

MOTOR VEHICLE INSPECTION

NOVEMBER 26, 2002

REPORT NO. 559

OFFICE OF THE COUNCIL AUDITOR
Suite 200, St. James Building



November 26, 2002

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Honorable Members of the City Council
City of Jacksonville

INTRODUCTION

Pursuant to Section 5.10 of the Charter of the City of Jacksonville and Chapter 102 of the Jacksonville Municipal Code, we examined the activities of the Motor Vehicle Inspection (MVI) area of the Public Parking Division and present this report thereon. The Motor Vehicle Inspection branch of Public Parking monitors and regulates the vehicle-for-hire industry, including taxi cabs and wreckers. In addition, all Duval County School buses are inspected every twenty days. MVI also provides a comprehensive safety inspection, including steering components, brake systems, lights, horn and wipers on privately owned vehicles through voluntary inspections.

Chapter 680 of the Ordinance Code governs safety inspections for the City of Jacksonville. Most safety inspections on vehicles must be performed annually, with the exception of Duval County school buses and taxicabs, which require more frequent inspections. In addition to this chapter, there are more specific chapters associated with inspections on certain types of vehicles. For instance, taxicab regulation is governed by Chapter 220 of the Municipal Code and encompasses all aspects of the industry. MVI must perform background checks on all owners, officers, directors and drivers of these vehicles at both the local and state level. Taxicabs must be inspected every 60 days.

MVI is also responsible for the regulation of emergency and non-emergency medical transportation to include all ground and air emergency response vehicles. Chapter 158 regulates these vehicles. Regulation consists of all aspects of administration and safety. Ambulances are inspected for mechanical soundness as well as emergency response and readiness.

Chapter 230 regulates the inspections required on wreckers, which are also inspected by MVI. In addition, MVI is responsible for monitoring the City's speedways through Chapter 204.

Fees for inspections are established throughout the various Chapters of the Ordinance Code. The fees charged by MVI at the time of our audit for its various inspections were: \$40.00 Duval County school buses; \$5.00 voluntary inspection; \$2.00 delinquent fee for inspection; \$1.00 reinspection fee; \$5.00 prearrange fee (limousines); \$15.00 bus fee (buses other than Duval County School buses); \$25.00 annual taxi inspection fee; \$5.00

60-day taxi inspection fee; \$3.00 City vehicle inspections; and \$25.00 for wrecker inspections. The inspection fee for Duval County school buses was reduced to \$32 by Ordinance 2002-793-E approved by City Council in September 2002.

STATEMENT OF OBJECTIVES

The objectives of the audit were as follows:

1. To ensure that revenue collections (other than vehicle-for-hire revenues) at Motor Vehicle Inspections (MVI) are being properly processed and recorded.
2. To ensure that vehicle-for-hire revenue collected and permits issued are being properly accounted for.
3. To ensure that stickers and medallions are being properly accounted for at MVI.
4. To ensure that MVI is acting in accordance with applicable Ordinance Code requirements for performing inspections.
5. To ensure that school bus inspections are being properly performed.
6. To ensure that the rates charged for inspections are adequate and reasonable.

STATEMENT OF SCOPE

For audit objectives one through five our scope was the period beginning October 1, 2000 through May 31, 2002. For audit objective six our scope was year ended totals for September 30, 2001 and the first six months of data from October 1, 2001 through March 31, 2002.

STATEMENT OF METHODOLOGY

We used statistical sampling, analytical review and compliance questionnaires, as well as information provided by MVI and City financial information.

STATEMENT OF AUDITING STANDARDS

We conducted our audit in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgements and conclusions regarding the organization, program, activity, or function under audit. This audit also included an assessment of applicable management controls and compliance with requirements of laws and regulations when necessary to satisfy audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

AUDIT CONCLUSIONS

1. Except for the findings noted below, revenue collections (other than vehicle-for-hire revenues) are being properly processed and recorded at MVI.

2. Based on our testing, we cannot ensure that vehicle-for-hire revenue and permits are being properly accounted for.
3. All stickers are being properly accounted for; however, based on testing performed in Objective 2, all medallions are not being properly accounted for.
4. MVI is acting in accordance with applicable Ordinance Code requirements for performing inspections.
5. School bus inspections are being properly performed by certified inspectors.
6. Not all rates being charged per the Ordinance Code by MVI for inspections are adequate and reasonable.

AUDIT OBJECTIVE #1

In order to ensure that revenue collections at MVI were being properly processed and recorded we performed surprise cash counts and verified that all funds were properly collected and deposited and that all billings were correct. We performed surprise cash counts on two separate occasions for MVI. For the days selected during the period for all areas tested, we pulled the daily recap file and all of the MVI inspection forms (both yellow and white copies) used for that day. The daily recap files contained all of the daily recaps for the month, the Tax Collector Receipts and the School Board and City billings for the month. We also pulled the taxi billings and the School Board checks deposited. To test the daily recaps, we verified that all of the information contained on the recap agreed to the Inspection Forms and that the amount collected agreed with the Z-report (tape) obtained from the register. For the period from October 1, 2000 through September 30, 2001, we examined all inspection forms marked "paid in cash" and ensured the proper amount of cash was shown for cash collections on those days. For the period from October 2001 through May 2002, we verified that any buses that should have paid cash per the lists maintained by MVI did so. While performing this testing we also recorded the date of deposit and the days the deposit was for and calculated the average time between when the first collection was made and when the money was deposited. To test the monthly billings for the School Board and the City and the weekly billings for the taxis, we pulled the bills and agreed them to supporting documentation. For School Board billings we also ensured that the buses billed to the School Board were not supposed to have paid with cash. We also tested ambulance payments that occurred during our audit period to ensure they were properly paid on or before the due date for payment. We verified that all billings and amounts examined in the daily recaps were deposited per the Tax Collector's receipts and were properly reflected in FAMIS.

