge of the actual pull-in rate would provide safety inspectors with some indication of the seriousness of the carrier's safety history. Without these data, the inspector lacks the information needed to determine whether a specific carrier has a history of safety violations and, therefore, whether the PrePass vehicle should be targeted for a safety inspection.

We analyzed the PrePass pull-in rates for the 881 PrePass vehicles that received safety inspections during March 2006 to determine whether POE inspections were targeting those PrePass vehicles with poor safety records. We found that the POE safety inspections were targeting a very low percentage of high-risk PrePass vehicles. Of the 881 vehicles inspected, only 34 vehicles (about 4 percent) had PrePass high-risk safety records (pull-in rates of 50 percent or more). In contrast, safety inspectors conducted inspections on 564 vehicles (about 64 percent) with PrePass low-risk safety records (5 percent pull-in rates).

PrePass does not currently make the pull-in rates for PrePass vehicles available to safety inspectors on a real-time basis when the vehicles pull into the port. However, as discussed previously, these data are available from PrePass and could be used, along with other data such as the Federal Motor Carrier Safety Administration (FMCSA) safety ratings, oversize/overweight violations, and carrier compliance history, to develop a comprehensive program to identify high-risk PrePass vehicles and appropriately target safety inspections.

Improvements

The POE should take comprehensive steps to improve its monitoring of PrePass pull-in rates and targeting of PrePass safety inspections. This is of particular importance, since the number of PrePass vehicles clearing Colorado ports has increased substantially. POE needs to provide sufficient oversight of PrePass clearances to ensure that the PrePass safety program is operating effectively to identify and pull in vehicles with poor safety records at appropriate frequencies. POE will need to obtain PrePass pull-in rates and analyze these data, along with POE's safety violation, out-of-service, and other appropriate data, to make sure pull-in rates sufficiently represent the carrier's safety and compliance record. If, after analysis of the data, POE identifies concerns with pull-in rates, POE should work with

PrePass to adjust the safety criteria and calculations used to determine pull-in rates. Additionally if POE identifies safety concerns with specific carriers through its data analysis, POE should contact PrePass immediately and request that the carrier's pull-in rate be increased.

Recommendation No. 2:

The Department of Revenue should improve monitoring and oversight of PrePass clearances to ensure that PrePass vehicles with poor safety ratings are required to pull in and physically clear Colorado ports of entry and that safety inspections target high-risk PrePass vehicles. More specifically, the Department should:

a. Routinely obtain and analyze PrePass pull-in rates, POE safety violation and out-of-service records, and other appropriate data to determine whether PrePass pull-in rates sufficiently target member-vehicles with poor safety histories.

b. Work with PrePass, as needed, to adjust safety criteria and pull-in rate calculations to ensure PrePass pull-in rates for Colorado sufficiently represent a carrier's safety record.

c. Request that PrePass increase the pull-in rate for specific carriers that have high numbers of vehicles with poor safety records clearing ports of entry in Colorado.

d. Develop a risk-based inspection program that incorporates data on PrePass pull-in rates; POE safety, out-of-service, and oversize/overweight violations; and other appropriate factors to ensure safety inspections sufficiently target PrePass vehicles with poor safety and compliance records.

Department of Revenue Response:

a. Agree. Implementation date: March 2007.
The Department will periodically obtain and analyze the PrePass pull-in rates, POE safety violation and out-of-service records, and other appropriate data to determine whether PrePass pull-in rates sufficiently target member-vehicles with poor safety histories.

b. Agree. Implementation date: March 2007.
The Department will work with PrePass to adjust safety criteria and pull-in rate calculations to ensure that PrePass pull-in rates for Colorado

effectively require carriers with moderate and high-risk safety records to access a port and undergo appropriate clearances and/or safety inspections.

c. Agree. Implementation date: March 2007.
The Department has already begun to work with PrePass to increase the pull-in rate for specific carriers with poor safety records. Since adjustments to PrePass ratings and changes to information currently provided in PrePass reports are subject to additional costs pursuant to the agreement with PrePass, the Department will request appropriate changes based on costs and benefits.

d. Agree. Implementation date: March 2007.
As stated in our response to Recommendation No. 1, the Department will implement risk-based inspections. Also, the Department will use information available from PrePass to address additional ways to identify and inspect high-risk carriers and vehicles.

Safety Inspector Scheduling

The Ports of Entry Section uses a total of 64 safety inspectors. Eight full-time inspectors are funded from the federal Motor Carrier Safety Assistance Program (MCSAP) grant. Additionally, to meet the grant's 20 percent match requirement, the POE employs 56 part-time safety inspectors who, in general, are funded from the POE's Highway Users Tax Fund (HUTF) allocation. These part-time safety inspectors are full-time employees of the POE who, in addition to conducting safety inspections, have other responsibilities including counter duties inside the port facilities such as issuing permits and collecting payments.

Federal guidelines suggest that the eight MCSAP-funded inspectors conduct at least 30 percent of their safety inspections during off-peak hours (i.e., outside of 8:00 a.m. to 5:00 p.m., Monday through Friday). Additionally, POE policies require these inspectors to work an average of one Saturday and one Sunday per month and two night shifts, when lighting is provided. The POE has not adopted comparable policies for its 56 part-time inspectors who are funded through HUTF revenues. Part-time inspectors typically perform inspections Tuesdays through Thursdays during daylight hours.

To maximize the effectiveness of safety inspections, their timing should be unpredictable and adjusted to address vehicle traffic and safety patterns. We reviewed safety inspection reports and other data to determine the level of off-peak

inspections conducted by the POE. As described below, we found that the POE's inspection activity is highly predictable. Furthermore, federally funded inspectors are not meeting federal guidelines for off-peak inspections.

- **Federally funded safety inspectors**. We reviewed safety inspection reports for March 2006 for five of the eight federally funded inspectors. We did not have sufficient data regarding one inspector, and the remaining two inspectors were on extended leave or worked limited hours during the month we tested. Therefore, their work schedules were not included in our review. We found that two of the five inspectors whose inspection reports we reviewed did not complete 30 percent of their inspections during off-peak hours. For example, one inspector conducted only about 14 percent of his safety inspections during off-peak hours. These rates are not consistent with the federal 30 percent off-peak inspection guideline. Additionally, we found problems with the inspectors' proposed March 2006 work schedules. None of the proposed schedules matched the hours actually worked. These discrepancies are problematic for several reasons. For one, the POE uses the proposed schedules for federal MCSAP reporting purposes. Finally, only one of the five inspectors' proposed schedules indicated any night shifts as required by POE policy.

- **Part-time safety inspectors**. Although part-time inspectors are not subject to specific off-peak requirements, we found that in March 2006 part-time inspectors conducted only 22 percent of inspections during off-peak hours. Additionally, we found that 68 percent of the safety inspections performed by part-time inspectors occurred on Tuesdays, Wednesdays, and Thursdays. Although concentrating work schedules on Tuesdays through Thursdays does not violate any requirements, it provides for predictable schedules and is not consistent with the federal guideline for safety inspectors to work 30 percent off-peak hours.

Overall, during March 2006 we found that the full- and part-time inspection staff conducted 75 percent of all safety inspections during peak hours, from 8 a.m. to 5 p.m., Monday through Friday. Because POE staff told us that most "off-peak" hours are worked within one or two hours of peak hours, we expanded our review to include safety inspections occurring between 6 a.m. and 7 p.m., Monday through Friday. We found that the federally funded and part-time inspectors conducted almost 88 percent of all safety inspections during these periods. Thus, the rate of inspection at 8:00 p.m. averages about 1 in 715 trucks compared with about 1 in 50 trucks at 9:00 a.m. Additionally, the highest average number of violations per truck occurs at 3:00 a.m. and the highest average number of out-of-service violations occurs at 11:00 p.m. At both of these times, the ports are minimally staffed to conduct safety inspections or prevent violations of out-of-service orders. During

these hours, the ports are typically staffed with one officer. When only one staff person is available, safety inspections are not conducted, because the individual is occupied with weighing trucks and checking driver and vehicle credentials.

Risk-Based Safety Inspector Staffing

We found that the POE has limited policies for scheduling safety inspectors and that inspectors' work schedules are not adequately reviewed to ensure the timing of safety inspections is sufficiently risk-based. Currently the eight federally funded full-time inspectors develop their own schedules and submit them on a monthly basis to the POE Safety Director, who does not review, approve, or modify them according to any overall staffing plan. The part-time inspectors are scheduled by the district supervisors. However, as previously stated, these staff perform other duties in addition to their safety inspection responsibilities. Because clearing vehicles through the ports is the POE's priority, the part-time inspectors are only assigned safety inspection duties when other staff are available to clear trucks through the ports (typically Tuesdays, Wednesdays, and Thursdays during daylight hours).

The Ports of Entry Section should strengthen the effectiveness of its safety inspections by taking a more risk-based approach in scheduling staff during off-peak hours and by ensuring inspectors' work schedules comply with federal guidelines and state requirements. First, the Department should use available data to identify high-risk locations and times of day and allocate staff accordingly. We used federal safety software and statewide accident statistics, both of which are available to the Department, to identify high-risk hours and days as well as locations in the State with high accident and fatality rates. Available data can be broken out by port, county, day of the week, and time of day. For example, we found that, in general, the highest number of commercial motor vehicle accidents in the State occur on Wednesdays in Denver County. The greatest number of commercial motor vehicle fatalities occurring in the State occur in Weld County on Fridays. The use of these types of data can assist the Department in assigning staff during those times when unsafe vehicles are likely to travel on Colorado roadways.

Second, the POE should adopt policies requiring supervisory review of the work schedules developed by the eight full-time inspectors. As needed, supervisors should make changes to ensure compliance with federal guidelines and to ensure inspectors work schedules that target high-risk vehicles. Additionally, the Department needs to review its current staffing patterns and ensure sufficient staff levels to allow scheduling part-time safety inspectors at a variety of days and times.

Recommendation No. 3:

The Department of Revenue should ensure that the staffing patterns of its POE safety inspectors are sufficiently risk-based and in compliance with federal and state guidelines and requirements by:

a. Using available data to identify higher-risk locations and times and target safety inspection resources accordingly.

b. Requiring federally funded safety inspectors to use these data when developing their monthly schedules and requiring management to review the schedules for compliance with federal guidelines and make appropriate changes.

c. Reviewing current staffing patterns to determine if opportunities exist to allow more flexibility in the scheduling of part-time safety inspectors.

Department of Revenue Response:

a. Agree. Implementation date: January 2007, pending completion of updates to the Business System.
The Department will use available data to identify high-risk locations and times, and will target safety inspection resources accordingly. Implementation of this recommendation may be affected by the completion of Recommendation 15, as the Business System will need to provide the necessary reports that can be utilized by management to identify and target inspection sites and times. Until the Business System can provide the needed information, the Department will analyze and use other sources of information, including the Colorado Commercial Motor Vehicle crash data from FMCSA to identify high-risk locations and times.

b. Agree. Implementation date: January 2007.
The Safety Program manager will use the crash data obtained in (a) above to develop and review monthly schedules and to ensure that federal guidelines are followed.

c. Agree. Implementation date: February 2007.
POE supervisors will review staffing patterns to identify opportunities for more flexible scheduling of part-time safety inspectors. Because part-time safety inspectors also are required to provide regular port duties

other than inspections, we will implement schedule changes as appropriate, taking into consideration overall staffing requirements of the ports.

Fixed Port Closures

According to a March 2005 *Port of Entry Evaluation* by the Department's Office of Research and Analysis, the POE's 10 fixed ports are strategically located to target the most direct, high-volume routes through the State. Several fixed ports are located near the borders and target interstate commerce. Others are located within the State and primarily target intrastate truck traffic. Six of the ten fixed ports are considered dual ports because there is a weight scale lane and building on both sides of the roadway. The remaining four ports operate on one side of the highway only. Section 42-8-104(1), C.R.S., requires that all fixed ports are to be open 24 hours per day unless otherwise determined by the Executive Director of the Department of Revenue. The Department's Executive Director has determined that Colorado's fixed ports will remain open 24 hours per day, 7 days per week. However, the dual ports are considered to be in compliance with the 24-hour requirement if only one side remains open continuously. That is, the building and scale lane on one side of the highway can close every night, and because the other side remains open, the 24-hour requirement is met.

We evaluated the dual port closures and found that they are predictable, compounding the already predictable nature of the fixed ports. All of the fixed ports have established locations that are known to the trucking industry. We found the POE consistently closes the same side of its six dual ports from about 10:00 p.m. to 6:00 a.m. every night. This practice lessens the enforcement potential of these six ports by eliminating the element of surprise for vehicles traveling during the overnight hours. According to the Department's 2005 *Evaluation*, "truckers are less likely to run overweight if they are uncertain as to whether a port is open or not."

