

STATE OF COLORADO

DEPARTMENT OF REVENUE
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Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

July 18, 2007

Sally Symanski
Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203

Dear Sally:

Attached please find the Department's implementation status update for the State Auditor's recommendations to the Department of Revenue resulting from the Ports of Entry performance audit dated October 2006.

If you have any questions regarding these documents or the Department's implementation of the recommendations, please contact me at (303) 866-5610.

Sincerely,

A handwritten signature in cursive script that reads "Roxanne Huber".

Roxy Huber
Executive Director

Attachment

**Ports of Entry Performance Audit
Implementation Status Update #2
Department of Revenue
July 2007**

Recommendation #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 Implementation Status: February 2007

Implemented. The Department took several steps to ensure that safety inspections are appropriately risk based. Initially the Department formalized in a written policy its continuing practice of using ISS2 scores and other risk-oriented criteria as the basis for safety inspections. We also reinforced the need for compliance through staff communications and training provided to all safety inspectors, including full-time Motor Carrier Safety Assistance Program (MCSAP) safety inspectors and part-time safety inspectors. In addition, the safety program manager distributed the written safety inspection policy to all ports, reiterating the safety inspection policy and directing compliance with the policy. The safety program manager is tasked with periodically verifying adherence to the policy by individual inspectors and ports. Finally, to facilitate the effectiveness of our safety inspectors training one another, the full time inspectors attended training on technical writing and public speaking. This training will be followed by a 40-hour train the trainer class that will be offered at the Colorado State Patrol academy. These training courses for our 8 full-time inspectors will assist them in training and directing the part-time inspectors for adherence to the Department's safety inspection standards contained in the safety inspection policy. This training is also intended to assist the inspectors in developing a new inspection safety manual, which will provide a written reference for all safety inspectors. The manual is scheduled for completion on April 1, 2007.

Department of Revenue Implementation Status: July 2007

Previously Implemented. In addition to steps taken above, the Department now requires every part-time inspector to demonstrate his or her inspection skills to a MCSAP inspector on a quarterly basis. This will insure inspection uniformity throughout the state. This periodic demonstration of skills will also identify training needs for the part-time inspectors. Due to staffing constraints, scheduled completion of the safety manual is now scheduled for completion in August 2007.

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

Department of Revenue Implementation Status: February 2007

- a. Implemented. To monitor the appropriateness of PrePass pull-in rates for its members on an ongoing basis, POE management implemented monthly reviews of reports from PrePass, which include settings and information on specific carriers. In addition, management staff conducts random checks to review the federal ISS2 scores and compare with the PrePass pull-in rate for individual carriers to ensure that carriers with high ISS2 scores have a correspondingly high PrePass pull in rate. Motor Carrier Services (MCS) management also reviews PrePass' re-verification of credentials and safety information for carriers, and the safety manager reviews PrePass scores as they relate to inspections and safety violations. Using all this data, inconsistencies are identified and carriers who should have their PrePass score modified or who should be removed from the PrePass program are identified for follow-up.
- b. Implemented. Specific changes have been made to allow the PrePass pull-in rates and settings to be changed at individual ports. PrePass was able to offer additional settings of 25 and 50% in addition to the previously available settings of 1 through 5, 10 and 100. At this time, PrePass cannot offer other settings. Vehicles with high scores (ISS2 rating of 75 or above), or that show "inspect" on the PrePass screen are now being inspected when safety inspectors are present at the port. (Staffing of safety inspectors is discussed further in recommendation 3c. below.)

In addition, the Department is discussing the agreement with the PrePass vendor (Help Inc.) and as well as changes to the PrePass algorithm used as a basis to score member carriers. It is important to note that PrePass does not use the ISS2 scores from the Federal Motor Carrier Safety Administration (FMCSA) as the basis of its scoring algorithm, as PrePass maintains that the accident information from FMCSA is not accurate. Therefore, PrePass has developed its own algorithm to determine a scoring system. MCS is continuing to discuss these issues with PrePass and FMCSA in the hopes of ensuring that the PrePass scoring algorithm is reliable and includes the federal scoring system which Colorado relies on to oversee commercial carrier safety on the state's roadways.

- c. In Progress. The Department met with PrePass on February 7 to discuss changing the pull-in rate to 50% for carriers with high ISS2 scores (75 or above). PrePass indicated that this may not be a good solution because it will increase the number of vehicles required to clear each port, rather than bypass the port, and this may cause staffing issues as well as issues with traffic backups particularly at the Monument and Ft. Collins Port of Entry locations. Discussions with PrePass are continuing to determine what other solutions are available as discussed in 2b. above.
- d. Implemented. Safety inspectors are actively using ISS2 scores, PrePass information, and observable safety issues to identify and inspect higher risk carriers. This process is being reinforced through training, policy, and supervision. Analysis of FMCSA crash data is also being used to set up target areas for special operations involving multiple mobile port units and other law enforcement jurisdictions. In addition, this data can be used by mobile units to determine areas where additional enforcement is needed. It should be noted, however, that all vehicles meeting our risk criteria may not be inspected, since the number of safety inspectors is insufficient to permit full 24/7 coverage at our 10 permanent and 10 mobile ports and a safety inspector must be present to conduct a safety inspection. (Staffing of safety inspectors is discussed further in recommendation 3c. below.)

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented.
- b. Previously Implemented.
- c. Implemented. The Department determined that taking further action with PrePass in terms of making significant changes to bypass rates is not a good option at this time, since the high percentage of PrePass vehicles (up to 50% of total), may cause dangerous traffic backups on the highways. Instead, the Department continues to monitor individual carriers with poor safety records, and in certain cases has requested PrePass to remove a carrier from the system, thus requiring the carrier to exit the highway in the future and be cleared at each port. In addition, the Department initiated discussions with FMCSA to address PrePass' allegations regarding the inaccuracies of the ISS2

scoring system used by FMCSA. FMCSA has acknowledged weaknesses in their underlying accident data used as the basis for ISS2 scores, mainly due to delayed or inconsistent accident reporting by states. Consequently, FMCSA, through the Commercial Vehicle Safety Alliance (CVSA) is working to improve the accident reporting data collected by the states, which are part of the foundation for ISS2 scoring. In the meantime, PrePass continues to use its algorithm with modified ISS2 scores.