Our findings and recommendations for this audit objective are as follows:

Finding #1:

During our testing of the daily recap forms, we found a general problem with the form. We found that the tape total column is not coming from the cash register tape, instead it is being written in as the actual amount taking into account any mistakes that may have

been made. Throughout our testing we noticed that the tape total column did not tie to the Z report (tape). Adjustments to the tape totals were not shown specifically on the form, but were sometimes noted on the bottom of the form.

Recommendation #1:

We recommend that a column be added to the Daily Recap form to allow for adjustments to be made to the tape total column. The tape total column should contain the amounts that are actually present on the Z report (tape). If mistakes are made in how an inspection is rung on the register, it should be reflected in the adjustment column.

Auditee's Response to Finding #1:

Summary Response: The Motor Vehicle Inspection (MVI) activity accounts for all adjustments (overrings, incorrect validation, voided or missing stickers or forms) on the daily recap form. All adjustments are made in red ink with an explanation in the comments section. Although the adjustments in question were made, the "tape total" column on the form did not match the register "Z out" tape. This was due to the design of the form which did not allow for the actual tape figure and the adjusted figure.

Action Plan: The daily recap form has been redesigned to accommodate both figures while allowing for the explanation in the comments area. (See Exhibit A).

Finding #2:

The billing submitted to the School Board for payment is not always correct. Of the 64 daily recaps tested, we found that on three of the recaps (5%) the School Board was billed for buses that should have paid cash for their inspection. We also tested School Board billings for three months and found that for one month the School Board was overbilled by one bus. The total amount overbilled to the School Board was \$240.

Recommendation #2:

We recommend that MVI adjust the billing to the School Board for these days and notify them of the change. In addition, we recommend that MVI review the billing each day for the School Board to ensure that all buses present are buses for which the School Board should be billed.

Auditee's Response to Finding #2:

Summary Response: The MVI activity inspects vehicles that are presented. A procedure has been established by agreement between the City and the Duval County Public Schools (DCPS) whereby MVI bills that agency for all school bus inspections. Any changes to those parameters would have to be authored by DCPS. Without the cooperation of the DCPS it is impossible for MVI to determine whether reimbursement is to be made for a particular school bus. The only other option would have been for MVI to refuse inspections of these vehicles until administrative billing procedures could have been verified which could have left the district without sufficient coverage of school buses.

Detailed Explanation: All buses involved in this Audit Finding are owned by West Jacksonville Bus Service. This contractor's inventory was troublesome during the 2001/2002 school year as their contract stipulates that approximately 269 buses were covered under the agreement with the DCPS. During that school year, an additional 100-200 vehicles were inspected each month with the subcontractor paying the \$40.00 inspection fee via cash or check. Inspections for these buses are not charged to the Duval County Public Schools. The bus inventory received from West Jacksonville changes very often, sometimes daily. To date, the MVI activity has been unable to obtain a defined inventory list from the school system's Transportation Department. The Transportation Department has relied on the MVI activity to police this issue for them to ensure that West Jacksonville Bus Service was not operating more buses than allowed. According to the latest inventory list available, the division would determine if payment was due from DCPS or the contractor at the time of inspection. If the inventory had changed, the division had no way of determining whether the entity responsible for payment had changed.

Action Plan: The MVI activity will once again attempt to coordinate a solution to such inventory issues with the contract administrator, DCPS.

Finding #3:

We found that for three of the 64 daily recaps tested (5%) and one of the 16 taxi billings tested (6%), the MVI Revenue account amount deposited did not tie to the sum of the daily recaps for MVI Revenue collections for the period of the deposit. The deposits were more than the amount reflected on the total of the daily recaps. Specifically, the deposit for one period was \$30 more than what was collected per the Daily Recaps, with no explanation available. In addition, two times in the amount of \$25 and \$50, Wrecker Fees were deposited into the MVI Revenue account rather than the Wrecker Fee Revenue account. We noted another instance of this that occurred during our testing of taxi billings. This instance, in the amount of \$25, also resulted from Wrecker Fees being deposited into the MVI Revenue account rather than the Wrecker Fee Revenue account.

Recommendation #3:

We recommend that MVI develop a form for use with each deposit showing each type of money collected. For instance, the form would have a separate line for all Daily Recap totals for the period of deposit (separated by cash and checks with check number), as well as any ambulance payments, School Board payments, or taxi payments being deposited. These deposit amounts should all have supporting documentation (i.e. a copy of the check received, a copy of the Daily Recap, etc.). The total deposited per the deposit form should agree to the Tax Collector receipt. The form should separate those monies deposited into the MVI Revenues account from those deposited into the Wrecker Fees Revenues account. In addition, we recommend that MVI perform a monthly reconciliation of items posted to the General Ledger to deposits to ensure that all funds are deposited in the proper account.