According to POE staff, closure decisions are based on factors such as the decrease in overnight commercial motor vehicle traffic and the sides of the dual ports that experience more traffic. We found, however, that data are not consistent with these assumptions. We evaluated information for January through June 2006 from four Colorado Department of Transportation (CDOT) traffic counters located near three of the dual ports that consistently close the same side during overnight hours. Overall, we found that traffic volume did decrease during the overnight hours. However, commercial motor vehicles represented a higher percentage of total overnight traffic (40 percent) than they represented during daytime hours (25 percent). Additionally, the traffic counters near two of the regularly closed

ports—Limon and Monument—indicated that during the overnight hours more commercial motor vehicles pass the closed side of the port than pass the open side. For example, between January and June 2006, the CDOT data showed about 57,000 commercial motor vehicles passed the Monument northbound port (the closed side) between 10:00 p.m. and 6:00 a.m., while just over 50,000 vehicles traveled southbound during those hours. Similarly, approximately 36,000 trucks traveled past the closed westbound Limon port, while 25,000 vehicles headed eastbound. Additionally, although we could not determine from the CDOT data the specific weights of the vehicles traveling at specific times of day, these data did indicate that a greater percentage of overweight vehicles passed the closed sides of the three ports than traveled past the sides that remained open 24 hours per day. While we were not able to determine how many of these overweight vehicles may have obtained an overweight permit and therefore were operating legally, the higher percentage of overweight vehicles passing the closed side of the port raises concern.

Overall, we found that the POE does not evaluate port closures to ensure that decisions are consistent with a plan of rigorous enforcement. In determining hours of operations, POE management needs to analyze traffic pattern, clearance, and violation data. Quality data for conducting these analyses could be obtained by improving the POE's Business System database as is discussed later in this report. The POE could also use CDOT traffic counter data in lieu of or to supplement Business System data. The POE should integrate these data into a strategic plan for maximizing enforcement efforts including increasing the unpredictability of dual port closures.

Recommendation No. 4:

The Department of Revenue should ensure its Ports of Entry's dual port hours of operations maximize the identification of overweight and unsafe vehicles by routinely analyzing traffic pattern and weight information, including data collected by the Colorado Department of Transportation, and incorporating these data into the decision-making process, as appropriate.

Department of Revenue Response:

Agree. Implementation date: March 2007.

The Department will develop a method to periodically analyze traffic patterns of commercial vehicles through dual ports, and will use the results when determining dual ports hours of operations. Initially, the Department will use data currently available internally as well as data from CDOT,

however, overall improvement to the Business System (see the response to Recommendation No. 15), will greatly enhance the ability of the Ports of Entry to collect and analyze appropriate data.

Mobile Port Operations

The Ports of Entry Section's 10 mobile ports increase the overall enforcement capability of the POE by expanding the number of locations throughout the State at which trucks must clear a port and/or undergo a safety inspection. Each mobile unit consists of a van, scales, computers, and other equipment and supplies necessary to operate in remote locations. According to Department documents, the majority of mobile units are staffed by a team of three officers, while a few operate with teams of two. Each member of a mobile unit is certified to conduct safety inspections. Generally, one officer questions drivers and reviews documents; the second officer operates the scales and enters information into the POE Business System database; and the third officer conducts safety inspections and issues citations.

The mobile ports can be positioned on roadways where commercial vehicles normally would not be required to clear a port. For example, Section 42-8-105(1), C.R.S., requires commercial motor vehicles weighing more than 16,000 pounds, and all vehicles weighing more than 26,000 pounds, to clear all ports of entry within five miles of the route upon which they are traveling. Because no fixed port is located in the City of Denver, vehicles that do not travel beyond this geographical area would not have to clear a port. Therefore, positioning a mobile port within the Denver city boundaries allows the POE to enforce weight, safety, and permitting requirements for vehicles traveling highways only within Denver. In addition, the mobile ports can be located on roadways that drivers might take to avoid a fixed port.

According to the Department's March 2005, *Port of Entry Evaluation (Evaluation)*, because the locations of the mobile ports are unpredictable, they are very effective in enforcing commercial motor vehicle size, weight, and safety laws. For example, the Department reports that the mobile ports have a much higher violation rate per contact than do the fixed ports. During our audit we found the mobile ports' violation rate to be 23 times greater than that of the fixed ports during Fiscal Year 2005. In addition, according to the *Evaluation*, although the mobile ports cleared only 3.3 percent of all vehicles that cleared Colorado's ports in Fiscal Year 2004, the revenue assessed and/or collected by the mobile port officers during this period represented 48 percent of total fixed and mobile port revenue assessments and collections during that year. For Fiscal Year 2005 we found that the mobile ports had a per vehicle penalty assessment rate of almost $26 compared with a rate of $0.57 per vehicle at the fixed ports.

The POE *Procedure Manual* specifies requirements for the general operating work schedules of the mobile ports. The requirements include the following:

- A minimum of 25 percent of the total hours worked per month must be off-peak hours. Off-peak hours are those that occur other than during the normal business hours of 8:00 a.m. to 5:00 p.m., Monday through Friday.

- Mobile unit supervisors are to submit their work schedules at least one month in advance, detailing hours and locations to be worked each day. Additionally, a schedule of actual hours worked shall be submitted every two weeks. The advance work schedule is intended to be used to coordinate with other enforcement agencies and to ensure mobiles are complying with scheduling procedures. Changes in work schedules are to be reported, in advance if possible, to the respective POE district supervisor for each of the 10 port locations.

- Mobile units are to work at least 30 distinct sites per month.

We evaluated work schedules from four mobile ports for the month of March 2006 to determine whether the ports were in compliance with requirements. We identified several problems. First, we found that proposed work schedules differed from final work schedules without evidence of supervisory approval. We compared the mobile ports' proposed schedules, submitted one month in advance, with the electronic data in the mobile ports' laptop computers and with the final work schedules submitted by the mobile unit teams. We found discrepancies among the various schedules. For example, final work schedules submitted by the mobile teams indicated that different hours of operations, including days of the week, were worked than the schedules recorded in the electronic data and shown on the proposed schedules. We did not find any evidence of supervisory approval for deviations from proposed schedules or of supervisory review and resolution of the other discrepancies we identified.

Second, it was unclear whether mobile units complied with the requirements for varied locations and off-peak operations. We were unable to determine, based on the mobile port schedules we reviewed, whether mobile units were sited at the 30 required locations per month and for the required hours of operation. For example, only one of the four proposed work schedules we reviewed indicated that a mobile unit was scheduled in such a way as to comply with the requirement for 25 percent off-peak hours of operations. None of the final schedules for these four units showed that any of the units actually met this requirement.

Third, we found that the POE does not have or does not use traffic pattern or other data to support its mobile port locations. We attempted to use data from the POE Business System to analyze the mobile ports' locations, clearance data, and violation

rates to determine whether the mobile ports are located optimally to identify violators. We found that the Business System lacked data related to the locations of the mobile ports because this particular information does not upload from the mobile ports' individual laptop computers into the main Business System server. Additionally, we found data from a sample of mobile laptop computers to be unreliable due to duplicate entries, incorrect location log-ins, and data losses resulting from the absence of a backup system during laptop computer failures.

Finally, during Fiscal Year 2005 at least 250 mobile port shifts or about 8 percent of scheduled mobile port shifts were cancelled because staff were needed to cover shifts at the fixed ports. Maintaining the 24-hour operations at the fixed ports takes priority over operating the mobile ports. Therefore, to ensure the fixed ports remain open, district supervisors regularly assign mobile port staff to cover fixed-port shifts when vacancies occur due to staff illness, vacation, retirement, or resignation. Mobile units can operate with a minimum of two staff when the preferred staffing level of three cannot be met. When this occurs, however, the mobile team conducts significantly fewer safety inspections. If two or more mobile staff are needed at a fixed port, the mobile port does not operate.

Mobile ports are critical to the State's overall commercial motor vehicle enforcement efforts. The POE should ensure that the effectiveness of this resource is maximized by strengthening oversight for mobile port operations. This should involve routine monitoring, through required supervisory review and approval, of all proposed work schedules. Regular review and comparisons between proposed and actual schedules should also occur and the reasons for deviations from approved schedules should be documented. The POE should also take steps to ensure all data from the mobile port laptops, including location information, is uploaded into the central Business System, quality assurance checks for data reliability and accuracy are in place, and backup procedures for laptop data are implemented. Data on mobile operations should be used to identify optimal locations for positioning mobile units to maximize enforcement results. The POE should also use other available data sources such as traffic data from the Colorado Department of Transportation to assist in identifying the best locations and hours of operations. Finally, the POE should analyze the practice of shifting staff to the fixed ports to minimize closures or to more strategically plan for the use of this important asset to overall enforcement activities.

Recommendation No. 5:

The Department of Revenue should strengthen the operations of the Ports of Entry Section’s mobile ports by:

a. Implementing regular supervisory review and approval of mobile teams' work schedules to ensure compliance with scheduling and operational requirements.

b. Enhancing the electronic Business System by including data related to mobile port operations and routinely compiling and analyzing Business System and other data to monitor factors including but not limited to traffic patterns, violation rates, and operational hours and locations, and making operational decisions accordingly.

c. Ensuring that all data from mobile unit laptops are uploaded into the central Business System server and that data are reviewed for accuracy and reliability.

d. Periodically reassessing the locations and hours of operations of the mobile ports based on the findings of routine monitoring and data analysis activities.

Department of Revenue Response:

a. Agree. Implementation date: November 2006.
The Department implemented several changes recently, under new POE Section management, including improved oversight of the ports. Regular supervisory review and approval of mobile teams work schedules is now routinely done.

b. Agree. Implementation date: June 2007-Application Analysis; December 2007-Changes to the Business System.
The Department will perform an application analysis as part of the comprehensive system and needs analysis in Recommendation No. 15 to determine to what extent the System can be modified to incorporate traffic patterns, violation rates, and operational hours and locations. Appropriate modifications will be made, if cost beneficial, to assist management in making operational decisions.

c. Agree. Implementation date: June 2007.
The Department will establish a verification process that ensures that laptop records are uploaded to the Business System server and are reconciled for completeness and accuracy on the central server.

d. Agree. Implementation date: February 2007.
Central POE management will ensure that locations and hours of operations of the mobile ports are monitored and adjusted to increase the likelihood of identifying violators who avoid permanent ports. In addition, completion of Recommendation No. 15 will enhance

management's ability to use the Business System as a data gathering and reporting tool for this monitoring process.

Enforcement Actions

The Ports of Entry Section enforces approximately 70 statutory penalties on behalf of three state agencies and for other sections within the Department of Revenue. Some statutes require increased penalties for drivers who violate the same statute more than once within a given period. Statutes also mandate that the Department of Revenue suspend the commercial licenses of drivers who violate out-of-service orders. We reviewed the POE's enforcement of these and other statutory requirements. We found that the POE is not enforcing all of the statutes for which it has authority and responsibility. For example:

- **The POE does not enforce most of the graduated penalties for repeat violations.** At least four of the commercial motor vehicle statutes the POE is charged with enforcing provide for more severe penalties for two or more violations of the same regulation during a specified period (usually within 12 months or a calendar year). Specifically, statutes mandate graduated penalties for repeated violations related to the (1) use of dyed fuel, (2) transportation of hazardous or nuclear materials, (3) expired registrations, and (4) port-running. Port-running is the term used to describe the action of evading or bypassing ports of entry. Penalties for repeat offenses related to these activities include increased fines for each subsequent violation; a summons to appear in court; or the suspension/revocation of commercial motor vehicle-related licenses, permits, and/or certificates. In addition, by statute, any owner or operator convicted of three port-running offenses is to be reported to the Public Utilities Commission (PUC).

  We analyzed penalty assessment data for Fiscal Year 2005 and found that port-running is the most frequent offense for those with graduated penalties. We found that POE officers issued three or more citations for port-running to 17 different carriers during this year. For 1 of the 17 carriers, the POE issued 25 separate port-running violations during this period. However, in none of these 17 cases did the POE impose the required increased penalties or report the repeat violators to the PUC for further enforcement action.