- d. Previously Implemented.

Recommendation #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 inspections 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 Implementation Status: February 2007

- a. Implemented. Using available data, the Department developed a basic methodology using port runner, safety, and crash data to associate higher risk with locations, days and times. ISS2 scores for port runners that can be identified are evaluated for safety ratings, and this is compared to crash data information. Using this information, the Department identified the state's two highest accident rate counties. Consequently, a joint port runner operation involving the use of several mobile ports is planned for these areas. Pending results, special mobile port operations may be run on a quarterly basis, or as practicable based on staffing. At this time, the collection and analysis of risk data is a manual process; however, the Department will be able to automate this process once the planned updates to the Business System are made.
- b. Implemented. The Safety Program manager, who supervises the full time MCSAP safety inspectors, is using the data collected in 3a. above to develop monthly schedules. MCS management verifies compliance with federal guidelines which recommend 30% of inspections during off-peak hours. The remaining inspector resources will be scheduled for peak hours, when crash data show that most crashes occur.
- c. Implemented. The Department considered several options for providing more flexibility in scheduling part-time safety inspectors, including individual

schedule changes, shift modifications, and adding inspector staff. We reviewed work schedules and determined that making fundamental scheduling changes is not advisable. Split shifts are not feasible because most port locations are in rural locations. However, scheduling flexibility can be increased by training POE officers currently on staff to become safety inspectors thereby expanding the availability of qualified safety inspectors when needed. To accomplish this, 5 existing employees already attended safety inspector training in February and will be assigned on a part-time basis to inspector duties at ports. We are also exploring the possibility of sending officers to federal MCSAP training to become inspector trainers. Having inspector trainers on staff would allow us to efficiently train more of our own port officers to become safety inspectors. Since this is a two-week training course, it presents some scheduling challenges to cover the regular shifts of officers at the ports while they away at training and also to coordinate schedules with the dates and times that classes are offered by the State Patrol. Nevertheless, current MCSAP inspectors have begun the process for identification as candidates to become federally certified part A and B inspector trainers. Once we have officers on staff who are inspector trainers, MCS can consider the feasibility of maximizing safety inspector availability by requiring safety inspection certification for all Port of Entry officers. Our goal will be to have safety inspectors scheduled at port locations and times when violation risks are high while ensuring that the timing and location of safety inspections is not predictable.

To better understand the issue of safety inspector availability, the following background information may be helpful. The Department has 10 permanent ports (with 17 sites, including the dual port sites) and 10 mobile ports. On average, there are about 10 port officers, including safety inspectors, available to provide 24/7 coverage in each of the port offices. Safety inspectors include 8 full time inspectors (one each assigned to 8 of the Department's 10 permanent ports, and 56 part-time safety inspectors). However, the part-time inspectors are POE officers who at times are scheduled in the role of safety inspector, and at all other times are assigned to perform other roles at the port. Consequently, because the ports often have only one or two officers on duty at a time, even when part time inspectors are on duty, they may not be available to do safety inspections, because they are required to perform other duties. However, we believe that increasing the number of certified safety inspectors will increase our ability to conduct safety inspections.

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented. Since the last update, the Department participated with the Dillon Police Department using two mobile units to address high traffic and accident concerns on I-70 in Summit County. In June the

Department participated with FMCSA's Road Check on the Western Slope, and deployed an additional mobile unit to work the side roads in conjunction with the activity on I-70, where the out-of-service rate has been as high as 60%. Additional joint port operations are being organized and will occur in the next few weeks.

- b. Previously Implemented.
- c. Previously Implemented. The next train-the-trainer course is not offered by the Department of Public Safety until March 2008, which is a pre-requisite to attend the FMCSA national training center for "train-the-trainer". In the meantime, one officer, an international grand champion inspector in 2005, is being sent to the FMCSA's national training center for driver and vehicle inspections in August and September to maintain his certification as trainer.

Recommendation #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 Implementation Status: February 2007

In Progress. The Department analyzed the CDOT information used by the auditors as a basis for conclusions about port staffing and found that reliable conclusions about the level of violations at the locations where data was collected could not be confirmed. For example, vehicles may have had overweight permits, or may have included other legitimate high weight vehicles such as snowplows. In addition, the data collected could vary significantly from the port location to be staffed because the data collection point was as much as 30 miles away. Consequently, CDOT offered use of its portable Weigh-In-Motion (WIM) equipment to more reliably assess traffic patterns and weight information nearer to the individual ports where officers are to be scheduled and also where violations can be confirmed. Use of these portable WIMS will begin as road conditions improve in the spring. Enhancements planned to the Business System will allow data to be collected and then extracted into reports that can be used to systematically assess traffic patterns and violations. Until then, port officers have direct visual knowledge about traffic patterns and scheduling is determined using this actual information.

Department of Revenue Implementation Status: July 2007

Implemented. Since the last update, the Department acquired and distributed State Patrol safety data to use as the basis for improved port scheduling. In addition, The Department purchased software that will be employed in the management

office as an additional tool to collect information on an ongoing basis from CDOT Weigh-In-Motion Scales (WIMS), and thereby identify strategic times and locations to be used for scheduling of both permanent and mobile port operations.

Recommendation #5:

The Department of Revenue should strengthen the operations of the Port of Entry Sections' 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, violations rates, and operational hours and locations, and make operational decisions accordingly.
- c. Ensuring all data from mobile unit laptops is 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 Implementation Status: February 2007

- a. Implemented. MCS held a supervisory staff meeting in November 2006 which included a discussion of identifying ways of improving scheduling of mobile teams. As a result, the frequency and timing for reporting work schedules was revised to provide more accurate schedules and locations. Supervisory review of schedules has also been revised to ensure compliance with MCS guidelines for mobile units (25% off-peak). In addition, POE District supervisors are now actively reviewing actual mobile port locations and hours of operations to ensure compliance with schedules or justified departures.
- b. In Progress. As stated in the progress update for Recommendation #15, a Departmental working group has begun the process of analysis of the POE Business System considering the requirements and needs of the POE business unit. As a part of this analysis process, relevant data related to mobile port operations will be included to make a determination to what extent the system can be modified to support mobile port operations. The system analysis will be complete by June 2007 and actual enhancements to the Business System are expected to be completed by December 2007.
- c. In Progress. The mobile port workflow process is being charted by IT personnel so an analysis can be performed to assist in establishing a valid verification process for data uploads by June 2007.
- d. Implemented. To better match enforcement efforts to risk, the Department implemented a process to analyze port runner and crash data and use the

results as a basis to modify schedules and locations for mobile units. On an ongoing basis, POE will continue to analyze and use available data to schedule mobile port locations and hours of operation. After planned changes are made to the Business System, the Department hopes to enhance this process by automating the data collection and analysis and reporting processes and using data available from other agencies. The Department is already working with CDOT to obtain relevant data, including data from CDOT remote WIM locations. The Department is also working with CDOT to implement a process to establish new portable WIM locations in high risk areas at POE request.