Auditee's Response to Finding #3:

Summary Response: More care is to be taken in accomplishing recaps and making deposits.

Detailed Explanation: The MVI activity is unable to determine where the \$30.00 overage originated. The fact that a notation of the overage was not made on the daily recap was not appropriate. The other three instances when the wrecker fees were deposited into the incorrect account totaling \$100.00 (\$25.00, \$25.00, \$50.00) can only be attributed to a lack of concentration while preparing the money for deposit.

Action Plan: Efforts to eliminate this in the future will be accomplished by doing recaps and deposits separate from all other activities until the task is completed.

Finding #4:

Deposits are not being made in a timely manner and in accordance with Motor Vehicle Inspections Policies and Procedures. We found that based on the average time between when the first collection is made and when the deposit is made, deposits are not occurring in a timely manner. Prior to the change from depositing weekly to depositing every two to three days (which occurred sometime during June or July 2001), the deposits were made on average every 10 days. After switching to depositing every two to three days, the deposits are being made an average of every 5 days.

Recommendation #4:

The City's Cash Receipt Procedures state "all money received should be deposited the same day or the day after receipt, but must be deposited in the bank or transmitted to the Tax Collector within one week." We recommend that MVI adhere to the City's policies for handling deposits. In addition, this policy needs to be updated in MVI's policies and procedures manual, which still states that deposits are made weekly.

Auditee's Response to Finding #4:

Summary Response: Circumstances detailed in Finding #2 were a contributing factor to this finding.

Detailed Explanation: Problems encountered during the period, October 2001 – December 2002, can be attributed almost entirely to the ever-changing bus inventory of West Jacksonville Bus Service. This company has school buses inspected at satellite locations and is required to pay at time of inspection. Even though the inventory changed without notice and the Public Parking Division was not informed, every effort was made to ensure that billing was performed correctly. This effort required that the division request payment from some of the subcontractors for their inspections. The MVI activity had deposits prepared, but waited for the subcontractors to submit payment. This interfered with the ability to make all deposits as expeditiously as required by RESD policy. Once the activity was given an accurate inventory of West Jacksonville buses, the problem was eliminated.

Action Plan: All deposits are now being made every morning after daily balancing. The inspection billing system has also been set up through the FAMIS system which will assist in money collection in the future.

Finding #5:

We were unable to determine if ambulance renewals and payments for renewals were sent in by the appropriate deadline date. Applications for ambulance renewals are not stamped with the date received by MVI, making us unable to ensure that they were all received by the due date. In addition, a copy of the check, or supporting documentation (such as a receipt) is not being maintained to determine when payments are received for ambulance renewals.

Recommendation #5:

We recommend that ambulance application renewal packages be stamped with the date they are received in the MVI office. We also recommend that a copy of the check be made and stamped with the date received when payments are received from the ambulance companies.

Auditee's Response to Finding #5:

Ambulance renewals will be stamped with the date received and a receipt will be issued during the next and remaining renewal periods.

Finding #6:

Penalties for late submittals of ambulance renewals may have been forfeited by MVI through an incorrect calculation of the deadline date for reapplication. During our testing, we noted that it does not appear that the proper deadline date was being used when giving the ambulance companies notification of their due date for payment and renewal of their application. Per Section 158.206 of the Ordinance Code certificate term and renewal, renewal applications and payments are due 90 days prior to the end of the 24-month period from the date of issuance of the Certificate of Public Convenience and Necessity. It does not appear that this is the date that has been used by MVI. Ambulance companies should be charged \$100 per day for each day after the application deadline date that the renewal application is not received.

Recommendation #6:

There appears to be a question as to the proper definition of "application deadline date". We therefore recommend that MVI request a legal opinion from the Office of General Counsel regarding the proper interpretation of this section.

Auditee's Response to Finding #6:

Summary Response: The MVI activity has an alternate interpretation of the applicable section of the Ordinance Code. Ambulance renewals are due on or before the date the existing certificate expires.

Detailed Explanation: The “application deadline” for renewal is not specifically defined in Chapter 158, Ordinance Code. The existing certificate term is defined as 24 months. It is, therefore, the activity’s interpretation that ambulance companies have until on or before the certificate term expires to submit the renewal application and that the “\$100 penalty for each day after the application deadline” would not be applicable until after the expiration of the existing certificate.

Action Plan: The Regulatory and Environmental Services Department will submit a legal request to the Office of General Counsel for clarification of this issue.

AUDIT OBJECTIVE #2

To ensure that vehicle for hire revenues collected and permits issued are being properly accounted for, we traced all medallions, drivers permits, and medallion renewals issued to a cash receipt and ensured that those receipts were properly deposited. For the days that were selected for testing, we pulled the logs for the drivers permits and the medallions and determined all numbers issued for the days tested. We then traced each drivers permit number or medallion number to a receipt in the cash receipt book and tied the receipts for that period to a Tax Collector receipt and a deposit in FAMIS. Once we started testing, we noticed exceptions and expanded our testing period to cover all drivers permits and medallions issued from October 1, 2000 through May 31, 2002. For medallions we also ensured that no medallion numbers were missing from the list of those issued. If any medallions were missing from the list of issuance, we ensured that they were properly paid for, or the medallion was still on hand at MVI. For medallion renewal testing, payments for renewals are only made once per year, therefore for each taxi company we selected both the payment made for 2001 and the payment made for 2002 (payments are made in the months from January through March). To test the renewals, we counted all of the medallion numbers listed on the renewal log and multiplied that number times the associated charge for the month in which the payment was made. For water taxi medallion renewals, we obtained the files and determined when the initial medallion was issued. We then located documentation showing the renewals purchased for 2000 and 2001 (we tested 2000 instead of 2002 because water taxis changed in 2002 and are no longer under the regulation of MVI). All of the renewals were tied to a Tax Collector receipt and deposit in FAMIS. We also tested the addition of vehicles to a fleet by pulling all of the taxicab company files and determining if any addition of vehicle applications were processed during our period of examination. If vehicles were added during our period of testing, we traced the application fee to a receipt in the cash receipt book and then to a Tax Collector receipt and deposit in FAMIS.