- **The POE is not enforcing statutory penalties for out-of-service orders.** Violations of out-of-service orders are a significant problem. According to the Federal Motor Carrier Safety Administration, drivers with numerous out-of-service orders and/or safety violations are 63 percent more likely to be

involved in accidents than are drivers with few or no out-of-service orders and/or safety violations. Additionally, those drivers who violate out-of-service orders are considered especially at risk for subsequent violations or unsafe performance. Consequently, federal regulations require states to enact laws suspending the commercial licenses of drivers who violate out-of-service orders. Failure to comply with the federal regulations can result in a state's loss of federal highway funds. Section 42-2-405.5, C.R.S., requires the Department of Revenue to suspend the commercial license of any driver who is convicted of violating an out-of-service order. The statute also requires the POE to issue court summonses to drivers in violation of out-of-service orders. Because the POE Business System does not include data on out-of-service orders, POE officers cannot comply with the requirements of this law. The inability of the POE to enforce suspensions related to violations of out-of-service orders raises concerns regarding POE's effectiveness in protecting the traveling public.

We also identified one other commercial motor vehicle statute for which the POE has explicit responsibility but does not enforce. Specifically, Section 42-3-113 (6), C.R.S., provides that all peace officers have the authority to inspect vehicle registration cards and requires that the driver be fined if he or she cannot produce the card. The POE staff report they no longer issue citations under this statute because the courts typically dismissed these cases when drivers provided the necessary registration in court. However, statutes do not provide the POE with the option not to enforce this law on the basis of the ways in which the POE believes courts may treat the offense.

Nuclear Materials Enforcement

In addition to the general commercial motor vehicle statutes, the POE has enforcement authority for statutory requirements related to the transportation of nuclear materials. In the past eight and a half years, more than 4,000 shipments, or approximately 81 percent of the transuranic nuclear waste disposed of by the U.S. Department of Energy during this period, was transported through Colorado to the Waste Isolation Pilot Plant (WIPP) disposal site in Carlsbad, New Mexico. Transuranic waste is waste left over from the research and production of nuclear weapons. According to Sections 42-20-501, C.R.S., and 42-20-404, C.R.S., respectively, all vehicles carrying nuclear materials on public highways in Colorado must have nuclear materials transportation permits and must be inspected. For vehicles entering the State, the inspections are to be conducted by safety inspectors at the port of entry nearest the point at which the shipment entered the State or at a location designated by the Colorado State Patrol (CSP). Nuclear materials shipments originating within Colorado are to be inspected by the CSP at the point of origin. Because most nuclear shipments originate out of state, often in Idaho and

Washington, the majority of vehicles transporting nuclear materials through Colorado are inspected by safety inspectors at the Fort Collins Port of Entry. POE inspectors estimate that they conduct about three to six inspections per day for an annual total of more than 1,000 inspections. At the time of our audit, CSP reported that it was not conducting any nuclear materials vehicle inspections because no shipments were originating within Colorado.

Colorado law mandates stricter safety standards for vehicles transporting nuclear materials than for vehicles subject to the general commercial vehicle safety laws. For example, drivers of vehicles subject to the general commercial vehicle safety laws are allowed to continue operating with brakes that are less than 20 percent defective. By contrast, drivers of nuclear materials vehicles are prohibited from operating with any brake defects. In addition, both general commercial vehicle safety and nuclear materials vehicle safety statutes provide for criminal penalties for violations and additionally, nuclear materials vehicle safety statutes provide for civil penalties. However, the associated fines are generally higher for vehicles found to be violating nuclear materials vehicle safety criminal laws than for vehicles violating commercial motor vehicle laws. In addition, vehicles transporting nuclear materials are subject to civil penalties that general commercial motor vehicles are not.

We evaluated the POE's enforcement of the State's nuclear materials transportation safety statutes. We found that safety inspectors are not assessing the required penalties when they identify civil violations because they do not believe the statutorily required administrative appeals processes for civil penalties exist. Therefore, inspectors apply only criminal penalties to all safety violations. Additionally, when assessing the criminal penalties, safety inspectors assess the lesser $50 fine associated with violations of the general commercial vehicle safety statutes. For example, for Fiscal Year 2005 we identified seven cases in which POE inspectors assessed $50 fines when statutes required higher civil and criminal fines associated with nuclear materials transportation and one case in which a $145 fine was assessed when a higher civil and criminal fine may have been in order. If inspectors had complied with statutes, we estimate that as much as $12,200 more in criminal and civil fines for these eight cases would have resulted. In one case, the correct fines should have been as much as $4,000; instead, the inspector assessed this transporter a total fine of $145.

The legislative declaration that established the nuclear materials vehicle provisions states that nuclear materials create a potential risk to the public health, safety, and welfare of the people of Colorado. Further, according to Section 42-20-401, C.R.S., "as an origination point of nuclear waste and a corridor state through which nuclear materials pass, the state has a duty to protect its citizens and environment from all hazards created by the transportation of nuclear materials within its borders." By not complying with statutory mandates, the Department is not fulfilling its responsibility

for providing the protections intended by the General Assembly. This responsibility will become even more critical if the U.S. Department of Energy decides to use commercial motor vehicles to transport spent nuclear fuel rods to the Yucca Mountain, Nevada, disposal site sometime during 2010. At that time, the number of nuclear materials shipments traveling through Colorado and the associated risks to the public and the environment may increase.

The higher fines associated with the transportation of nuclear materials reflect the more serious risks from violations compared with violations of the commercial vehicle safety statutes, and the higher fines are intended to serve as a deterrent against future violations. Furthermore, the revenues collected from nuclear materials violations are required to be deposited into the Nuclear Materials Transportation Fund. Both the Ports of Entry Section and the Colorado State Patrol receive funding from this source for their respective nuclear materials monitoring programs. By not enforcing fines related to nuclear materials transportation, the Department is not subjecting violators to the penalties intended under law, and fewer resources are available to monitor this activity and promote public safety.

Comprehensive Enforcement of Statutes

The POE's failure to enforce all of the statutes for which it has authority undermines the quality of Colorado's commercial motor vehicle safety programs. Additionally, failure to comply with some statutes could result in the loss of federal highway funding. We believe the POE should take immediate steps to ensure it is complying with all statutory enforcement mandates. To do this, the POE needs to conduct a systematic, comprehensive review of all relevant commercial motor vehicle and nuclear materials transportation statutes. Such a review is necessary to ensure that POE management is aware of all statutory requirements and that the necessary steps are taken to ensure implementation. The POE should update the Business System to track and monitor information on all civil and criminal penalties the Section is required to enforce. Specifically, data on repeat offenders, out-of-service orders, and nuclear materials statutes and penalties should be programmed into the Business System.

The POE should also train staff on all enforcement requirements with emphasis on areas in which enforcement actions have not been adequate in the past. Additionally, the POE needs to resolve issues related to required appeals processes for penalty assessments. As stated earlier, POE staff report that one of the reasons safety inspectors do not impose civil penalties for nuclear materials violations is that the required administrative appeals processes do not exist. Staff report that neither the Department of Revenue nor the Colorado State Patrol, which also has authority to issue the civil penalties and is the lead agency for enforcement of the nuclear

materials statutes, has established such a process for violations of the nuclear materials vehicle safety statutes.

Finally, the POE should implement procedures to ensure vehicles or drivers that are ordered out-of-service by safety inspectors are tracked. Currently the POE does not require safety inspectors or other port officers to recheck an out-of-service vehicle or driver to ensure required repairs or other orders (e.g., the driver must rest for a certain number of hours) have been completed prior to allowing the vehicle or driver to leave the port. Additionally, the POE lacks policies or procedures to ensure that during shift changes outgoing safety inspectors make oncoming officers aware of any outstanding out-of-service orders for vehicles parked in the lot. Finally, mobile port officers must often leave at the end of their shift with a vehicle still parked due to an out-of-service order. After the mobile unit leaves the location, it is possible for the driver to improperly return the vehicle to the road, violating the out-of-service order without fear of detection. This increases the risk that out-of-service vehicles or drivers will return to the road without making the required repairs. The POE should evaluate potential enforcement methods such as requiring safety inspectors and officers to notify one another regarding the status of out-of-service vehicles and drivers and verify repairs or satisfactory compliance with standards prior to allowing out-of-service vehicles or their drivers to leave ports. Finally, the POE should develop a system to notify its ports, the Colorado State Patrol, and other states when a vehicle or a driver violates an out-of-service order.

Recommendation No. 6:

The Department of Revenue should ensure the Ports of Entry Section is enforcing all commercial motor vehicle and nuclear materials transportation laws by:

a. Reviewing all relevant statutes to identify all enforcement responsibilities and updating the Business System with complete information, including data on repeat offenders, violations of out-of-service orders, and nuclear materials penalties.

b. Training all management and staff on the statutory enforcement provisions for which they have responsibility.

c. Working with the Colorado State Patrol to establish the statutorily required hearing process for those commercial vehicle carriers and operators that wish to appeal civil penalties for nuclear materials transportation violations.

d. Implementing a notification system for vehicles that violate out-of-service orders.

Department of Revenue Response:

a. Agree. Implementation dates: January 2007-Correcting Business System for current statutes; June 2007-Adding additional functionality to Business System.
The Department will review all relevant statutes to confirm an understanding of its responsibilities and to identify and implement any changes needed in the Business System to comply with current statutory requirements. In addition, the Department's IT Division will perform an application analysis to determine to what degree the Business System can be modified to include data on repeat offenders, violations of out-of-service orders, and nuclear materials penalties and the related costs to modify the System. Updates will be made to the Business System as appropriate, considering costs and benefits.

b. Agree. Implementation date: December 2007.
The newly created deputy chief positions will ensure that all management and staff receive appropriate training on Ports of Entry's enforcement responsibilities provided in statutes.

c. Agree. Implementation dates: The completion date for implementing rules will be determined by CSP. The Department will work with CSP throughout the rule-making process.
The Department will work with the Colorado State Patrol to ensure that the statutorily required hearing process is established. The Department will also cooperate with the State Patrol during the required rulemaking to establish the hearing process.

d. Agree. Implementation date: March 2007-Developing data to identify prior violators; June 2007-Updating the Business System.
The Business System will be modified to coordinate this information for an automated notification system so that out-of-service and other repeat offender information can be tracked and relayed to and updated by all other Ports. In the interim, the Department is taking steps to develop and coordinate necessary information from other agencies, such as the PUC, State Patrol, and the courts, to identify and track previous violations.

Colorado State Patrol Response:

Agree. Implementation date: January 2007.

The Colorado State Patrol Hazardous Material and Motor Carrier Safety Sections are aware of the difficulty to fully understand and consistently enforce the hazardous material and motor carrier safety rules, regulations, and laws. The Federal Regulations for hazardous material transportation and motor carrier safety are constantly changing to improve hazardous material transportation and highway safety. Thus, state statutes and rules must change to remain consistent, which requires constant monitoring and training.

The Colorado State Patrol Hazardous Material and Motor Carrier Safety Sections are currently in the process of updating the rules for the transportation and routing of hazardous materials as well as all other commercial vehicle safety regulations. Each year officers of the State Patrol and the Ports of Entry who are certified to complete these inspections are required to attend update training. During the next training cycle, statutory enforcement responsibility for each agency will be taught.

During the current rulemaking process, the State Patrol's Hazardous Material Section will seek input from the POE in the development of an appeal process for civil penalties for nuclear materials transportation violation and all other proposed adoptions.

Joint Ports

Section 42-8-111, C.R.S., authorizes the Executive Director of the Department of Revenue to enter into cooperative agreements with contiguous states for the operations of ports of entry at Colorado's borders with other states. These joint port arrangements can offer benefits to affected states and the drivers and carriers who must comply with commercial vehicles laws. States benefit because the joint points can be a cost-effective alternative to each state's operation of two separate port facilities—one for entering and one for exiting vehicles—at each border point. In a joint port arrangement, each state is responsible for enforcing its own and the other state's commercial vehicle statutes and regulations. For commercial vehicle drivers, joint ports are an efficient means of complying with the laws of two states by clearing only one port facility. Colorado operates two joint ports, as described below:

- **Colorado/Utah**. This joint port agreement involves two port buildings, one on either side of Interstate 70 (I-70), but both located within Colorado. Colorado POE officers operate the eastbound port (entering Colorado) and issue the applicable permits and penalties for both states to trucks clearing this port. Utah conducts similar operations in a facility it leases from Colorado at the westbound port (exiting Colorado).

- **Colorado/New Mexico**. These joint ports are located on either side of Interstate 25 (I-25); one in each state. Vehicles traveling northbound on I-25 into Colorado must clear the Trinidad port operated by Colorado officers who are responsible for enforcing the statutes of both states. Vehicles exiting Colorado south on I-25 must clear a port operated by New Mexico officers in Raton, New Mexico. The New Mexico officers are responsible for issuing permits, assessing penalties, and collecting taxes for both Colorado and New Mexico.