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented.
- b. In Progress. Desired enhancements to the POE Business System have been identified and actual enhancements to be made and data to be tracked will be determined based on business group priorities, cost-benefit and available resources as described in the response to Recommendation 15.
- c. Implemented. The Department's IT Division completed the workflow documentation and analysis and developed and implemented a reporting process that identifies data actually received by the central business system server from all fixed and mobile ports. The Deputy Port Officer at the headquarters office is responsible to compare this data to daily business reported by individual ports to ensure that data from all ports has been accurately and completely uploaded to the central system server.
- d. Previously Implemented. As mentioned in #4 above, the Department purchased software that will be employed in the management office as an additional tool to collect information on an ongoing basis from CDOT Weigh-In-Motion (WIM) scales, and thereby identify strategic times and locations to be used for scheduling of both permanent and mobile port operations.

Recommendation #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 Implementation Status: February 2007

- a. In Progress. MCS reviewed statutes, and provided updated and corrected information to the IT Division to update the Business System. Changes to the Business System will be implemented as appropriate pursuant to the application analysis discussed in Recommendation 15 below. Pending enhancements to the Business System, POE officers have been directed to manually add notes in the comments section of a carrier's record in the system to record repeat offenders, port runners, and out of service (OOS) violations so that other officers working subsequently with a carrier will be aware of prior violations. In addition, POE officers have been directed to enforce statutory provisions if not previously being enforced.
- b. Implemented. The deputy chief positions are responsible for identifying training needs and ensuring that all management and staff receive appropriate training. Statutory requirements have been identified and training has begun to ensure that all staff are familiar with the requirements. This is an on-going process, and training will be established for any areas identified where additional or new training is needed.
- c. In Progress. CSP is in the process of establishing a hearing process and scheduled 2 rulemaking hearings in February. The Department has offered and will continue to provide assistance as requested by CSP.
- d. In Progress. Information now recorded manually by POE officers in the comments section of a carrier's record in the Business System about repeat offenders, port runners, and out-of-service (OOS) violations is now exchanged manually with the other ports, the CSP, and the Public Utilities Commission (PUC) Enforcement Unit. As a result of prior violations being tracked and exchanged, 80 summonses have to date been issued for jumping OOS violations.

Planned enhancements to the Business System to track repeat offender information will automate the notification of such information to other ports as well as to the PUC, CDOT, and CSP. Automating this process is necessary so that connections to data sources at various agencies can be made, including the Department's driver license system, Colorado Courts, the PUC, and the State Patrol.

Department of Revenue Implementation Status: July 2007

- a. In Progress. The POE Section updated the fines and fees tables to correctly reflect statutory requirements, and IT deployed the changes in the Business System prior to the previous update in February 2007. Capturing data on repeat offenders, violations of out-of-service orders, and nuclear materials

penalties require more complex changes to the Business System, and will be addressed following the prioritization of desired enhancements discussed in Recommendation 15. In the interim, the Department's POE unit continues to make this information available to other POE officers by manually identifying and recording it in the comments section of the Business System.

- b. Previously Implemented.
- c. In Progress. As of this writing, the State Patrol rulemaking process is in progress. The Department of Public Safety's Assistant Attorney General is currently reviewing proposed changes and additions to address the ability for due process to take place when civil penalties are issued to a carrier who is transporting certain nuclear materials. The current due process for motor carriers that have been fined as a result of a compliance review will be changed to be consistent with the HM civil penalty process. Meetings have been held with stakeholders, including the current administrative law judges, at the Department of Personnel and Administration (DPA), Colorado State Patrol Administration, and the State Attorney General's Deputy to ensure that the process is sound. As of this date, it is anticipated that the proposed rules will be filed in September or October.
- d. In Progress. Until necessary enhancements to the Business System can be implemented, the Department continues its manual process of collecting and distributing this information as described above in the previous update.

Recommendation #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 time line 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 subsequent agreement.

Department of Revenue Implementation Status: February 2007

- a. Implemented. The Department 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. In Progress. The Department reviewed the MOU, evaluated requirements of the agreement, and identified recommended changes. We are now in the process of monitoring New Mexico's compliance with the joint port agreement through April 2007, and plan to meet with the appropriate agency

officials from New Mexico in May 2007 to determine if opportunities exist for improved cooperation.

- c. Deferred. After meeting with New Mexico officials, the Department will evaluate all collected data and make a decision about whether it is advisable to continue joint port operations, based on costs and benefits, prior to the expiration of the current agreement with New Mexico on June 30, 2007.

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented.
- b. Implemented. Since the last update, the Department completed its analysis of compliance by New Mexico with the joint port agreement, and later met with New Mexico officials to discuss identified issues and opportunities for improved coordination. Following the meeting, the Department sent a follow-up letter to New Mexico detailing specific areas of concern, which were mainly lack of collections and penalty assessments issued by New Mexico on behalf of Colorado. Based on recent conversations with New Mexico representatives, New Mexico officials met on July 5 to review our letter and evaluate whether they could comply with provisions of the joint port agreement. New Mexico recently notified us that they expect to send a written response in the near future and indicated that they intend to comply with the joint port agreement.
- c. In Progress. The Department will review New Mexico's written response noted in b. above, and will determine thereafter whether it is cost effective to enter into a subsequent agreement with New Mexico.

Recommendation #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 reconciliations 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 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 to remind drivers of the need to ensure they receive a receipt and verify the amount of the receipt for any payment made.