Our findings and recommendations for this audit objective are as follows:

Finding #7:

During our testing of medallion and driver’s permits, we found the following problems with recordkeeping and deposits:

- A total of \$700 in medallions and driver permits were issued, but there were no receipts in the cash receipt books for these issuances (or the receipt was improperly

voided) and the money was not deposited per the Tax Collector's receipts. A total of 283 medallions were tested, with collections not deposited for three of those medallions, totaling \$300. In one of these instances, the receipt was in the receipt book, but was voided. All medallion numbers are currently receiving inspections and were actually issued. In addition, for the voided receipt, the company that made payment was able to verify the payment through a copy of their cancelled check as well as a copy of their receipt, which was not voided. A total of 614 driver permits were examined with receipts not located and collections not deposited for 16 of them, totaling \$400.

- Of the 283 medallions tested, 4 were improperly not recorded on the medallion log. Two of these medallions were missing from the log, but had a receipt in the receipt book. One was missing from the log and also missing from the receipt book, but we found evidence that the medallion was issued through examination of the Taxicab Inspection Report (card). The fourth medallion missing from the log had a receipt in the receipt book, but the receipt was voided.

Recommendation #7:

We recommend that MVI obtain pre-numbered driver permits and that daily the number of driver permits issued and medallions issued be reconciled to the number of driver permits and medallions available on hand to the amount recorded on both the medallion log and the cash receipts. This amount also needs to be agreed to the amount deposited for that day. We also recommend that MVI research these particular occurrences further and take proper actions where necessary if any thefts have occurred.

Auditee's Response to Finding #7:

Summary Response: There are instances when medallions and permits are issued without charge which could possibly explain why there would be no monies collected for issuance of these items.

Detailed Explanation: The following circumstances are examples of when fees are not assessed for medallion and permit issuance.

Medallion

- *Fees for medallions are not assessed when they are required when medallions are lost, stolen or destroyed. Also, fees are not assessed when a replacement medallion is issued. The largest enumeration in this category is replacement medallions. Vehicle for hire companies are continually upgrading their fleet and may replace medallions on a one for one basis; e.g., remove a vehicle from service and replace it with another and transferring the medallion to the replacement vehicle. This can be accomplished infinitely without additional fees as long as the number in operation is at or below the number originally approved. Companies own the rights to a certain number of medallions, however, rarely operate a full compliment of vehicles to match the number of medallions issued. Renewal fees are paid for the right to operate a number of vehicles. For example if a vehicle for hire company owns the right to operate 250 vehicles, they in fact pay annually to operate all 250 vehicles.*

However, in almost every case that company is not in fact operating 250 vehicles. One possible explanation for the incidents cited in the report is, when companies come to purchase a medallion our office will recognize that they (the company) can replace the medallion instead of purchasing a new one. If the company has inactive medallions (vehicles because of age or accident are no longer operating) MVI will issue a replacement medallion and request the company follow up with the required replacement letter. There is a possibility this scenario took place and MVI failed to follow up in obtaining a copy of the replacement letter. MVI will no longer issue a replacement medallion without the corresponding replacement letter at the time of the transaction

Permits

- *Fees for permits are not assessed when, by no fault of a permitted driver, their permit becomes defaced or otherwise “unserviceable.” It is very likely in this circumstance that a new control number is issued as well.*

Voided Receipts

- *After questioning the part-time summer help that was involved in this incident, all that we could surmise was that possibly the voided receipt was a result of a local taxi company rendering a check for a replacement medallion and the next day realizing that they had a replacement medallion still available. Once again, if a vehicle for hire company is below its operating cap, it is authorized to replace medallions (with a replacement letter) without being subject to a fee. The check erroneously issued had been deposited, therefore, the clerk believes he voided the receipt and issued a cash refund. This incident could have been avoided if proper procedures had been followed.*

Action Plan: The MVI activity does recognize the risk associated with improper or insufficient documentation and more accurate documentation will be maintained to identify these circumstances. Additionally, the activity has implemented the recommendations of the Council Auditors and medallions and permits have been reprinted with corresponding control numbers for better tracking and more adequate documentation. The MVI activity will no longer issue cash refunds but will provide a City-issued check if a refund is necessary.

Finding #8:

According to the dates recorded on the medallion and driver permit logs, medallions and driver permits are being issued to persons prior to MVI receiving payment. During our testing of medallions, we found that out of the 283 medallions tested, 18 (6%) were dated as issued on the medallion log before the date on the receipt. We also found during our testing of the 614 driver permits that two of the permits had a receipt date that was later than the date of issuance per the log.