According to POE staff, they have discussed the operation of a joint port with the state of Wyoming and are awaiting a final decision from Wyoming. Staff also reported that they plan to begin discussions with the state of Kansas.

We reviewed the operations of Colorado's joint ports with both Utah and New Mexico. We found that New Mexico port officers issue significantly fewer penalties for violations and collect significantly less revenue on behalf of Colorado than does Utah, as shown in the following table.

Ports of Entry
Utah and New Mexico Joint Port
Revenue Collections and Penalty Assessments
on Behalf of Colorado
Fiscal Year 2005

Port	Revenue Collected	Percent of Total Revenue	Penalty Assessments	Percent of Total Penalty Assessments
Utah	$46,200	79%	316	99%
New Mexico	$12,300	21%	3	1%
TOTALS	**$58,500**	**100%**	**319**	**100%**

Source: Office of the State Auditor analysis of Ports of Entry Section data for Fiscal Year 2005.

For the seven months between August 2005 and through February 2006, Colorado officers helped staff the New Mexico joint port during construction on the Trinidad, Colorado, port. During this time, fines and fees assessed on behalf of Colorado increased by more than 240 percent from approximately $7,500 to about $25,700. This was an increase of about $18,200 compared with the same seven-month period the previous year. Also, from August through February, a total of approximately 140

penalties were assessed compared with the 2 penalties issued by New Mexico officers during this seven month period.

The reasons for the considerable differences in revenue collections and penalty assessments at the New Mexico port are unclear. Although the reported volume of commercial traffic at the Colorado/New Mexico joint port was less than the volume at the Colorado/Utah port during Fiscal Year 2005 (almost 105,000 versus just over 148,000), this factor does not appear to adequately explain the significant differences at the two ports. Rather, the need for improvements at the Raton, New Mexico, port appears to be longstanding. We identified a similar lack of revenue collection and penalty assessment in our 1995 performance audit of the POE. At that time we estimated that for a two-year period, Colorado had lost about $94,000 in fines for violations of weight requirements because New Mexico officers were not issuing the required penalties. We recommended that the POE ensure that New Mexico staff enforce all of Colorado's rules and regulations by providing training to and monitoring compliance by New Mexico port officers and staff. The POE agreed to the recommendation and stated that the problems "must be resolved in the near future."

The significant increase, identified in our current audit, in revenues collected and penalties assessed during the time the Colorado POE officers worked out of the New Mexico port from August 2005 through February 2006 again indicates weaknesses in the New Mexico officers' enforcement of Colorado's laws. According to the agreement between New Mexico and Colorado, the New Mexico officers agree to enforce Colorado statutes, rules, and regulations and collect all fees, taxes, and penalties required on commercial motor vehicles exiting the state of Colorado and entering the state of New Mexico. Our analysis indicates that New Mexico may not be complying with the existing agreement. Therefore, we believe the Department needs to identify and address weaknesses to ensure the joint port agreement with New Mexico is cost-effective and provides Colorado with adequate assurances about the quality of enforcement activities. We have identified two areas in which the Department could make improvements:

- **Integrating computer systems**. The Colorado/Utah joint operation shares computer system access, which allows officers from both states to electronically issue permits and citations from either state's system. This ability saves officers time in locating the appropriate citations and issuing permits and penalties. The Colorado/New Mexico port does not have similar shared computer access.

- **Cross-training staff.** As demonstrated during the seven months in which officers from the POE worked at the New Mexico port, having officers work out of the other state's port can enhance productivity. The Colorado/Utah

port sites periodically cross-train officers, and staff have found that doing so is an effective training method and also strengthens the working relationships between the two states. However, no such cross-training occurs between the Colorado and New Mexico ports.

The Department of Revenue needs to ensure that the joint port arrangement with New Mexico is operating cost-effectively, including ensuring that revenue due to Colorado is being collected. To do this, the Department should work with the New Mexico Department of Public Safety to evaluate the existing cooperative agreement, identify weaknesses in operations, and take steps to address weaknesses and strengthen enforcement and collection activities. This should include providing training to New Mexico port officers and monitoring for compliance with Colorado's enforcement laws and regulations. The Department should establish a timeline for achieving improvements and reassessment of the arrangement. If enforcement actions and penalty assessments at the New Mexico port cannot be shown to be cost-beneficial to Colorado, the Department should consider terminating the arrangement.

Recommendation No. 7:

The Department of Revenue should work with the New Mexico Department of Public Safety to evaluate the existing joint port agreement, identify weaknesses, and take steps to improve enforcement and penalty assessment actions on the part of New Mexico port officers. This should include:

a. Developing a timeline for implementation and monitoring for compliance.

b. Improving coordination, such as integrating the states' computer systems and cross-training officers.

c. Establishing the cost-effectiveness of the joint port prior to entering into a subsequent agreement.

Department of Revenue Response:

a. Agree. Implementation date: Implemented.
The Department has established a timeline to review the joint port agreement with New Mexico, to monitor New Mexico's compliance through the end of April 2007, and to make a decision whether to continue joint port operations with New Mexico by June 30, 2007.

b. Agree. Implementation date: July 2007.
The Department will meet with the appropriate agency officials from New Mexico to determine if opportunities exist for improved cooperation such as cross-training port officers or integrating computer systems.

c. Agree. Implementation date: July 2007.
The Department will determine whether it is advisable to continue joint port operations with New Mexico once implementation of Recommendation Nos. 7a. and 7b. are completed, based on costs and benefits.

Revenue

Chapter 2

Overview

The State's ports of entry weigh stations collect various fees, fines, and taxes imposed on commercial carriers and vehicles. The Ports of Entry Section (POE) within the Department of Revenue collects these revenues, which are then distributed in accordance with statutes to various funds, including the Highway Users Tax Fund (HUTF) and the Motor Carrier Fund. The revenues from these Funds help finance the commercial motor carrier safety and highway programs and activities of a number of state agencies including the Departments of Revenue, Public Safety, and Transportation and the Public Utilities Commission. For example, the first distributions from the HUTF are appropriated to the Department of Public Safety for the Colorado State Patrol and to the Department of Revenue for the Ports of Entry Section and for the Motor Vehicle Division.

In Fiscal Year 2005 the POE collected fines, fees, and taxes totaling slightly more than $2 million in cash, check, and credit card transactions at the port facilities. The POE reported additional revenue of $2.7 million in penalties that were assessed, but not collected, at the ports. Motor vehicle carriers and drivers have the option to mail in the payment within 20 days, or they may challenge the penalty in court**.**

The Department is responsible for having controls in place that ensure all fees, fines, and taxes are accurately determined, accounted for, and reported, and that all collections are appropriately deposited. We reviewed the Department's controls over POE revenue processes and identified a number of control weaknesses that increase the risk of fraud, errors, and irregularities. This chapter also reviews the State's fees and fines related to commercial motor traffic in comparison with other states.

Cash Handling Controls

Each department within state government is required to annually file a written statement that their systems of internal accounting and administrative control are in compliance with the requirements outlined in the Financial Responsibility and Accountability Act (Section 24-17-101, et seq., C.R.S.) (the Act). Among other things, the Act requires that each department have a plan of organization that specifies such segregation of duties as may be required to ensure the safeguarding

of state assets and have adequate authorization and record-keeping procedures to provide effective accounting control over state assets, liabilities, revenues, and expenditures.

We evaluated the administrative and accounting controls that the Department has established over the cash collections at the Ports of Entry Section and found problems with the cash handling process and reconciliation procedures. As a result, the Department lacks assurance that revenues are accurately and completely reported and that state assets are adequately safeguarded. It should be noted that the discussion in this section focuses specifically on concerns identified in controls over cash receipts. However, problems we discuss in Chapter 3 with the electronic Business System used by the POE to track data on port activities, including revenue assessed and/or collected, also have a substantial impact on the effectiveness of the Department's controls. Ultimately, both the problems within the Business System and the controls over cash receipts must be addressed in order for the Department to have sufficient controls over cash and to adequately safeguard state assets.

The POE's procedures for handling cash collections and their subsequent deposit and distribution to other state agencies are as follows. Staff at each of the fixed and mobile ports of entry are responsible for assessing the appropriate fees and fines on the various commercial drivers and vehicles that clear the individual ports. As described earlier, port officers and safety inspectors may assess penalties or fines for such things as overweight vehicles or safety violations, or they may collect fees on required permits, such as hazardous materials permits or certain permits for overweight vehicles. Each time an officer charges a fee or tax or assesses a penalty, he or she is required to enter the appropriate information into the Business System. If the officer collects either cash or a check, he or she is required to enter the amount of payment into the Business System and generate a cash receipt for the amount of the collection. Receipts are prenumbered in sequence by the Business System. The officer places the cash or check in a cash drawer, and at the end of the officer's shift, he or she prints a shift activity report from the Business System detailing the funds collected and the penalties assessed during the shift. The officer reconciles the amount collected with the report and places the report, the cash and checks collected, and copies of the receipts issued, as well as copies of the penalty assessments, into a sealed envelope that is deposited into a locked drawer. On a daily basis, except for weekends, the district supervisor collects the envelopes from the previous day's shifts and again reconciles the collections with the receipts and shift activity reports from the Business System.

After reconciling, the district supervisor prints a final remittance report showing all transactions recorded for the day from the System. The final remittance report includes four individual remittance reports, one for each category of collection. The district supervisor then sorts the payments into groups, one for each of the four

categories of collections (i.e., penalty assessments, distraint warrants for unpaid taxes, oversize/overweight permits, and all other fees and taxes). The district supervisor deposits any cash collected for each of the four categories of collections into a local bank account and replaces the cash with a check from the local bank made out to the Department of Revenue. This check, representing the total cash collected, along with the individual personal and business checks collected from drivers, and all relevant documentation is mailed to the designated units at the Department of Revenue for processing. The Department's processing units then deposit the funds and record the information in the Department's business accounting system and COFRS, the State's accounting system.

We identified several problems with the cash receipt process, as described below.

- **Lack of remittance sequence reviews.** Control procedures should be designed to require that cash receipts are prenumbered and that the sequence is monitored to ensure all receipt numbers are accounted for. This helps prevent misappropriation of cash at the point of collection. The Business System automatically sequentially numbers cash receipts issued through the System. However, because the fixed ports frequently lose connectivity with the Business System's central server, officers have the ability to issue manual receipts. Although these receipts are also prenumbered, we found that there was no systematic attempt to account for the sequence of the manual receipts or to ensure that these receipts are entered into the Business System when connectivity is restored. Furthermore, while POE central office staff report that they occasionally print and review voided receipts, they do not compare receipts to penalty assessments to ensure all assessments marked as "paid" have a corresponding nonvoided receipt.

  Similarly, we found that when connectivity is lost with the central server, officers issue manual penalty assessments that are pre-numbered. When connectivity to the central server is restored, officers are required to enter the hand-processed assessments into the Business System. Since commercial drivers have the option of electing not to pay the penalty at the port, it is important that these assessments be entered into the Business System in order to have a complete accounting for all penalties assessed and to ensure that uncollected assessments are forwarded to the Department's Penalty Assessment Section for collection. We found that the manual penalty assessment sequences in the Business System contained both missing and out-of-sequence penalty assessments. As a result, it is not possible to know if all manually issued penalty assessments have been accounted for and not misplaced or improperly waived.

We compared a sample of 20 month-end reports prepared by supervisors from Fiscal Year 2005 with monthly remittance reports from the Business System's central server to determine if all receipts and penalty assessments were accounted for. The supervisor-prepared month-end reports detail actual monies collected as well as penalties assessed but not paid, and these should agree with the information on the Business System's remittance reports. We found four instances totaling approximately $860 in which information from the Business System did not agree with information in month-end reports sent by the supervisor to central management. Upon further investigation we found that the discrepancies resulted from problems with data transfers between the local ports and the central server (discussed in detail in Chapter 3). While these discrepancies are not large and were ultimately resolved, they illustrate a problem with controls over cash receipts. These discrepancies should have been identified and resolved through a regular reconciliation process.

- **Inadequate reconciliation procedures.** Control procedures should be designed to ensure that reconciliations are performed by someone who does not have custody of the cash and is not involved in the recording of activity into the accounting system. Reconciliations should be performed that compare the amount of collections as reported by the ports officer at the point of assessment with the amount of collections received by the state agencies from the POE.