Department of Revenue Implementation Status: February 2007

- a. In Progress. To implement this recommendation, IT personnel developed a working model utilizing a central database server instead of local port servers. Testing of functionality is in process at this time. A central server solution will minimize missing numbers by controlling the assignment of receipt numbers, and consolidation on the central server may also reduce the need for manual receipts. To address recommended changes to the Business System, a Departmental work group is actively working to determine the feasibility of modifying the Business System infrastructure and business application(s) to address the auditor's concerns. Once the Business System can generate a report to identify missing receipts and penalty assessments, POE will evaluate the results and take appropriate corrective action.
- b. In Progress. With the assistance of the Department's financial staff, the POE district supervisors are evaluating POE cash handling procedures and updating POE procedures to comply with the Department's cash receipts policy and to integrate with other Department processing units. The Department's POE, Accounting, Central Department Operations, and other affected units have been working together to develop improved methods for systematic reconciliation of ports collections from the point of collection to final recording in the State's accounting system. Some procedures have already been changed, for example, procedures are now in place to perform daily reconciliations of cash collections to bank deposits, and to allow use of the bank's Check 21 process for improved collection of bad checks. Other procedures are still being developed in coordination with other Department processing units to facilitate reconciliation of all types of ports collections by any Department unit to the ports Business System.
- c. In Progress. The first phase of investigating local banking options is completed and the method for depositing cash and checks collected at the ports has already been changed, with deposits being made directly into a central bank account through a special endorsement. Follow-up steps will be completed by the Department's controller.
- d. In Progress. Although local banking arrangements for most ports have been completed, efforts continue for two mobile ports and one permanent Port (Durango, Alamosa, and Platteville) to locate the most appropriate banking institution to ensure that banking accounts are established in a way that results in the lowest overall cost to the State and in accordance with the Department's cash receipts policy.

- e. Implemented. Signs were distributed to all Ports in November 2006. The signs, posted at each port, remind drivers to verify that their receipt matches the payment made, and provides a telephone number to call to report suspected fraud. To date, no calls have been received.

Department of Revenue Implementation Status: July 2007

- a. Implemented. Upon further analysis, the Department's IT Division found that converting to a central server process was inadvisable at this time, since we would lose the current advantage of distributed local servers, which means that port operations can continue if phone lines or the central server is down. In addition, we identified an alternative method to address the auditor's recommendation that all receipts and PA's should be accounted for. The Department identified a method to identify missing clearance (receipt) numbers, thereby allowing follow-up to identify those which were cancelled or not used and those that are truly unaccounted for, if any. For penalty assessments, reports were developed to identify detail and summary information data entered at each mobile and fixed port in the Wheels system and to reconcile that to items subsequently transmitted to the ECRS system. Exceptions by error code are identified on the report, and POE staff follow up on identified errors.
- b. Implemented. Since the last update, the Department's financial staff and POE supervisors completed the evaluation of POE cash handling procedures and updating of POE procedures to comply with the Department's cash receipts policy and to integrate with other Department processing units.
- c. Implemented. Deposits are made to a central account through a special endorsement as described in the previous update, and all follow-up steps are now complete.
- d. Implemented. Local banking arrangements for all ports are now complete.
- e. Previously Implemented. To date, no calls to report suspected fraud have been received.

Recommendation #9:

The Department of Revenue should take the lead in working with the Department of Transportation, the Colorado State Patrol, and the Public Utilities Commission to undertake a comprehensive review and evaluation of the State's commercial 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 vehicles.
- 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 Implementation Status: February 2007

- a. In Progress. At the Department's request the American Association of Motor Vehicle Administrators (AAMVA), of which Colorado is a member, is providing assistance in developing and administering a survey of other jurisdictions to obtain current information about their motor vehicle fees and fines.
- b. In Progress. The Department is working with other agencies to obtain needed information. Following completion of the report in a. above, the Department plans to compile available information to assess the costs of administering commercial motor vehicle laws and the costs to repair road damage, using information from other agencies, including the CDOT data described in their response included in the audit report.
- c. Deferred. Following completion of the AAMVA survey discussed in 9a. above, the Department plans to work with other state agencies and industry representatives to identify revenue sources and related economic impacts.
- d. Deferred. Using information obtained above, the Department will issue a report with findings and recommendations in July 2007, including proposals for statutory change.

Department of Revenue Implementation Status: July 2007

- a. Implemented. Unfortunately, the survey issued by the American Association of Motor Vehicle Administrators (AAMVA) did not provide much useful information for our purposes. Consequently, the Department hired a temporary research analyst to obtain current information. The report includes details of commercial motor vehicle fees and fines for all 50 states.
- b. In Progress. Since the last update, the Department met with CDOT, PUC and the State Patrol and requested that each agency gather required information to implement this recommendation. The Department's POE Section is currently compiling the information obtained. The consensus is that Colorado's fees and fines are substantially less than most other jurisdictions and need updating.
- c. In Progress. The Department is currently working with the Governor's Blue Ribbon Transportation Panel and others to identify potential revenue sources and related economic impacts.
- d. In Progress. The Department is compiling information that will become part of the recommended report.

Recommendation #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 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 only authorized software is on the Department's networks and that the software is still needed for operation.
- 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 Implementation Status: February 2007

- a. In Progress. The Department replaced 38 of 40 workstations that clear trucks at the ports as a part of its normal replacement plan in December 2006. Each new workstation is configured with software that prevents users from installing unauthorized software and limits installation of software to authorized IT staff only. The two remaining workstations are scheduled for replacement in March 2007 and will be configured similarly.
- b. In Progress. The Department removed the database utility noted by the auditors on the local port servers. In addition, once the central server process in Recommendation 8a. is in place, the local servers will be unnecessary and will be removed. With the central server process in place, the Department's current central monitoring and control process will prevent installation of unauthorized software on port equipment in the future. In addition, a process for conducting an automated software inventory of the MCS Port of Entry workstations is in place and an inventory is currently in progress. Exception findings will be reported to MCS and IT management quarterly beginning March 31, 2007.
- c. Implemented. The Department recently re-iterated to all staff, including POE personnel, the importance of following the Department's password policy that requires a unique password for each user. In addition, the Department also created unique user identification codes for each database administrator (DBA) on the local server database in accordance with the Department's password use policy.
- d. Implemented. As described in our original response to this audit recommendation, 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 these accounts annually.