Recommendation #8:

We recommend that all medallions and drivers permits be properly paid for and recorded/dated prior to issuance.

Auditee's Response to Finding #8:

Summary Response: All payments for the medallions cited in the finding were received and deposited at the time the physical medallion was received.

Detailed Explanation: There are instances when medallions are reserved (not issued) prior to receiving payment. This has been an established practice and the activity regularly bills vehicle for hire companies for services rendered. What is more common is when vehicle for hire companies, for whatever reason, want to reserve specific numbered medallions. In this case the medallion number requested is recorded and a number issued. The activity maintains possession of the medallion until the vehicle for hire company takes receipt of the medallion. The medallion never leaves the activity's possession until payment is made.

Action Plan: MVI will adopt a policy of not reserving, and thus logging, medallions until payment is received.

Finding #9:

Duplicate permit numbers are being issued for driver permits to taxicab drivers. Out of the 614 driver permits tested, two of the permit numbers were issued to two taxicab drivers. Both permit number D-01-0029 and permit number D-01-0159 were issued to only one person per the log, but were issued to two people in the cash receipt book. A cash receipt was properly issued to all those that received a permit and the money was properly deposited.

Recommendation #9:

Currently, MVI types in a number on a driver permit when it is issued and logs the permit on the drivers permit log. We recommend that MVI begin using pre-numbered driver permits to prevent two drivers from obtaining the same permit number.

Auditee's Response to Finding #9:

Since the time of the audit, MVI has implemented the auditors' recommendation by pre-numbering drivers' permits to avoid this occurrence in the future.

Finding #10:

We found that MVI had potentially uncollected revenues totaling at least \$500 for water taxi medallion renewals for 2000 and 2001. This is due in part to the fact that one of the two water taxi companies in operation in 2000 did not obtain the proper water taxi medallion renewals resulting in at least \$200 in potential uncollected revenue. One of the two water taxis tested in 2001 did not obtain medallion renewals resulting in potential uncollected revenue of at least \$200. Since there are additional fees associated with paying late, rather than on time, we state that the potential uncollected revenue is at least the amounts stated above. In addition, for the two companies that paid for medallion renewals (one in 2000 and one in 2001), they should have paid at least \$250; however, both only paid \$200. This resulted in an underpayment of at least \$100. This amount

could have been more, but we were not able to determine when one of the company's initial water taxi medallion was issued; thus, we were not able to determine if any late fees should have been assessed on this amount either.

Recommendation #10:

The water taxis are no longer under the jurisdiction of MVI based on Ordinance 2001-1296-E and are no longer required to obtain medallions. Instead, effective May 31, 2002, the City began contracting for water taxi service. Because of this change, we recommend that no further action be taken by MVI.

Auditee's Response to Finding #10:

Chapter 221 of the Municipal Code, the former presiding authority over the vessel for hire industry, did not require these companies to temporarily deactivate medallions as required for their counterpart, the vehicle for hire industry. The nature of the vessel for hire business was one that operated primarily during special events downtown and during Jacksonville Jaguars games. Often times when these events were not taking place, some of the vessel for hire companies would discontinue operating and thereby were not subject to renewal fees on their medallions. There was no statutory or municipal obligation to track these occurrences, therefore, the Regulatory and Environmental Services Department is not prepared to offer proof contrary to the finding. The Department is, however, confident that the situation falls within the aforementioned scenario.

AUDIT OBJECTIVE #3

In order to ensure that stickers and medallions are being properly accounted for at MVI, we compared the safety inspection stickers issued per the daily recaps to the number of inspections that were performed each day per the inspection forms for the sample of days selected. Then, we agreed this to the amount of cash collected through the testing of Objective 1, when comparing the amount of cash collected to the number of inspections performed. In addition, for testing this objective, we obtained the most recent invoice available for the purchase of safety inspection stickers, wrecker stickers, medallions and medallion renewal stickers and reconciled these invoices to the stickers that had been used per the logs (for wrecker stickers, medallions and medallion renewals) and per the daily recaps (for the safety inspection stickers). We checked to ensure that any stickers that had not been used were still available on hand at MVI.

We had no findings specifically in our testing of this objective; however, we did have findings related to the accounting for medallions as previously stated in audit objective 2 findings (see Finding #7 above).

AUDIT OBJECTIVE #4

To ensure that MVI is acting in accordance with applicable Ordinance Code requirements for performing inspections, we prepared questionnaires for all of the Ordinance Codes that apply to MVI. The questionnaires were only based on those requirements for MVI performing inspections. We completed the questionnaires through verification and examination of the various items. We also had conversations with the Senior Motor

Vehicle Inspector at MVI to determine whether all those required to have inspections per the Ordinances were properly receiving and paying for their inspections.

Our findings and recommendations for this audit objective are as follows:

Finding #11

Currently, approximately 10% of the ambulances at each company are inspected for the BLS (Basic Life Support) and ALS (Advanced Life Support) inspections each year. Non-inspection of more of these vehicles annually could result in jeopardizing the safety of the public. There is currently no requirement in the Jacksonville Municipal Ordinances or Florida Statutes that requires these inspections more often than “periodically” (Florida Statute 401.31), and “not more often than annually” (Ordinance 158.213).