  We found that the POE has procedures in place only to reconcile the amount of cash collected at the ports and deposited by the district supervisor with the local bank. On a monthly basis, the POE central office receives bank statements from each local bank account and compares the amount deposited into the bank and disbursed to the Department's processing units with the monthly check registers submitted by the district supervisors. The supervisors list all checks written from the local accounts during the month on the register. This reconciliation process is important to ensure all cash is accounted for. POE staff report that in 2004 they identified an instance of fraud on the part of one supervisor through this reconciliation process. POE management terminated the individual and required repayment of the fraudulently obtained funds totaling slightly more than $1,000.

  POE does not have a process in place to verify that all collections by the ports on behalf of other state agencies are actually received by the Department's processing units and recorded into the Department's accounting system for the appropriate state agency. The Department should develop a monthly report on all amounts received by the Department's processing units by the district supervisors, and POE central staff should

compare this report with the monthly remittance reports from the POE Business System. Any differences should be identified and resolved.

Further, best practices would require that all payments received by the ports, regardless of the form of payment, should be deposited into the local bank and then transferred electronically to the Department's processing units for distribution among the appropriate state agencies. POE staff report that personal and business checks are not deposited locally because if there is a problem with these payments, POE believes it is the responsibility of the state agency ultimately receiving the funds to follow up, not POE.

Additionally, our audit found that not all ports are in compliance with the Department of Revenue's policy that requires its agencies or programs to deposit revenue collections into a bank account if they are not in close proximity to the Department's Central Department Operations Division in Denver. Staff report that the Alamosa and Denver mobile ports as well as the Platteville fixed port do not have bank accounts. In the case of the Denver mobile port, deposits are made directly to the Central Department Operations Division; thus, a bank account is not necessary. POE central office staff report that supervisors at both the Alamosa mobile port and Platteville fixed port indicate that they purchase money orders locally, rather than having bank accounts, and the ports send the money orders to the Department's processing units. In Fiscal Year 2005 Alamosa's monthly collections averaged about $2,100 (amounts ranged from $600 to $7,900 per month) and Platteville's monthly collections averaged about $7,900 (amounts ranged from $2,800 to $22,900 per month). However, POE central office staff do not verify that the money orders are received by the Department's processing units and recorded as cash receipts for the appropriate state agencies.

Finally, feedback mechanisms for use by customers can operate as a control over cash collection activities. For example, toll booths on the State's toll roads have signs instructing drivers to call a specific phone number if the driver is not provided with a receipt, or if the amount on the receipt is different from the amount the driver paid. We found that the Department has not made use of this type of mechanism to help ensure cash collections are appropriately handled at the various ports.

As noted earlier, POE collected over $2 million in Fiscal Year 2005 and assessed additional unpaid penalties of about $2.7 million. The Department should address the weaknesses identified in controls over cash collections performed by Ports of Entry to ensure that all appropriate fees and fines are collected, accounted for, and distributed to state agencies and that the risk of errors and irregularities is mitigated.

Recommendation No. 8:

The Department of Revenue should establish adequate controls over the Ports of Entry Section collection process by:

a. Implementing a method for tracking manual receipt sequences and incorporating a systematic review of the numeric sequences of cash receipts and penalty assessments issued into the daily cash reconciliation process at the individual ports. Any gaps in sequences should be identified and accounted for.

b. Implementing systematic reconciliation procedures in which Ports of Entry central office staff perform monthly reconciliations on all collections by the ports by comparing amounts on remittance reports from the POE's Business System with amounts received by the Department's processing units on behalf of other state agencies. These reconciliations should cover all forms of payments made to the ports such as cash and personal and business checks.

c. Considering requiring that all monies collected by the local ports (cash and checks) be deposited to local banks or examining other alternatives for remitting collections to the Department's processing units.

d. Exploring whether all mobile and fixed ports should open local bank accounts unless daily deposits are made to the Central Department Operations Division.

e. Establishing a process for drivers to report potential fraud and abuse and reminding drivers of the need to ensure they receive a receipt and verify the amount of the receipt for any payment made.

Department of Revenue Response:

a. Agree. Implementation date: June 2007.
The Department's IT Division will implement an improved process that will allow the workstations at the ports to connect directly with the Central Business System server. This process is planned to include automated controls that will minimize gaps or missing manual receipts. An automated report will be developed to identify any sequence gaps or missing receipt numbers, and POE management will follow up on missing receipt numbers.

b. Agree. Implementation date: March 2007.
The Department will develop procedures to reconcile daily cash and check collections detailed on POE remittance reports with amounts received by the various DOR processing units, in accordance with the Department's cash receipts policy.

c. Agree. Implementation date: June 2007.
The Department's Ports of Entry management will work with the Accounting staff to identify alternatives for remitting cash and checks collected at the ports to the Department's central processing units. The Department will modify its current practice, if appropriate, based on factors including employee safety, safeguarding of collections, deposit timing, and cost.

d. Agree. Implementation date: June 2007.
The Department's Ports of Entry management will work with Accounting staff to determine whether a remote bank account is appropriate for each port, and if so, to open accounts in accordance with the Department's cash receipts policy.

e. Agree. Implementation date: January 2007.
The Department will review alternatives for drivers to report potential fraud and abuse and reminders to drivers to get a receipt for their payment, and will implement appropriate methods. At this time we are considering a hotline number and/or a web site e-mail address. After implementation, POE management will monitor fraud reporting.

Fees and Fines

The Ports of Entry Section collects revenues from approximately 70 different commercial motor vehicle-related fees and fines. For the most part, the amounts of these fees and fines are set in statute. In Fiscal Year 2005 the POE assessed and/or collected a total of about $4.3 million in revenues from fees and fines. The fees and fines serve several important purposes. For example, according to Colorado law, vehicles exceeding 85,000 pounds and traveling on non-interstate highways are classified as overweight. Federal regulations classify as overweight, vehicles exceeding 80,000 pounds that travel on interstate highways. Vehicles exceeding these respective weight limits can travel on Colorado's non-interstate and interstate highways, provided they purchase the required permit. The purpose of the permit fee is to address the cost of the additional road damage caused by the overweight vehicle. Similarly, the purpose for oversize vehicle permits is to protect the highway

infrastructure by designating routes for these vehicles (e.g., the designated route prevents a tall truck from going under a low bridge). Fines for violations of overweight limits and safety laws are intended not only to address highway damage costs but to deter repeat violations, thereby protecting the safety of the traveling public.

The revenues from commercial motor vehicle fees and fines fund various highway infrastructure and safety programs and activities. Most significantly, revenues are distributed to the Highway Users Tax Fund (HUTF). The HUTF helps finance the highway reconstruction, maintenance, and repair activities of the Colorado Department of Transportation (CDOT) in addition to the commercial motor vehicle enforcement and safety activities of the POE and the Colorado State Patrol.

As stated previously, the premature damage done to highways by heavy trucks and, in particular, overweight trucks is well established. A study conducted for the Arizona Department of Transportation estimated that overweight vehicles cause between $12 million and $53 million per year in uncompensated damages to Arizona highways. North Carolina state officials estimate that overweight vehicles cause that state $78 million in road damage annually. Although the Colorado Department of Transportation does not have data on the costs for highway maintenance and repair associated with commercial trucks, the Department has been allocated $138.6 million for Fiscal Year 2007 for surface treatment alone. According to CDOT's Fiscal Year 2007 Budget, "this is the fourteenth fiscal year of an increased level of spending for surface treatment." Overall, CDOT estimates that it will spend almost $290 million in Fiscal Year 2007 on system quality programs including surface treatment, bridge, and some maintenance activities.

We reviewed a sample of the fees and fines most frequently issued by the Ports of Entry. Specifically, we tested permit fees and fines related to oversize/overweight vehicles and fines for violations of commercial motor carrier safety laws. In conducting our evaluation, we found that Colorado's commercial motor vehicle fees and fines have not undergone a comprehensive review. According to the Department of Revenue's 2005 *Port of Entry Evaluation*, penalties, fines, surcharges, and permit fees should be reviewed because they are inconsistent with the associated risk and, in some cases, do not effectively cover the cost of the damage caused by the infraction. We agree with the Department's conclusion that a review of Colorado's commercial motor vehicle fees and fines should be conducted. We based our conclusion on the following factors.

Age of fees and fines. The amounts of many of Colorado's commercial motor vehicle fees and fines were set in the 1980s and have not been updated or adjusted for inflation. In Fiscal Year 2005 the POE assessed more than 23,000 fines for oversize/overweight and safety violations. The revenues derived from these statutory

fines totaled approximately $1.6 million. We estimate that if the amounts of the fines had been adjusted for inflation since the time(s) they were set, total revenue collected from this source in Fiscal Year 2005 would have been 94 percent greater, or approximately $3.1 million. The increased revenue would have resulted in additional funding for highway construction and maintenance. In addition, we found that the CDOT, which also collects permit fees for oversize/overweight vehicles, would have collected an additional $2.8 million in Fiscal Year 2005 if select fees had been adjusted for inflation. This figure represents about an 88 percent increase over actual CDOT collections of nearly $3.1 million for the fees we tested.

Fines as a deterrent. A June 2001 study by Portland State University compared Colorado with other states on the basis of enforcement activity and the severity of the penalties imposed. The study found that commercial motor vehicle carriers will exceed legal weight limits to the point at which additional revenues derived from overloading are offset by the additional costs, including the expected penalty if the violation is detected by enforcement officials. The study concluded that for weight enforcement to be effective, there is a basis for states to increase fines and/or enforcement intensity. According to the study, Colorado's overweight fine structure is well below most other states. In its March 2005 *Port of Entry Evaluation*, The Department of Revenue reported that overweight trucks cause exponential damage to the roadways. However, "many trucking companies do not view the current fine structure for an overweight vehicle as a deterrent to overloading."

Comparisons with other states. We compared Colorado's oversize/overweight fees and fines and the fines for safety violations with those of other states. We found that Colorado's fees and fines are significantly lower in a number of areas. For example, for oversize/overweight vehicle permits, a single-trip overweight vehicle permit fee in Colorado is $15 plus $5 per axle. Thus, the fee for an overweight truck with two axles is $25, regardless of the distance traveled. By contrast, Utah charges from $50 to $450 for a single trip permit. The cost of the permit varies based on vehicle weight and distance traveled. Wyoming's permit cost is 4 cents for each ton in excess of legal limits for each mile traveled with a minimum fee of $25. This means that the cost for a single trip permit for a 200,000 pound vehicle traveling in Wyoming would exceed Colorado's permit fee after only 53 miles of travel. Montana's fee schedule is also significantly higher than Colorado's. An annual overweight permit in Colorado is $400. The fee for the same permit in Montana ranges from $200 to $4,000 depending on the amount the vehicle is overweight.

Studies have found that Colorado's fines for oversize/overweight vehicles are significantly lower than the fines imposed by other states. An audit released by the Georgia Department of Audits in 2000 ranked Colorado's oversize/overweight fines among the bottom 30 percent in the nation. Another 2001 study by Portland State University's Center for Urban Studies found that Colorado was among the six states

in the nation with the lowest fines for overweight vehicles. For example, Utah fines vehicles $300 for illegally operating 5,000 pounds overweight. In Colorado a vehicle operator faces a $60 fine for the same violation. Similarly, in New Mexico vehicles 1,000 to 3,000 pounds overweight are fined $75. In Colorado the fine is $15.

The Commercial Vehicle Safety Alliance (CVSA) periodically issues a recommended *Maximum Fine Schedule* for violations of national safety standards. Our review of the *Schedule* found that states' fines for out-of-service violations range from $30 to $1,500, with the majority set at $100 or more per violation. Colorado's statutory fine for any safety violation resulting in an out-of-service order is $50. Additionally, regardless of the number of out-of-service violations, POE safety inspectors will issue only up to two citations of $50 each to a single driver or vehicle. Utah issues several different fines for safety violations even if the violations do not result in out-of-service orders. Also, in many cases, Utah's safety fines are higher than similar fines in Colorado. For example, in Utah, driver log book violations (i.e., driving too many consecutive hours) result in a fine ranging from $100 to $500 and include a $1,000 fine if the driver is placed out-of-service. For the same violation, Colorado issues a $50 fine.