Department of Revenue Implementation Status: July 2007

- a. Implemented. All 40 workstations that clear trucks have been configured to prevent unauthorized software installation.
- b. In Progress. Since the central server option is not being implemented as described in 8a above, as a part of the Department's replacement program, we are currently in the process of replacing the local servers at all fixed ports. These servers are being configured to prevent installation of unauthorized software. The remaining local servers will be replaced consistent with the Department's equipment replacement plan and on a timetable subject to available funds. The quarterly reporting of exceptions described in the February update could not be implemented due to a bug in the Altiris application metering software the Department uses to electronically monitor any new software installations on Department computers. According to the vendor, the deficiency will be corrected in the next version, expected around December 2007. It is important to note that all POE desktop and laptop computers as well as servers are now configured to limit installation of software to designated IT personnel. As a double check to confirm that no unauthorized software is installed on POE computers or servers, the Department's IT Division will implement an interim process to review the POE unit's computers for unauthorized software on a sample basis, until the corrected Altiris software is operational, which will confirm electronically and on a periodic basis, that no unauthorized software has been installed on POE desktop and laptop computers and servers. This confirmation process was last done in July 2007, and no unauthorized software was present.
- c. Previously Implemented.
- d. Previously Implemented. Annual review of user accounts is scheduled for the quarter ended September 30, 2007. Administrator accounts were reviewed last quarter.

Recommendation #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 Implementation Status: February 2007

- a. In Progress. As part of the analysis being accomplished for Recommendation #15, the Department's working group is in the process of identifying required fields so that data edits can be properly instituted.
- b. In Progress. As part of the analysis being accomplished for Recommendation #15 and Recommendation #8a., The Department's IT Division is in the process of charting data workflows from the mobile laptop operation and from the fixed port locations so a verification process can be designed to ensure proper data transmission from ports to the central server and verification that data is accurately transferred from the central Business System server to other systems.
- c. Implemented. As described in our original response to this audit recommendation, in September 2006 the Department's IT staff implemented automated scheduled database utility processes to ensure that Business System central server data are protected as recommended.

Department of Revenue Implementation Status: July 2007

- a. In Progress. As part of the analysis being accomplished for Recommendation #15, the Department's working group is in the process of setting priorities for changes to the business system.
- b. Implemented. As described in the response to 8a, a verification process has been implemented to confirm accurate and complete transmission of operating data from the ports to the central system.
- c. Previously Implemented.

Recommendation #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. Fines and surcharges contain accurate amounts, as set forth in 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 Implementation Status: February 2007

- a. In Progress. The Department's IT Division obtained user requirements for enhancements to the Business System and expects to begin the process of analyzing the requirements in April 2007 to determine the extent to which the Business System can be modified, including limiting data modifications to authorized staff and implementing an audit trail for data modification.
- b. Implemented. The POE unit updated the fines and fees tables to correctly reflect statutory requirements, IT deployed the changes in the Business System, and the corrected fines and fees are currently in use.
- c. In Progress. The Department's IT Division obtained user requirements for enhancements to the Business System and expects to initiate the process of analyzing the requirements in April 2007 to determine the extent to which the Business System can be modified, including automatic calculation of fines, surcharges and fees.
- d. In Progress. The Department's POE unit identified two types of permits which were not being tracked separately in the accounting records because they did not have a separate liability code. At POE management request, our Accounting unit assigned unique liability codes for temporary household mover permits and property registered carrier permits, both of which are issued for PUC. Both codes have been added to the Department's RAS Business Tax System and will be tracked separately after being loaded into the POE Business System, which is expected shortly. Use of the new codes will be confirmed by management review of monthly reports.
- e. Implemented. As described in our original response to this audit recommendation, the Department strengthened its processes for updates and changes to Department systems in June 2006.

Department of Revenue Implementation Status: July 2007

- a. In Progress. Since the last update the Department's IT Division completed its analysis of user requirements and identified hours to modify the current system by requirement. Also see response in #15.
- b. Previously Implemented.
- c. In Progress. Same as a. above.
- d. Implemented. Since the last update, the Department confirmed that the new accounting codes are in place and being used.
- e. Previously Implemented.

Recommendation #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 Implementation Status: February 2007

- a. Implemented. The Department completed its portion of the State Continuity of Operations Plan (COOP) in December 2006, including definitions of core functions, support functions, and users.
- b. Implemented. As part of the COOP described in part a. above, the Department documented equipment, software, and other resources needed for disaster recovery, including alternate locations and back-up data. The Department is currently developing a decision item for resources needed to implement the COOP plan.
- c. Implemented. The Department completed documentation of recovery procedures and roles and responsibilities of each involved staff position as part of the COOP project completed in December 2006.
- d. Implemented. In December 2006, the Department completed the COOP plan which identifies testing plans and schedules testing. The Department's next port disaster recovery test is scheduled for July 2007. It is also important to note that IT staff successfully completed actual port production recoveries in August 2006 and January 2007, using Department disaster recovery procedures.

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented.
- b. Previously Implemented.
- c. Previously Implemented.
- d. Previously Implemented. In addition, the Department successfully completed two port recoveries last month following lightning strikes.

Recommendation #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 offsite 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 Implementation Status: February 2007

- a. Implemented. As described in our original response to this audit recommendation, all devices at ports were tested, and some were replaced. All were operational by August 2006.
- b. In Progress. The Department now has an ongoing process to monitor database and full system tape backups to ensure that comprehensive backups are available, successfully completed, and back ups stored off-site. The success of the Department's monitoring system was recently demonstrated when tape backup malfunctions were identified and appropriate repairs promptly made so that the regular backup process resumed quickly. The Department also reviewed and tested alternatives for backing up laptop data, and selected the best option. IT personnel are now in the process of developing a recommendation which it will present to the business unit in the near future.
- c. In Progress. The Department procured routers and completed the router deployment in December 2006. The T1 circuits were approved and ordered through DOIT, and the Department is on schedule to complete the T1 installation by June 2007. Timely completion of the T1 installation is contingent on required work being done by Qwest and several local telephone companies.