Recommendation #11:

Because these are technical inspections of medical equipment rather than the vehicle itself, we recommend that City legislation be changed to recognize the inspections performed by the State rather than require additional inspections by MVI. However if this legislation is approved, MVI should track vehicle safety inspections for ambulances through the use of a database to ensure inspections are performed as required by Chapter 680.

Auditee’s Response to Finding #11:

The presiding Code, Chapter 158, Emergency/Non Emergency Medical Transportation does not set minimum standards for the number of ambulance inspections. The MVI activity uses the same percentage (10%) used by the State of Florida pursuant to its statutory obligation. Considering the other classes of inspections the MVI activity performs, 10% has become a manageable number and one that does not adversely impact other critical vehicle (school bus) inspections.

Finding #12:

The School Board was not properly remitting payments to MVI for inspections performed on Duval County School buses. From August 2001 through May 2002, a total of \$369,840 had accumulated as being owed to MVI for bus inspections performed for the Duval County School Board.

Recommendation #12:

Subsequent to the period when our audit work was performed, negotiations occurred between the City and the School Board that resulted in the amount owed from the School Board through May 2002 being decreased to \$157,182. This was due in part to a decrease in the rate charged, and in part to a portion of the inspection being covered by the actual bus contractor rather than the School Board. The total amount outstanding as of September 30, 2002, that has not been paid for bus inspections that have been performed is \$308,689, of which \$105,420 is owed by bus contractors. Because \$83,460 of the \$105,420 due from the bus contractors has been outstanding for 90 days or more, it is now billable to the School Board. We recommend that MVI enforce all of the terms of

the agreement between the City and the School Board as outlined in Ordinance 2002-793-E.

Auditee's Response to Finding #12:

Beginning in August 2001 the MVI/Division/Department has been actively engaged in attempting to secure payment. This effort has included e-mails, letters and phone calls. During the time of this audit the City, the Duval County School Board and City Council were involved in negotiations to address the issue of school bus inspections, including who would perform the inspections and who would pay for the inspections. It was mutually agreed upon that the City of Jacksonville, Florida, Motor Vehicle Inspection activity, would continue to perform these inspections but would do so at a reduced cost of \$32.00 per inspection. Once this had been successfully negotiated, independent contractors and the Duval County Public Schools were billed their portion of the inspection costs. An agreement has been reached and MVI/ Division/Department is now receiving payments from the Duval County Public Schools and most of the contractors. Discussions will continue with the Duval County Public Schools to ensure that all payments are submitted in full.

AUDIT OBJECTIVE #5

To ensure that school bus inspections are being properly performed, we first examined all of the files for the inspectors to ensure that all inspectors were properly certified by the Department of Education to perform school bus inspections. From our sample of buses selected for testing, we pulled each bus's file and first pulled the most recent inspection the bus had. We verified that any items that were marked as faulty on the bus were properly marked as either a "repair item" or an "out of service item," as shown in the Department of Education handbook for bus inspections. Next, we examined all of the inspection forms in the file for the buses to ensure that the buses were properly receiving their inspections every 20 days. We used the cycle schedule prepared by MVI for this step. Because it is not the responsibility of MVI to monitor the 20-day inspection requirement, we were unable to determine compliance with this State requirement. MVI provides the School Board a daily list of bus inspections performed so that the School Board can monitor compliance with this State law.

We had no other findings related to this objective.

AUDIT OBJECTIVE #6

In order to ensure that the rates charged for inspections are adequate and reasonable, we began our testing of this objective by verifying that the time spent on inspections as determined by MVI was correct through observation and timing of the various types of inspections. Next, we used the percentages of time spent on each inspection and the total number of inspections performed during a period to determine the unit cost of performing the inspection. We compared the unit cost of performing the inspection to the rate currently being charged for the inspection and determined the reasonableness of the rate.

Our findings and recommendations for this audit objective are as follows:

Finding #13:

The rates that are being charged for MVI inspections are not in line with the cost of providing the inspection. It appears that the rates charged for some inspections are more than MVI's cost of performing the inspection while other rates are less than cost. Currently, there is no requirement in the ordinance that regulates speedways stating that there will be a fee for this inspection.

Specifically, we noted the following:

Type of Inspection	Amount Charged	Amount Charged Over or Under based on Cost of Inspection
City Vehicles	3.00	Under
Privately Owned Vehicles	5.00	Under
Taxi- Annual	25.00	Over
Taxi- 60 day	5.00	Under
Standard Bus	15.00	Over
Duval County School Bus	40.00	Over
Wrecker	25.00	Over
Re-Inspection	1.00	Under
Speedway	0.00	Under

Recommendation #13:

We recommend that a study be performed in accordance with Ordinance 2002-793-E on all of the rates currently charged by MVI as well as all of the inspections performed. If changes are needed in the rates, MVI needs to go before City Council and have the rates changed so that they are more in line with the cost of the inspection based on the amount of time involved in each inspection. Subsequent to our audit work, Duval County School Bus inspection rates were adjusted to \$32.00 by Ordinance 2002-793-E.

Auditee's Response to Finding #13:

The MVI/Division/Department can pursue this in conjunction with the newly adopted agreement between the City of Jacksonville, Florida, and the Duval County School Board which requires a re-evaluation of bus inspection fees by an independent auditor every three years. Furthermore, the Division has been actively involved in performing a unit cost analysis on all inspection fees and agrees with the conclusions of the Council auditors.