Finally, Colorado is more lenient with regard to drivers and carriers who repeatedly violate oversize/overweight or safety requirements. Yet, these types of violations represent more than 64 percent of all penalties assessed by the POE during Fiscal Year 2005. Our analysis indicates that 5 percent of the drivers cited for oversize/overweight or safety violations received two or more citations during Fiscal Year 2005. We identified a number of drivers with as many as 11 overweight citations during that period and more than 300 drivers with two or more safety violations. Because the POE inspects less than 1 percent of all vehicles, the frequency of repeated violations among this small group of drivers is of concern. Although Colorado statutes provide graduated penalties for repeat port-running (failure to clear a port), expired registration, and dyed fuel violations, statutes do not provide similar graduated penalties for repeat violations of oversize/overweight and other safety standards. By contrast, Montana assesses drivers who violate its Motor Carrier Safety Standards $285 for the first offense and $585 for the second offense. Again, Colorado's only fine for any safety violation is $50.

Evaluate Fees and Fines

Fines and fees exist to ensure that commercial motor vehicles comply with state statutes and help to cover the costs for administering commercial motor vehicle laws and programs, including maintenance of critical state roadway infrastructure. They should be regularly reviewed and updated to provide effective deterrence and adjusted for inflation to address increased costs for highway construction and repair.

Furthermore, revenues from fees and fines are used to finance the enforcement and other related functions of the agencies charged with administering Colorado's commercial motor vehicle laws.

We believe the Department of Revenue and the other agencies that rely on revenue collected by the POE should work together to assess the sufficiency of all statutorily set commercial motor vehicle fees and fines. Section 42-8-108, C.R.S., states that the Governor shall require various agency executives, including the Executive Director of the Department of Revenue, the Chief of the Colorado State Patrol, the Chief Engineer of the Division of Highways, and the Chairman of the Public Utilities Commission, to cooperate to the fullest extent possible so that the port of entry weigh stations should serve the broadest possible functions. Together, these agencies should undertake a comprehensive review and evaluation of Colorado's commercial motor vehicle fee and fine schedules, including comparisons with other states, determinations of the costs associated with fulfilling their respective responsibilities for commercial vehicles, and recommendations for legislative and/or other changes.

Recommendation No. 9:

The Department of Revenue should take the lead in working with the Colorado Department of Transportation, the Colorado State Patrol, and the Public Utilities Commission to undertake a comprehensive review and evaluation of the State's commercial motor vehicle fees and fines to determine if revisions should be made. This should include:

a. Analyzing and comparing Colorado's commercial motor vehicle fees and fines with those of other states.

b. Assessing the costs associated with administering commercial motor vehicle laws, including safety enforcement, and the costs to repair the damage to the State's highway infrastructure from commercial motor vehicle damage.

c. Identifying ways of increasing revenue from fees and fines to support enforcement activities and financing infrastructure needs. Such increases should be balanced with other economic impacts.

d. Issuing a report with findings and recommendations including proposals for statutory change.

Department of Revenue Response:

a. Agree. Implementation date: May 2007.
The Department will gather available data from other states, and will analyze and compare Colorado's commercial motor vehicle fees and fines with those of other states.

b. Agree. Implementation date: June 2007.
The Department will use available information to assess costs related to administering commercial vehicle laws, including safety enforcement, as well as the costs of highway infrastructure damage from commercial vehicles. In addition to data available internally, the Department will request information from other agencies, including the PUC, the State Patrol, and CDOT, and other appropriate sources, that will be necessary to assess such costs.

c. Agree. Implementation date: June 2007.
To support enforcement activities and financing infrastructure needs, the Department will coordinate an effort by affected state agencies and with input from representatives of affected industries, including trucking and agriculture, to research the economic incentives for operating oversize and overweight vehicles. Our analysis will include a consideration of economic impacts and other appropriate factors.

d. Agree. Implementation date: July 2007.
The Department will coordinate preparation of a report with findings and recommendations including proposals for statutory change.

Colorado Department of Transportation Response:

Agree. Implementation date: July 2007.

CDOT agrees that fees and fines in Colorado do not adequately cover the costs associated with permits and violations of oversize and overweight vehicles. CDOT looks forward to working with the Department of Revenue on this issue. CDOT will prepare an analysis of commercial motor vehicles fees and fines in Colorado as compared to other states, and, to the degree possible, analyze the costs to repair the damage to the State's highway infrastructure from commercial motor vehicle damage. This information will be provided to the Transportation Legislation Review Committee at a monthly TLRC meeting in Summer, 2007. Should this information be requested in preparation of potential legislation for the 2007 Legislative

Session, CDOT will work to provide any requested information in a timely fashion.

Colorado State Patrol Response:

Agree. Implementation date: July 2007.

The Colorado State Patrol is aware Colorado's fees and fines as they relate to commercial vehicle safety and hazardous material transportation are lower than the average throughout the country. The Motor Carrier Safety and Hazardous Material Sections are prepared to participate in the comprehensive review of the fees and fines related to patrol activities as outlined in Recommendation No. 9. While attempting to reduce commercial vehicle involved crashes and hazardous material incidences through strict enforcement of egregious traffic and safety violations, the Patrol equally realizes the importance of consistent fees and fines, ensuring the increases and enforcement remain balanced with other economic impacts.

Public Utilities Commission Response:

Agree. Implementation date: July 2007.

The Public Utilities Commission, working with other involved Departments, will assist the Department of Revenue in its efforts to undertake a review and evaluation of the State's commercial motor vehicle fees and fines to determine if revisions should be made. The Public Utilities Commission agrees that this should include:

a. Analyzing and comparing Colorado's commercial motor vehicle fees and fines with those of other states.

b. Assessing the costs associated with administering commercial motor vehicle laws, including safety enforcement, and the costs to repair damage to the State's highways caused by commercial motor vehicles.

c. Identifying ways of increasing revenue from fees and fines to support enforcement activities and financing infrastructure needs, balanced with other economic impacts.

d. Issuing a report with findings and recommendations including proposals for statutory change.

Information Management

Chapter 3

Overview

The Ports of Entry (POE) Section is responsible for enforcement of state and federal laws related to commercial traffic on public highways within the State. The POE depends heavily on its electronic Business System to manage all aspects of its operations, including enforcing weight and safety laws; ensuring carriers have all legally required registrations, licenses, and permits; and collecting revenue for fees, fines, and taxes. For example, with respect to Fiscal Year 2005 the Business System tracked information related to the 3.5 million vehicles that cleared the fixed or mobile ports operated by the POE (excluding the 1.9 million clearances handled by PrePass, which is described in Chapter 1 and the almost 600,000 manually recorded clearances reported by the POE); processed about 33,300 receipts issued by ports officers for payments for permits, registrations, taxes, and penalties; and tracked revenue assessed and/or collected by ports officers amounting to approximately $4.8 million. Additionally, the Business System is used to generate reports and statistics for the General Assembly and state agencies, including the Colorado State Patrol, to demonstrate accountability and support budget requests.

The POE's Business System is managed by the Department of Revenue's Information Technology Division and consists of a central server located in Denver, 10 local servers (one each located at the 10 fixed ports), and 10 laptops (one each located at the 10 mobile ports). The 10 fixed port local servers are connected to the central server through communications lines, and the local servers update the central server at least once per hour. The 10 laptops are not connected to either the fixed port local servers or the central server; however, the officers from the mobile ports bring the laptops into the fixed ports at least once per week to upload data into the central server.

We examined the Department's controls for ensuring the security and reliability of the Business System and the integrity of data maintained within the system. We identified serious control weaknesses, exposing the Department to risks of fraud, abuse, and errors. These control problems undermine the Department's ability to manage POE resources effectively and efficiently and to provide reliable information to other state agencies and the General Assembly. We identified control failures related to logical access, data integrity, internal controls, and disaster recovery. We concluded that in addition to addressing these specific control weaknesses, the

Department needs to undertake a comprehensive evaluation of the Business System to improve the System's overall functionality. We discuss these issues in the remainder of this chapter.

Access Controls

Access controls provide reasonable assurance that computer resources (data files, software, and computer-related facilities and equipment) are protected against unauthorized modification, use, loss, or impairment. Access controls include physical controls, such as keeping computers in locked rooms to limit physical access, and logical controls, such as security software programs designed to prevent or detect unauthorized access to sensitive files. When adequate access controls are lacking, the reliability of computerized data is compromised. When data are unreliable, management cannot produce meaningful reports from automated systems or rely on computerized information for decision-making.

To establish controls over the logical access to an information system, every user should have a unique identification code and password. The identification code will determine each user's specific level of system access. For example, some users will have an access level that only allows them to extract data and produce reports (read-only access). Other users will have an access level that also allows them to enter data (read and write access). Still other users will have an access level that is essentially unrestricted; that is, the user will be able to change or delete records and modify how the system processes information (read, write, and change access). This last type of user is typically referred to as a database administrator.

According to standards promulgated by the *National Institute of Standards and Technology,* only a very small group of database administrators should have unrestricted database access, and their access should be highly controlled. To ensure sufficient controls, the information system should make a record of each database administrator's unique identification code every time the database administrator accesses the database for any reason. Additionally, the information system should maintain an audit trail of every change an administrator makes to the database, including why the change was made.

We reviewed the logical access controls for the Business System and identified significant weaknesses. First, we found that *all* fixed and mobile port staff who have authorized access to the electronic Business System (about 120 staff) also have unrestricted access to the Business System database. In other words, all 120 port staff have the same unrestricted access to the Business System database as the access provided to the three database administrators. Port staff have this additional access through an unauthorized software utility program installed on the local servers at

each of the fixed ports. The instructions for using the software utility program are readily available on the Internet. According to Department staff, the software utility program was installed at the fixed ports when the Business System was first implemented. Staff were unable to explain why the software was initially installed or why it was not removed. We discovered the unauthorized utility program when, as part of our audit, we arranged for "read only" access to the Business System for the purpose of conducting our audit. We found that when we extracted records from the database for audit analysis, we also had the ability to modify records. Upon discovering this, we notified the Department of the problem immediately. According to the Department, staff have removed the software from the fixed port local servers.

Staff with unauthorized access to the database included port officers and supervisors. All of these staff had the ability to modify or delete records maintained in the System without any audit trail that would have allowed detection. The records that could have been altered include records of truck clearances; receipts for fees, fines, and taxes; and records of penalty assessments and permits. Because of these problems, as well as other control weaknesses discussed in Chapter 2, the Department is not able to determine whether or not records have been compromised.

The second problem we identified with logical access controls was that while the Business System has unique identifiers, or sign-ins, for the three authorized database administrators, the administrators all log in to the database through a shared administrator account. Although the System maintains an audit trail of any changes made to the database through the shared account, the changes cannot be tracked to an individual administrator. As a result, inappropriate changes could be made to the database, and it would not be possible to track the changes to the responsible individual. This decreases the accountability for changes made to the system.

The Department must take immediate steps to eliminate unauthorized access to the Business System database. The Department should enforce its policies prohibiting the installation of unauthorized software on all of the Department's networks. Additionally, the Department should require that periodic inventories are conducted of all software maintained on its networks to ensure only authorized software is present. Finally, the Department should review the authorizations and sign-ins for all Department database administrators and POE staff to ensure that each can be individually identified and that access levels are appropriate for the staff person's level of responsibilities.

Recommendation No. 10:

The Department of Revenue should take immediate steps to strengthen policies and procedures related to software placed on Departmental networks and establish adequate controls over access to the Ports of Entry Section's Business System database. This should include:

a. Enforcing policies requiring that all software be authorized before installation on all networks and prohibiting the installation of unauthorized software.

b. Conducting periodic inventories and reviews of all network software to ensure that only authorized software is on the Department's networks and that the software is still needed for operations.

c. Requiring that all users, particularly database administrators, be assigned and use unique user identification codes to access systems in order to allow activity by individual users to be tracked.

d. Periodically reviewing the access levels for users and administrators to ensure that the levels are appropriate for the individual's level of responsibility.

Department of Revenue Response:

a. Agree. Implementation date: December 2006.
The Department is currently in the process of replacing workstations at the ports as a part of its normal replacement plan. Each new workstation will have software that prevents users from installation of unauthorized software and limits installation of software to authorized IT staff only.

b. Agree. Implementation date: December 2006.
In addition to the controls on the new workstations discussed in the response to Recommendation No. 10a., the Department's IT Division staff will remove any unauthorized or unused software during yearly IT systems reviews. Currently, the Department's IT Division is in the process of implementing software to electronically verify that the Department's desktop computers and servers have only licensed, authorized software installed. The POE software inventory process will be fully operational by December 2006.

c. Agree. Implementation date: December 2006.
As a result of this audit, the Department's IT Division reminded all database administrators of the Department's policy requiring the use of their assigned unique user names and passwords. In addition, the new workstations described in the response to Recommendation No. 10a. above will require the use of a unique login and password by all users, and will incorporate a timeout feature consistent with Department policy. The timeout feature requires any user to re-enter their individually assigned password after a period of non-use on the workstation, and helps to limit access to Department systems and data to authorized staff. The Department's IT Division is electronically monitoring for compliance with the Department's password use policy.

d. Agree. Implementation date: September 2007.
As suggested by the auditors, the Department's Security Section completed a review of POE user accounts and all Department administrator accounts in June 2006, and all unused or old accounts were removed. In the future, the Section will review all of these accounts annually. In addition, to ensure appropriate access level consistent with assigned job duties, the Department's IT Division will develop, with input from other Department units, a proposal for an annual Department-wide systems access level review process, possibly as a part of the annual performance planning process.