Department of Revenue Implementation Status: July 2007

- a. Previously Implemented.
- b. Implemented. Since the last update, the Department's IT Division presented a proposal to the business group for backing up laptop data. The equipment has been purchased and the process put into place.
- c. Implemented. Since the last update, the Department completed installation of T1 circuits at all fixed port sites.

Recommendation #15:

The Department of Revenue should improve the quality and reliability of the information needed for managing the POE's operations by conducting a comprehensive needs analysis of the POE's Business System. The needs analysis should analyze all aspects of the System, document weaknesses, identify reports needed to manage POE 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 POE in improving its operations.

Department of Revenue Implementation Status: February 2007

In Progress. The Department formed a working group comprised of IT personnel and business unit personnel to assist in addressing this recommendation. This group is meeting regularly to gather business unit application requirements and desired functionality, network infrastructure, preferred technology and other information necessary to complete a comprehensive analysis of the Business System. The analysis, including a needs assessment, will result in a determination of the extent to which the Business System can be modified to implement system corrections and changes based upon costs, benefits and needs. IT expects to initiate the analysis in April 2007 based on input from the working group. The Department then plans to identify and make changes to the Business System as well as identify additional changes needed by the business group or recommended by the auditors that will require other solutions by December 2007.

Department of Revenue Implementation Status: July 2007

In Progress. Since the last update the Department's working group continued its efforts to analyze the current POE Business System. Over 200 system enhancements have been identified by the working group to address the needs of the business group including full implementation of the audit recommendations. Next, the working group will prioritize the desired changes and work will be scheduled based on program priorities, cost-benefit, and available resources.



STATE OF COLORADO

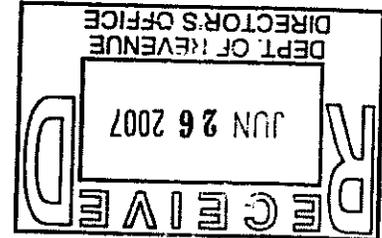
OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

June 21, 2007

Ms. Roxy Huber
Executive Director
Colorado Department of Revenue
1375 Sherman St., Room 409
Denver, CO 80261



Dear Ms. Huber:

As you may recall, earlier this year the Legislative Audit Committee requested that the Department of Revenue return to provide an updated status report on the recent Ports of Entry performance audit. We have tentatively scheduled the update for August 20th or 21st. Attached is a copy of the Recommendation Locator from the Ports of Entry Audit Report released in October 2006. We are requesting that you provide a letter to the Legislative Audit Committee detailing the following:

- Categorize the implementation status of each recommendation as "implemented," "not implemented," or "in progress."
- Include a brief explanation of the actions taken for each recommendation.
- Discuss the impact of other factors on the implementation of the recommendations, if applicable (e.g., state/federal legislation and/or regulations, agency reorganization, etc.).

Your response letter should be addressed to Sally Symanski, CPA, Office of the State Auditor, 200 E. 14th Ave., Denver, Colorado 80203. We need to receive your letter no later than Friday, July 20th.

Once we receive your update letter, the implementation status will be reviewed by the Office of the State Auditor to determine if further information or on-site follow-up is needed for any of the recommendations.

Thank you for your cooperation. If you have any questions, please do not hesitate to contact Cindi Stetson, Deputy State Auditor, at (303) 869-2802 or by e-mail at cindi.stetson@state.co.us.

Sincerely,

Sally Symanski, CPA
State Auditor

Enclosure: Audit Recommendation Locator

cc: Joan Vecchi
Kirstie Nixon
Linda Peters

STATE OF COLORADO

PUBLIC UTILITIES COMMISSION

Ron Binz, Chairman
Polly Page, Commissioner
Carl Miller, Commissioner
Doug Dean, Director

Department of Regulatory Agencies
D. Rico Munn
Executive Director



Bill Ritter, Jr.
Governor

July 20, 2007

Sally Symanski, CPA
Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203

Dear Ms. Symanski:

Re: Ports of Entry Audit Report

Enclosed is a summary of the actions taken by the Public Utilities Commission (PUC) to implement Recommendation 9 contained in the Report of the State Auditor concerning the performance audit of the Ports of Entry, dated October 23, 2006.

The Public Utilities Commission is currently undergoing a sunset review, which includes a complete review and analysis of the statutes regarding transportation under the PUC's jurisdiction. This includes a review and analysis of the PUC's fees and fines. The PUC prefers that any recommended changes to its fees and fines be part of the sunset review rather than the audit of the Ports of Entry

If you have any questions regarding this response, please contact Terry Willert, Chief of Transportation, at 303-894-2850 or terry.willert@dora.state.co.us.

Sincerely,

A handwritten signature in cursive script that reads "Doug Dean".

Doug Dean
Director, PUC

1560 Broadway, Suite 250, Denver, Colorado 80202, 303-894-2000

www.dora.state.co.us/puc
TTY Users 711 (Relay Colorado)
Permit and Insurance (Outside Denver) 1-800-888-0170
Consumer Affairs 303-894-2070

Fax 303-894-2065
Transportation Fax 303-894-2071
Consumer Affairs (Outside Denver) 1-800-456-0858

Ports of Entry Performance Audit
Recommendations to the Public Utilities Commission
Progress Report
July 20, 2007

Recommendation 9

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.

Implementation Status – July 2007

- (a) Implemented. The PUC has analyzed and compared its fees and fines with those of other states with emphasis on neighboring states. The PUC fines are generally as much or more than neighboring states. The PUC fees vary widely (from zero to \$300) just as neighboring states vary widely (zero to \$250).
- (b) In Progress. The PUC met with the Department of Revenue, CDOT, and the State Patrol to gather from each agency the required information to implement this recommendation. The Department of Revenue's POE Section is currently compiling the information obtained.
- (c) In Progress. The PUC is working with the Department of Revenue to identify potential revenue sources and related economic impacts.
- (d) In Progress. The Department of Revenue is compiling information that will become part of the recommended report.

The PUC is currently undergoing a sunset review, which includes a complete review and analysis of the statutes regarding transportation under the PUC's jurisdiction. This includes a review and analysis of the PUC's fees and fines. The PUC prefers that any recommended changes to its fees and fines be part of the sunset review rather than the audit of the Ports of Entry.