Finding #14:

During an analysis of the expenses for MVI, it was discovered that the salary and benefits for a Public Parking Manager was being charged to MVI. This is not the most efficient allocation of funds available for use at MVI since this Public Parking Manager's salary and benefits are not being properly allocated between the Public Parking Division and MVI.

Recommendation #14:

To improve potential rate analysis, we recommend that the salary and benefits for this position be properly allocated between MVI and Public Parking based on time spent performing duties for these areas.

Auditee's Response to Finding #14:

The Public Parking Division will work with the City's Budget Office to determine if the positions, salaries and benefits can be better aligned within the Public Parking Division.

INTERNAL CONTROL STRENGTHS

Strength #1:

Wrecker stickers and medallion renewal stickers change colors each year to help identify whether a vehicle has received its current inspection.

Strength #2:

All MVI inspectors have or are pursuing certification as a Certified School Bus Inspector, which allows all MVI inspectors to inspect school buses. This certification is required to perform school bus inspections per Department of Education requirements.

Strength #3:

A report is sent each day to each taxi cab company showing the cars that are delinquent in their inspections. This report is generated from a database maintained at MVI that keeps track of when each taxi number had its last inspection as well as the mileage at each inspection.

Strength #4:

Excess stickers and medallions are maintained within a locked closet within MVI.

Strength #5:

All stickers and medallions are pre-numbered. A log is maintained each day of the stickers that were issued, and daily this is compared to the inspections performed for that day. In addition, each day the last number issued for the stickers and medallions is compared to the first sticker and medallion number available for the next day to ensure that no stickers or medallions are missing from the sequence.

Strength #6:

MVI has good, well documented policies and procedures manuals.

Strength #7:

MVI goes through the phone book annually to check to see if there are any new wrecker companies or limousine companies that have not received inspections through their office. If companies are found, a letter is sent to the company notifying them of the requirement to have inspections.

Strength #8:

When the Senior Motor Vehicle Inspector is out in the field during working hours, he periodically examines vehicles, such as taxis to see if they are current on their inspections. If they are not current, he writes down the number of the vehicle and the company and when he returns to the office he calls the company to notify them of the problem.

INTERNAL CONTROL WEAKNESSES

Weakness #1:

A supply of inspection stickers is kept at the MVI inspection desk so that the satellite inspectors are able to obtain them for their morning inspections, and are not locked up. Also, medallions are maintained in an unlocked desk drawer at the vehicle for hire window.

Recommendation #1:

We recommend that the inspection stickers and medallions be stored in a locked drawer. When the satellite inspectors arrive at MVI, the Senior Motor Vehicle Inspector can distribute the number of inspection stickers needed and the remaining stickers can stay in the locked drawer.

Auditee's Response to Internal Control Weakness #1:

A desk safe is being ordered in accordance with the recommendations of the Council auditors.

Weakness #2:

The billings for the City and the Duval County School Board inspections performed are not compared to the sum of the amounts shown on each of the MVI daily recaps for the month.

Recommendation #2:

To insure proper accountability we recommend that MVI compare the billings for the City and the Duval County School Board to the sum of the amounts on the MVI daily recaps for each month.

Auditee's Response to Internal Control Weakness #2:

All inspections are compared with the sum of the amounts shown on each of the MVI daily recaps for the month.

Weakness #3:

The vehicle for hire cash received and the bank bag that contains the previous days cash collections are both kept in unlocked drawers during business hours.

Recommendation #3:

We recommend that all cash be kept in a locked drawer or a safe.

Auditee's Response to Internal Control Weakness #3:

A desk safe is being ordered in accordance with the recommendations of the Council auditors.

Weakness #4:

The vehicle for hire permits and taxicab driving permits are not pre-numbered and are not maintained in a locked storage location at MVI. They are maintained on the desk of the responsible employee at MVI.

Recommendation #4:

We recommend that MVI obtain permits with pre-printed permit numbers so that it can be tracked if one is missing. We also recommend that these pre-printed permits be maintained in a locked area.

Auditee's Response to Internal Control Weakness #4:

All drivers' permits and vehicle for hire permits have been reprinted with control numbers and will be kept in the desk safe mentioned in the aforementioned action items.

Weakness #5:

The logs for medallions and drivers permits issued are not reconciled daily to the cash receipts book and the cash deposited daily to ensure that all medallions and permits issued have been properly paid for and the amount properly deposited.

Recommendation #5:

We recommend that daily the logs for medallions and drivers permits issued be compared to the cash collected per the cash receipts and the cash deposited.

Auditee's Response to Internal Control Weakness #5:

The MVI activity has always reconciled the cash collected to the receipts issued at the end of every business day. The recommendation of the Council auditors has been incorporated, and we concur that this is an additional checks and balances for this procedure.

Weakness #6:

Each day the unused stickers and forms are stapled to the receipts for the day. However, the unused stickers and forms are not marked void or cancelled in any manner.

Recommendation #6:

We recommend that MVI mark the stickers and forms that are unused as void.

Auditee's Response to Internal Control Weakness #6:

The unused inspection certificates are now voided to ensure that they cannot be accidentally used.

Weakness #7:

Support for taxi checks received is not stamped with the received date making it impossible to track exactly which payment went in to each deposit.