Data Integrity Controls

Data integrity controls ensure that all electronic data within an information system are complete, accurate, and reliable. Controls should be in place at the point where data are entered, processed, transmitted, maintained, and reported. These controls are key to ensuring that the data are useful and reliable for management decisions and for demonstrating accountability. We evaluated data integrity controls for the electronic Business System and identified serious weaknesses. As a result, there are risks that fraud, abuse, or errors could occur and not be detected.

The Business System central server is the official repository for all POE records, including truck clearances; receipts for fees, fines, and taxes; and penalty assessments. Staff at fixed ports enter records and transactions into the local servers and transmit the data to the central server at least once per hour. The central server records penalty assessments in a separate file and uploads the file to two other Department computer systems managed by the Penalty Assessment Section within the Central Department Operations Division. The Penalty Assessment Section

processes cash from mail-in penalty assessment payments and maintains records of all penalty assessments issued, paid, and outstanding. If penalty assessments are not paid within 40 days of issuance, the Penalty Assessment Section prints out a hard copy of the penalty assessment from its computer system and mails the document to the appropriate county court.

We tested data integrity controls for records entered into the Business System central server during Fiscal Year 2005, the most recent year for which complete data were available at the time of our audit. These electronic records included about 3.5 million truck clearance records (excluding 1.9 million PrePass clearances and the almost 600,000 manually recorded clearances reported by the POE), about 33,900 penalty assessment records, and about 33,300 receipt records for fines, fees, and taxes. We identified corrupt, missing, incomplete, and inaccurate records in the Business System central server, including:

- **Truck clearance records.** Of approximately 3.5 million truck clearance records reviewed, more than 285,000 records (8 percent) contained corrupt, incomplete, or inaccurate data. For example, we identified records with fields that contained (1) unintelligible combinations of letters, numbers, and symbols; (2) missing data, such as vehicle identification numbers; and (3) numbers when they should have contained letters, and vice versa. These records were not usable for analysis or reporting.

- **Receipts.** Of approximately 33,300 records of receipts for fines, fees, and taxes, 295 records (0.9 percent) were missing.

- **Penalty assessments.** Of approximately 33,900 records of penalty assessments, 34 records (0.1 percent) were missing.

With respect to the missing receipts and penalty assessment records, while the number of missing records appears to be small, the lack of completeness for these records represents a weakness in the Department's ability to safeguard state assets, as required under state statutes.

We investigated the 295 missing receipt and 34 missing penalty assessment records, and we were able to locate all missing records on the various fixed port local servers. The lack of complete electronic records in the Business System's central server occurred as a result of problems that were not detected and corrected during data uploads from the fixed ports to the central server. However, the fact that missing receipts and penalty assessment records had not been identified and resolved by the POE prior to our audit is further evidence that controls over cash, discussed in Chapter 2, are lacking. If the Department were accounting for the complete numeric sequence of cash receipts or penalty assessments issued against records maintained

in the central server, the missing receipts and penalty assessments would have been identified.

With respect to the 34 missing penalty assessments, we expanded our analysis to determine if the Department had controls in place to ensure that all penalty assessments are either ultimately paid or otherwise appropriately resolved. We found that at the time of our audit, 24 of the 34 penalty assessments had been paid and 10 had not. Since the 34 missing penalty assessments were not transferred intact to the central Business System, they were not transferred to the Penalty Assessment Section. Since the Penalty Assessment Section did not have a record of these 34 penalty assessments, no notice was sent to the 10 violators who did not mail in payments, and these 10 violations were not referred to the county courts to obtain payment. This problem is further discussed below.

In addition to the problems transmitting records from the fixed port servers to the Business System central server, we found that there were problems transmitting penalty assessment records intact from the Business System central server to the systems located in the Penalty Assessment Section. For example, Penalty Assessment Section staff reported that they typically cannot locate the electronic record for about 60 of the penalty assessment payments mailed or paid in person to that Section each month. When the Penalty Assessment Section cannot find a record of the penalty assessment on its systems, staff report that they create a new record, print out a copy, and hand deliver the new record to the POE. The POE staff report that they either file the copies in a drawer or throw them away. We found more than 200 copies of penalty assessments sent to the POE by Penalty Assessment Section staff filed in a drawer at the POE central office. Some of the penalty assessments were recorded on the POE central server. Dates on the penalty assessments ranged from November 2005 through May 2006.

Finally, Penalty Assessment Section staff informed us that because not all penalty assessment records are being uploaded from the Business System to the other Department systems, county courts are not receiving copies of all unpaid penalty assessments. If a truck driver contests a penalty assessment in court, and the county court does not have a copy of the penalty assessment, the judge dismisses the case against the driver. We confirmed with a staff member for one county court judge that the judge regularly dismisses between 6 and 10 violations per month due to missing penalty assessment records. We identified one instance where a POE officer cited a truck driver for five violations during a single clearance in January 2005. The fines for the violations totaled more than $18,000. When the truck driver appeared in court, the judge dismissed the charges because the court did not have a copy of the penalty assessment. In another instance, a county court judge reported dismissing four cases totaling almost $8,000 because the court did not have copies of the penalty assessments.

Our audit found that the corrupt and missing truck clearance data and the missing receipt and penalty assessment records were caused by inadequate controls over data integrity at the point of data entry and transmission, as well as during database management. The Department should address these issues by implementing the following controls in the Business System and in the other Department systems receiving Business System data:

- **Data entry edits.** These controls help ensure that when officers at the fixed and mobile ports enter data, the data are entered accurately into the appropriate fields. For example, data entry edits would prevent the Business System from accepting a record if it is missing key information, such as a vehicle identification number, or if a letter is entered into a field that should only have numbers.

- **Data transmission edits.** These controls count the number of items in each field and the number of records in each batch before information is transmitted to another system. When these edits are in place, the system receiving the batch will not accept the information unless the number of items and records *sent* from the originating system matches the number of items and records *received*. If the totals do not match, the transmission is considered unsuccessful, and the receiving system sends a notice of the failure to the system that transmitted the data.

- **Database management edits.** Records maintained in a database can deteriorate over time, causing data to be corrupt. Data corruption can be caused by hardware errors, such as the failure of a hard disk, or by external factors, such as the loss of power to the computer server. Database management tools include utilities that check inside the database to detect any data decay and help maintain data quality. These utilities have edit checks that count the numbers of items in fields and compare them with calculated totals. A discrepancy between totals indicates data may be deteriorating. Database administrators restore the decaying data from backups or by using utility programs that reconstruct the database.

The Business System is critical to the POE's management of both its enforcement and revenue collection activities and to the Department's oversight of penalty assessments. Data integrity issues should be addressed promptly to ensure appropriate follow-up on enforcement actions, proper safeguarding of cash receipts, and accurate and complete reporting of data on POE activities for management and decision-making.

Recommendation No. 11:

The Department of Revenue should establish adequate controls over the integrity of data maintained on the Ports of Entry Business System and over data transmitted from the Business System to other systems. More specifically, the Department should implement:

a. Data entry edits to help ensure information entered into the fixed port local servers and mobile port laptops is accurate and complete.

b. Data transmission edits to ensure the completeness of all data transmitted between the mobile port laptops and fixed port local servers to the central server and from the central server to other systems.

c. Database management edits to ensure data maintained within the Business System central server are protected from decay and corruption.

Department of Revenue Response:

a. Agree. Implementation date: December 2007.
The Department's IT Division will perform an application analysis to determine the extent to which the Business System can be modified to implement data entry edits requested by POE, and the related costs. Individual edits will be implemented to the extent they are justified based on costs and benefits.

b. Agree. Implementation date: June 2007.
The Department's IT Division will implement data transmission edits as recommended. In addition the Division will implement a process to verify records are correctly transferred from the Business System server to other systems.

c. Agree. Implementation date: September 2006.
The Department's IT Division Database Support staff recently implemented automated, scheduled database utility processes to ensure that Business System central server data are protected as recommended.

Internal Controls

All automated systems should have built-in controls to ensure that system data, as well as any information generated by the system (such as receipts, penalty assessments, and reports), are accurate and reliable. Additionally, automated systems should have controls to make sure that only authorized users can modify data and that all modifications are supported by an audit trail. These internal controls prevent misappropriation of assets and limit opportunities for fraud or abuse.

We evaluated Business System internal controls and found that the System lacks internal controls in several key areas. Due to missing controls, we could not verify the accuracy of the collections for some fees and fines. Additionally, we identified overcharges and undercharges to carriers during Fiscal Year 2005 that totaled about $144,700 and $7,800, respectively. As a result of the control weaknesses discussed below, we may not have identified all overcharges and undercharges that were made. We found controls lacking in the following areas:

- **Modifications to data.** Controls are lacking to prevent POE officers from overwriting the fines and surcharge amounts calculated by the Business System. We identified 198 instances where the POE officers overwrote system-generated fines or surcharges and issued penalty assessments to carriers for the wrong amounts. Overcharges for these overwritten fines and surcharges totaled about $15,700 and undercharges totaled approximately $20.

- **Audit trails.** We found that the Business System allows POE officers to reissue a penalty assessment under an already existing assessment number and that the System does not maintain a record of the changes made or identify the officer who made them. Since there is no audit trail for reissued penalty assessments, we were unable to determine how many penalty assessments POE officers might have reissued or changed, or why the change was made.

- **Accurate fine and surcharge amounts.** The Business System contains fine and surcharge tables used to calculate penalty assessments. (Surcharges are additional fees levied on fines.) These fine and surcharge amounts are set forth in statutes. We found that when the Department first established these tables, the Department did not have controls to ensure that (1) the tables included all required statutory fines and surcharges and (2) the fee and surcharge amounts recorded in the tables were correct. We also found that when the Department updated the fine and surcharge tables in response to

changes enacted by the General Assembly, some fines and surcharge amounts either were not updated or were not updated correctly. As a result, during Fiscal Year 2005 POE issued more than 4,700 violations for fines and surcharges that were incorrect. Overcharges totaled almost $109,000, and undercharges totaled about $330.

- **Permit and registration detail.** As discussed previously, the POE collects fees for some permits and registrations issued by other state agencies. We found that the Business System does not individually track some of these permits and registrations, and therefore, detail on the number sold and amounts paid cannot be verified for accuracy or reported to other agencies. For example, the POE collects a fee for a 72-hour laden weight trip permit that allows a carrier to operate an overweight vehicle within the State for 72 hours. POE collects the fee on behalf of CDOT, and the amount of the fee varies by the weight of the vehicle. POE officers manually enter this fee (regardless of the amount) into the Business System under a single code. Similarly, the POE collects two different registration fees on behalf of the PUC for carriers operating within the State (intrastate) and traveling through the State (interstate). Each registration fee has a different amount. POE officers manually enter both registration fees into the Business System under a single code.

- **Missing calculations for some fines and surcharges.** We found that the System does not automatically calculate the fines and surcharges for vehicles that are overweight by more than 20,000 pounds; rather, POE officers calculate these fines and surcharges manually. We identified about $20,000 in overcharges and $7,400 in undercharges resulting from these manual entries.

The Department should take immediate action to establish controls to address the weaknesses we identified. Controls should prevent data from being overwritten or altered and ensure that only authorized staff can modify data. All modifications to data should be supported by an audit trail. Additionally, the Department should review its fine and surcharge tables and make corrections to ensure all fine and surcharge assessments are in compliance with the statutes. Furthermore, calculations for fines, surcharges, and fees should be automated in the Business System. Updates to tables and automated calculations should be supported by documentation, reviewed and approved by management, and tested prior to implementation. Finally, the Department should ensure that all permits and registrations are individually tracked in the Business System. Detailed tracking will allow the Department to verify the numbers and dollar amounts of permits and registrations sold and facilitate reporting to other state agencies.