STATE OF COLORADO

OFFICE OF THE STATE AUDITOR
303.869.2800
FAX 303.869.3060

Sally Symanski, CPA
State Auditor

Legislative Services Building
200 East 14th Avenue
Denver, Colorado 80203-2211

June 21, 2007

Mr. Doug Dean
Director
Public Utilities Commission
1560 Broadway, Suite 250
Denver, CO 80202

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PUBLIC UTILITIES COMMISSION

Dear Mr. Dean:

In response to concerns expressed by the Legislative Audit Committee, we have adopted an audit recommendation implementation status report process. We are asking recently audited entities and all corresponding agencies to submit a letter to the Legislative Audit Committee detailing what actions they have taken to respond to audit recommendations. Attached is a copy of the Recommendation Locator from the Ports of Entry Audit Report released in October 2006. We are requesting that you provide the following information:

- Categorize the implementation status of each recommendation to the Public Utilities Commission (PUC) as "implemented," "not implemented," or "in progress."
- Include a brief explanation of the actions taken for each recommendation.
- Discuss the impact of other factors on the implementation of the recommendations, if applicable (e.g., state/federal legislation and/or regulations, agency reorganization, etc.).

Your response letter should be addressed to Sally Symanski, CPA, Office of the State Auditor, 200 E. 14th Ave., Denver, Colorado 80203. We need to receive your letter no later than Friday, July 20th.

The status report will be presented to the Legislative Audit Committee on August 20th or 21st, 2007. The State Auditor will determine if a representative from the PUC needs to be present when the Legislative Audit Committee reviews the status of audit recommendation implementation. Additionally, the implementation status will be reviewed by the Office of the State Auditor to determine if further information or on-site follow-up is needed for any of the recommendations.

Thank you for your cooperation. If you have any questions, please do not hesitate to contact Cindi Stetson, Deputy State Auditor, at (303) 869-2802 or by e-mail at cindi.stetson@state.co.us.

Sincerely,

Sally Symanski, CPA
State Auditor

Enclosure: Audit Recommendation Locator

cc: Terry Willert

RECOMMENDATION LOCATOR

Rec. No.	Page No.	Recommendation Summary	Agency Addressed	Agency Response	Implementation Date
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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
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Colorado
Department of Transportation

Agree July 2007

Colorado State Patrol

Agree July 2007

Public Utilities Commission

Agree July 2007

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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
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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
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STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

Office of the Executive Director
4201 E. Arkansas, Suite 290
Denver, Colorado 80222



July 17, 2007

Ms. Sally Symanski, State Auditor
Office of the State Auditor
200 East 14th Avenue
Denver, CO 80203

Re: Ports of Entry, Dept. of Revenue Performance Audit, October 2006

Dear Ms. Symanski:

This letter is submitted in response to your request for a direct response from this Department to the October 2006 Performance Audit on the Ports of Entry, Department of Revenue. This response has also been submitted to DOR and will be incorporated in that Department's formal Audit comments.

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 the administering commercial motor vehicle laws, including safety enforcement, and the costs to report 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.

CDOT 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.

Implementation Status: *In progress*

Actions Taken: CDOT began working with DOR in early 2007. Members of the affected agencies formed a team to analyze the recommendation. Agency specific assignments were reviewed and DOR staff amassed the corporate information.

Regarding fees and fines:

CDOT provided detailed information on its Oversize/Overweight (OSOW) fees, and the fees and fee assessment methods of 30 other states. CSP provided information on fines and enforcement of fines in Colorado. DOR hired a consultant to research and compile the OSOW fees and fines in all 50 states. CDOT has not reviewed the final comparison of its OSOW fees and fines with those of all 50 states that will be included in the final DOR response.

Regarding analyzing the costs to repair the damage to the State's highway infrastructure from commercial motor vehicle damage:

It is important to note that while commercial motor vehicles cause significantly more damage to our highways than passenger vehicles, they play a critical role in our overall transportation system. CDOT's Mission is "to provide the best multi modal transportation system for Colorado that most effectively moves people, goods, and information." CDOT recognizes the invaluable role commercial motor vehicles play in fulfilling our transportation mission, and CDOT does everything we can to provide a safe and reliable highway network for commercial motor vehicles to move within and through our state.

CDOT utilizes available funding effectively by generating a pavement management plan that optimizes the CDOT roadway network as a whole. The Colorado Transportation Commission has adopted a goal to have 60% of the highway network categorized as Good or Fair, meaning 40% of our network will be in poor condition. CDOT is currently exceeding that goal, with 65% of the system in Good or Fair condition. To maintain the Transportation Commission goal will cost approximately \$4.8 Billion over the next 20 years. The available funding over the next 20 years is expected to be approximately \$3.6 Billion. At that funding level, the Good and Fair percentage will drop to 53% at the end of 20 years, with 47% of our highways expected to be in Poor condition. The Transportation Commission goal is neither an optimal or desirable condition, but represents what would be an acceptable balance in weighing pavement condition with other needs such as safety and capacity of the system. To improve the system to 75% Good or Fair would require \$7.5 billion over the next twenty years. For Fiscal Year 2007-2008, CDOT's Surface Treatment Program budget is \$153 million, plus another \$25.8 million transferred to the Maintenance Program for surface work. This is the fifteenth fiscal year of an increased level of funding for surface treatment that exceeds an adjustment for inflation. In 1993, data showed that 64% of Colorado's state highway system had pavement rated as "Poor."

To what degree commercial motor vehicles are "responsible" for these expenditures is difficult to quantify. There are significant highway infrastructure costs that are not driven by commercial motor vehicles, but by the greater volume of passenger vehicles, such as highway capacity (number of travel lanes). While commercial motor vehicles benefit from highway improvements

such as these, they are not the reason for them. Similarly, there are other highway costs with shared responsibility. For instance, guard rails and safety barriers would be necessary even without commercial trucks, but are built higher to accommodate them. Roadway geometrics and design may be configured in part with the mobility of trucks in mind. Improvements such as these have shared benefit and shared responsibility.