Recommendation #7:

We recommend that MVI begin stamping supporting documentation for taxi payments with the received date. We also recommend that a deposit form be developed for each deposit made showing all of the different types of money deposited along with a copy of supporting documentation for the deposit (i.e. check stub stamped with received date) (see also Finding #3).

Auditee's Response to Internal Control Weakness #7:

MVI has begun stamping all checks and supporting documentation with the date received.

OPPORTUNITIES FOR IMPROVEMENT

Opportunity for Improvement #1:

There are no fees associated with the permits given to and inspections performed on speedways. There is currently nothing in the Ordinance regulating speedways (Chapter 204) requiring MVI to charge speedways a fee for permits and inspections.

Recommendation for Opportunity for Improvement #1:

Along with the rate study required by Ordinance 2002-793-E, , MVI should attempt to establish a fee for speedway permits and/or inspections to offset the cost of the permitting process and inspection.

In conclusion to our report, we would like to thank the Motor Vehicle Inspection staff for their cooperation throughout the course of our audit.

Respectfully Submitted,

Robert O. Johnson, CPA
Council Auditor

Audit Performed by:

Sarina Wiechens, CPA

Jennifer Spinelli, CPA

REGULATORY & ENVIRONMENTAL SERVICES DEPARTMENT

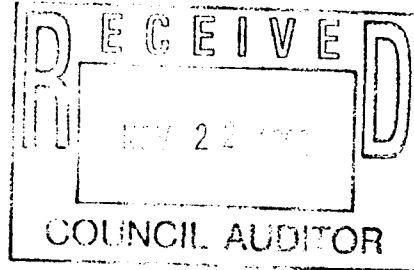
Public Parking Division

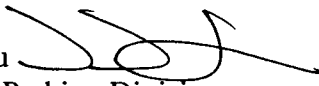


November 22, 2002

MEMORANDUM

TO: Robert O. Johnson, CPA
City Council Auditor



FROM: Derek D. Igou 
Chief, Public Parking Division

THRU: Mario L. Taylor 
Director, Regulatory & Environmental Services Department

SUBJ: **RESPONSE TO MOTOR VEHICLE INSPECTION ACTIVITY COUNCIL
AUDIT**

In response to the findings of the Council Auditor's Office as reported in Report No. 559 dated October 9, 2002, the Motor Vehicle Inspection Activity, Public Parking Division, Department of Regulatory and Environmental Services, has developed an action plan that will systematically implement suggestions and corrective measures to improve the inspection activity. Action plan responses to many of the findings are provided.

We very much appreciate the efforts of Sarina Wiechens, CPA, and Jennifer Spinelli, CPA. While we recognize and appreciate the efforts of the Council Auditor's Office in assisting us in honing our record keeping and accountability skills, we are likewise compelled to recognize that the mission objectives of the Motor Vehicle Inspection activity in the provision of safe, reliable transportation to the motoring public of Duval County have been accomplished.

Attachment

xc: Sam E. Mousa, P.E., Chief Administrative Officer
Eric B. Green, Deputy Chief Administrative Officer
Mario L. Taylor, Director, Regulatory & Environmental Services



Phone: 904 /630-1399 / Fax 904/630-2901
231 E. Forsyth Street, Suite 450, Jacksonville, FL 32202

Recipient of the 2001 Governor's Sterling Award

EXHIBIT A

MOTOR VEHICLE INSPECTION DAILY RECAP

DATE _____

Attach tape to RECAP SHEET/ALL errors to be initialed by manager consecutive tape nos.

FROM _____ THRU _____ = _____ TAPE TOTAL \$ _____				
Total Number of Transactions	Tape Total	Tape Adjustments	Adjustments (City) - (Taxi)	Deposit
Reinspections _____ @ \$1.00	\$ _____	\$ _____	City \$ _____ - Taxi \$ _____	\$ _____
Delinquents _____ @ 2.00	\$ _____	\$ _____	City \$ _____ - Taxi \$ _____	\$ _____
City _____ @ 3.00	\$ _____	\$ _____	\$ _____	\$ _____
Wreckers _____ @ 25.00	\$ _____	\$ _____	\$ _____	\$ _____
Taxi Cab _____ @ 5.00	\$ _____	\$ _____	\$ _____	\$ _____
Taxi Cab _____ @ 10.00	\$ _____	\$ _____	\$ _____	\$ _____
Ind. Buses _____ @ 15.00	\$ _____	\$ _____	\$ _____	\$ _____
Taxi Cab _____ @ 25.00	\$ _____	\$ _____	\$ _____	\$ _____
D.C. Buses _____ @ 32.00	\$ _____	\$ _____	\$ _____	\$ _____
Volunteers _____ @ 5.00	\$ _____	\$ _____	\$ _____	\$ _____
Prearranged _____ @ 5.00	\$ _____	\$ _____	\$ _____	\$ _____
TOTALS	\$ _____	\$ _____	\$ _____	\$ _____

Total Taxi Credit _____
 Total School Bus Credit _____
 Total City Credit _____
 Total Deposited _____
 Total Wrecker _____

MVI-STICKERS Issued Numbers From _____ - _____ = TOTAL _____
 Number Rejects _____ MVI - Forms Issued _____ - _____ = TOTAL _____

CERTIFIED BY SENIOR INSPECTOR: _____ DATE: _____

School Bus Inspections Billed Monthly to Duval County School Board