Recommendation No. 12:

The Department of Revenue should establish internal controls in the Business Systems to minimize errors and mitigate risks of fraud, abuse, and errors. More specifically, the Department should ensure that:

a. Only authorized staff can modify data and that all data modifications are supported by an audit trail.

b. Tables for fines and surcharges contain amounts set forth in the statutes.

c. Calculations for fines, surcharges, and fees are automated.

d. All permits and registrations have separate codes and are tracked individually.

e. All changes and updates to the Business System are supported by documentation, reviewed and approved by supervisors and management, and fully tested before implementation.

Department of Revenue Response:

a. Agree. Implementation date: December 2007.
The Department's IT Division will perform an application analysis to determine the extent to which the Business System can be modified to implement an audit trail to support modifications, and the related costs. Changes will be implemented to the extent they are justified based on costs and benefits.

b. Agree. Implementation date: January 2007.
As stated in the response to Recommendation No. 12b., the Department will review the Business System to identify fines or surcharges that are not in compliance with statutes, and request modification of the System as needed. The Department's IT Division will also implement system controls to maintain accuracy.

c. Agree. Implementation date: December 2007.
The Department will automate calculations so the System provides accurate fees, surcharges, and fines based on the results of the application analysis, as discussed in the response to Recommendation No. 5b.

d. Agree. Implementation date: September 2007.
The Department's POE management will work with the Accounting staff to obtain separate accounting codes for all permits and registrations and will ensure that permits and registrations are tracked individually by January 2007. These codes will be programmed into the Business System so that tracking and reporting of the individual codes will be automated by September 2007.

e. Agree. Implementation date: Implemented June 2006.
The Department has taken steps to improve these processes and currently requires that all updates to the Business System have requirements definitions, analysis and multiple testing phases including unit testing, system, regression, and volume testing by the testing coordinator. Business users must now formally approve updates before deployments to production. The Department now includes a documentation review on changes prior to deployment.

Disaster Recovery and Business Continuity Planning

As we have discussed throughout this report, the Department of Revenue's electronic Business System is key to managing all aspects of POE operations, including verifying vehicle compliance with applicable laws and regulations; enforcing violations; collecting fees, fines, and taxes; and reporting information to state agencies, the General Assembly, and the federal government. The Governor's Office of Information Technology (OIT), which establishes information system standards for the State, requires all state agencies to have controls to ensure service continuity and to address the entire range of potential ramifications in the event that information system disruptions occur. Service disruptions may include relatively minor interruptions, such as temporary power failures or problems with connectivity, or major disasters, such as fires or earthquakes, which would require reestablishing operations at a remote location.

As discussed previously, the Department's electronic Business System includes a central server in Denver, local servers at each of the 10 fixed ports, and laptops at each of the 10 mobile ports. Of the 10 fixed ports, 7 are in remote locations of the State, such as in Loma (the Utah and Colorado border), Cortez (the four corners area), and Lamar (southeastern Colorado). Telecommunications service in these remote locations is very poor. As a result, service interruptions between local port servers and the central server occur frequently. In fact, during Fiscal Year 2005,

Department documentation indicates that temporary service disruptions occurred between at least one local port server and the central server at least once per day. The Department was unable to summarize the length of these service disruptions. However, POE staff reported that the service disruptions can last from a few seconds up to several days.

Department staff have been investigating possible solutions to mitigate these service disruptions. To date, the Department has not identified any cost-effective alternatives. Currently PrePass, located at 9 of the 10 fixed ports, is installing satellite communications for its own use. The Department could investigate this alternative as a possible long-range solution to its communications problems, but it will not solve the POE's current service interruption problem. Until a cost-effective solution is identified, the Department needs to focus on ensuring it has sufficient plans and procedures to restore POE's critical services when service disruptions occur.

We reviewed Department of Revenue documents and practices for addressing service disruptions and ensuring service continuity for the electronic Business System, including the central server, the servers maintained at the 10 fixed ports, and the laptops maintained at the 10 mobile ports. We found that plans and processes for maintaining and restoring Business System services are seriously deficient. We found problems in the following areas:

- **Disaster recovery plan.** We found that the Department lacks a written disaster recovery plan for the entire electronic Business System. OIT requires all state agencies to create and maintain a comprehensive disaster recovery plan that (1) identifies the disaster recovery team, (2) sets the application recovery requirements including hardware and communications, (3) establishes how long the system can be non-operational without affecting operations, (4) documents the disaster recovery procedures, (5) is tested annually to make sure the plan works effectively, and (6) is updated and maintained with current information. None of these activities have been completed for the Business System, placing POE operations at substantial risk in the event of a serious disaster.

- **Backup procedures.** Department policies require fixed ports to back up their local servers daily and maintain documentation verifying that backups occurred. Department policies also require mobile ports to travel to fixed ports and download the data from their laptops to the fixed port local servers at least once per week. We found that one fixed port (Monument) is not backing up its local server at all because the port's tape drive is broken. The remaining nine ports could not provide any documentation verifying that daily backups were occurring. Furthermore, mobile port officers reported

that they are not backing up their laptops on a daily basis. If a laptop were lost or stolen, all data collected since the last weekly download would be lost. Additionally, standards require that any backup media (such as tapes or disks) be stored off-site so that if a disaster occurs, the backup media can be retrieved to restore the system. At all six of the ports we visited, we found that backup tapes were stored on top of the local port server, or in a facility in the ports' immediate vicinity. If a major disaster destroyed the port, the backup tapes would be lost. Finally, OIT standards require that the backup system be tested periodically to make sure that the system is working properly. Backup tapes, when used repeatedly, are susceptible to corruption. We found no testing was occurring to make sure that tapes were in good condition and that the backup system was working properly.

POE's operations affect millions of commercial vehicles and millions of dollars in revenue from fees, fines, and taxes. The Department needs to take immediate steps to ensure critical plans and procedures are in place to protect its assets, maintain data integrity, and provide services to its customers when service disruptions occur. Additionally, the Department needs to continue to investigate solutions to service disruptions due to poor telecommunication connections between the Business System central server and the ports.

Recommendation No. 13:

The Department of Revenue should establish a comprehensive business continuity/disaster recovery plan for the Ports of Entry Business System to include:

a. Documenting the critical activities of computing facilities, support functions, and users.

b. Documenting the equipment, software, and other resources needed for disaster recovery, including alternate locations and backup data.

c. Documenting recovery procedures and the roles and responsibilities of each staff position involved in the recovery plan and the related training records/plans.

d. Creating a testing program and schedule with documented results that are reviewed at least annually.

Department of Revenue Response:

a. Agree. Implementation date: December 2006.
The Department is participating in the State Continuity of Operations Plan (COOP) which is scheduled for completion in December 2006. Ports are included as part of this process. Critical activities (core business functions) definitions are complete, and the documentation of support functions and users is in process.

b. Agree. Implementation date: December 2006.
As a part of the COOP project, the Department is documenting the resources needed in the event of a disaster. The equipment inventory is complete, as well as documentation of the process for offsite storage of backups.

c. Agree. Implementation date: December 2006.
The Department has completed the documentation and testing of recovery procedures as a part of the COOP project, and is in the process of documenting roles and responsibilities of each staff position involved in the recovery plan, and related training records/plans.

d. Agree. Implementation date: December 2006.
As part of the COOP project, the Department is in the process of developing and documenting a formal testing program. In addition, using current department procedures, the Department's IT staff successfully completed an actual port recovery in August, and a Business System central server recovery in October.

Recommendation No. 14:

The Department should continue to mitigate the risks to Ports of Entry data due to connectivity problems between the Business System central server and the ports by:

a. Ensuring that all ports have the necessary backup devices and that the devices are operational.

b. Enforcing Department policies that require daily backups for data at fixed and mobile ports and off-site storage of backups.

c. Further investigating solutions to address connectivity disruptions between the ports and the Business System's central server caused by poor telecommunications services.

Department of Revenue Response:

a. Agree. Implementation date: Implemented August 2006.
The Department recently completed and tested a backup on every fixed port. Based on the testing results, some equipment and tapes were replaced. All devices are now operational. In addition, the Department's IT Division set up automatic database and system backups, and verified that backups are being completed successfully, and instituted ongoing daily monitoring of backups.

b. Agree. Implementation date: December 2006.
The Department's IT Division Support Section now monitors daily backups from fixed ports to the central server to ensure they are completed as recommended. Data are uploaded hourly from the fixed ports to the central server, and backups are shipped monthly to the Department's Pierce Street facility for offsite storage. In addition, the Department will review alternatives for backing up extract files from laptops to backup media during the days the laptops are not able to upload to fixed port servers.

c. Agree. Implementation date: June 2007.
Based on a review by the Department's IT Division, upgrades to T1 circuits for all fixed port sites were approved by Department management in October and are currently on order. The T1 circuits, which will be installed by the State's multi-use network vendor, provide higher quality for data integrity and we believe will provide better service to the POE users. The Department will continue to monitor data transmission quality, and review alternate solutions as needed.

Needs Analysis

In accordance with policies established by the OIT, all state agencies must use System Development Life Cycle (SDLC) standards to oversee the development and maintenance of new information systems to ensure that scarce resources are used efficiently and that the project meets intended goals. State agencies have been required to use SDLC to manage the development of new information systems since 1990. Essentially, SDLC comprises key phases that manage the project from conception through post-implementation and include:

- **Project planning and feasibility study.** Establishes a high-level view of the intended project and determines its goals.

- **Systems analysis and definition of requirements.** Analyzes user needs and refines project goals into defined functions.

- **Systems design and implementation.** Describes the features and operations of the system in detail and writes the computer programs.

- **Integration and testing.** Integrates all project components and tests them to make sure they are functioning as intended.

- **Acceptance, installation, and deployment.** Involves user acceptance of the system and places the system into production.

- **Maintenance.** Implements any changes, corrections, or additions that occur during the system's useful life.

We requested documentation for the development of the Business System and found no evidence that the Department developed the System in accordance with SDLC standards. No records of feasibility studies, system requirements, system design, or testing were provided to us. According to Department staff, the System was developed by a former employee, and current Department staff have minimal knowledge of the System. Therefore, when problems with the system occur, Department staff cannot easily identify or correct them.

Throughout the audit we have identified the absence of critical controls within the Business System that have resulted in unreliable data, limited functionality, and unacceptable risk. We identified control weaknesses related to database access, data integrity, internal controls, and business continuity and disaster planning. We also found that when the Business System was first put into production, basic internal controls to ensure data reliability and mitigate fraud and abuse were absent. The control weaknesses we identified have existed in the Business System since its establishment in 2000, when the System became fully operational. Control design failures are so serious that the Department cannot depend upon the Business System to adequately manage revenue collections, enforce compliance with laws, or ensure accurate reporting.

If the Department addressed the control weaknesses identified throughout this audit, the Business System could be a useful tool to assist the POE in improving the management of many of its functions. The Business System could produce reports on the number of truck clearances by port location and time of day, or the type and frequency of violations by carrier, to assist with evaluating port hours of operation, location of mobile ports, allocation of staff resources, and effectiveness of safety inspections. Additionally, the Business System could provide reports that would help establish more effective controls over cash collections and penalty assessments

and generate useful statistics on permits and registrations sold, volume of oversize/overweight trucks, and fines and fees collected on behalf of other state agencies. Currently the Department is not using the Business System for these purposes.

To address the serious control issues we identified and the System's lack of utility, the Department should conduct a comprehensive evaluation, or "needs analysis," of the Business System. A needs analysis evaluates all aspects of an automated system, documents missing controls and other weaknesses, and develops a detailed plan of correction. Until the Department fully analyzes the Business System and identifies all deficiencies and potential solutions, the POE will not have a critical tool needed to improve the management of its operations. Additionally, the POE cannot mitigate risks of fraud, abuse, and errors or ensure accountability for its use of state resources to the General Assembly or the public.

Recommendation No. 15:

The Department of Revenue should improve the quality and reliability of the information needed for managing the Ports of Entry's operations by conducting a comprehensive needs analysis of the Ports of Entry's Business System. The needs analysis should analyze all aspects of the System, document weaknesses, identify reports needed to manage Ports of Entry operations, and set forth a detailed plan of correction, including milestones and timelines. After implementing corrections, the Department should use information from the Business System to assist the Ports of Entry Section in improving its operations.

Department of Revenue Response:

Agree. Implementation date: December 2007.

As a result of discussions with the auditors, the Department began initial work on a comprehensive analysis of the Business System, including supporting databases, hardware, and network connectivity infrastructure, among others. The Department will complete the system analysis, including a needs assessment, and will determine the extent to which the Business System can be modified to implement system corrections and changes based upon costs and benefits. The Department will then create the recommended plan of correction with supporting timelines and milestones. Following updates to the System, the Department will use the improved functionality to assist in make operating decisions.

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