CDOT's analysis of the costs to repair the damage to the State's highway infrastructure from commercial motor vehicle damage excludes improvements and repairs driven by traffic volume (i.e. number of lanes), and shared costs items with passenger vehicles (i.e. guard rails and safety barriers). The analysis of "the costs to repair the damage to the State's highway infrastructure from commercial motor vehicle damage" is limited only to the item that commercial motor vehicles are most responsible for- pavement.

While the benefits of an adequate pavement structure are enjoyed by all of CDOT's customers, the pavement management plan is developed based on commercial motor vehicle needs and the damage to the pavement structure due to those vehicles. Both the Interstate and non-interstate pavement system in Colorado are structurally designed to meet the needs of commercial vehicles. The impacts of passenger vehicles on pavement condition are minimal, even on roadways with a small percentage of truck traffic.

There are two key costs to pavement- construction/reconstruction and repair. When constructing or reconstructing a highway, pavement thickness is a direct result of the anticipated truck traffic volume. For example, a low volume highway with an average daily traffic of 5,000 vehicles but no trucks would call for a pavement thickness of about five inches. If only 10% of those vehicles are trucks, the pavement would be built about eight inches thick instead. A high volume highway with an average daily traffic of 80,000 vehicles per day and no trucks would require seven inches of pavement. The same highway with 10% truck traffic would require about twelve inches of pavement. CDOT's standard policy for pavement currently calls for a minimum thickness of eight inches. For example, I-70 through Limon carries a relatively low volume of traffic, about 12,000 vehicles per day. If, hypothetically, no trucks traveled that stretch of highway, adequate pavement depth based only on traffic would be about five inches. However, to accommodate the volume of trucks, which is about 35% of the total volume of traffic through Limon, pavement thickness needs to be closer to twelve inches. This is seven inches thicker than a hypothetical "no trucks" scenario, and four inches thicker than CDOT's minimum depth due to the volume of trucks. The cost difference for two miles of pavement through Limon between a "no trucks" scenario and current truck traffic through Limon is over \$2 million per mile. Across Colorado, commercial motor vehicle volumes compared to passenger vehicle volumes vary greatly, ranging anywhere from one or two percent on some highway stretches to over forty percent in other areas. CDOT incurs additional pavements construction costs when as little as five percent of the highway's traffic volume comes from commercial motor vehicles.

Pavement damage calculations also indicate a disproportionate amount of highway repairs are necessitated by trucks. For instance, one mail delivery

trucks causes the same amount of damage as about 1,500 passenger vehicles. One tandem axle truck, such as a dump truck, causes the same damage as nearly 3,000 passenger vehicles. One five axle combination truck, the typical eighteen-wheelers you see on the highway, causes the same damage as over 5,000 passenger vehicles, and when these same vehicles are permitted to be oversize or overweight and travel across Colorado's highways and bridges, the damage comparison is even greater. CDOT estimates that the relative cost associated with commercial motor vehicle damage to the pavement structure for all types of roadways is about 90 percent.

Fines and fees associated with oversize and overweight vehicles traveling within and through Colorado cannot reasonably be set at a level to cover the additional costs the state incurs as a result of those vehicles. However, it is very reasonable to expect that because permit fees have not been increased since the 1980's, an increase in these fees is long overdue.

Impact of other factors on the implementation of the recommendations:

The impact of increased fees and fines could be opposed by the CV industry. Reported profit margins for the trucking industry are narrow and the increase in permit fees may be viewed as an economic hardship. However, the CV industry is aware of the possibility of increased fines as a deterrent to those committing violations, stating that carriers who are in compliance with laws and regulations tend to be the safest companies on the roads. It is unknown at this time what position the CV industry would take on proposed legislation. No other factors have been considered at this time pending a final audit position by DOR, the lead agency.

Thank you for the opportunity to submit this response. Please do not hesitate to contact me for more information or if you have any questions.

Sincerely,



Russell George
Executive Director, CDOT



**COLORADO
DEPARTMENT
OF PUBLIC SAFETY**

Chief Mark V. Trostel
Colorado State Patrol
700 Kipling St.
Suite 1000
Denver, CO 80215-5865
(303) 239-4500
TDD (303) 239-4505
FAX (303) 239-4481

July 19, 2007

Sally Symanski, CPA
Office of the State Auditor
200 E. 14th Avenue
Denver, Colorado 80203

Reference: Port of Entry Audit Report; October, 2006

Dear Mrs. Symanski,

This letter is submitted in response to concerns expressed by the Legislative Audit Committee during an audit of the Port of Entry in October, 2006.

Specifically, recommendation number (6)(c), which recommends the Colorado State Patrol (CSP) "establish a hearing process to appeal civil penalties related to nuclear materials transportation." Additionally, recommendation number (9), which recommends multiple state agencies "perform a comprehensive review and evaluation of the State's commercial motor vehicle fees and fines..."

In response to recommendation number (6)(c): Status - In Progress

The CSP Hazardous Materials and Response Section has completed research to establish a "due process" for violators who are issued civil penalties for violations related to nuclear materials transportation.

The Department of Public Safety's Assistant Attorney General is reviewing the proposed changes and additions to address the ability for due process to take place when civil penalties are issued to a carrier who is transporting certain nuclear materials.

The current due process for motor carriers who have been fined as a result of a compliance review will be changed to be consistent with the HM civil penalty process. Meetings have been held with stakeholders including, the current administrative law judges, through DPA , Colorado State Patrol administration, and the State Attorney General's Deputy to ensure the process is sound.

The addition of a "due process" for carriers who are cited for violations of nuclear material transportation will require the Colorado State Patrol to complete the rulemaking process.
As of this date, I am anticipating a September or October filing of the proposed rule.

In response to recommendation number (9): Status - In Progress

The State Patrol Motor Carrier Safety Section requested information from the other states through the Commercial Vehicle Safety Alliance to analyze and compare Colorado's driver and vehicle fees and fines as they relate to violations of motor carrier safety regulations. Twenty states responded. (Please see the attached synopsis of the responses.) The analysis showed critical safety violations in other states generated much higher fines.

Bill Ritter, Jr.
GOVERNOR
Peter A. Weir
EXECUTIVE DIRECTOR
Colorado State
Patrol
Colorado Bureau
of Investigation
Division of
Criminal Justice
Office of Preparedness,
Security, and Fire Safety



In addition to the research conducted on fees and fines, the CSP considered information provided by the Federal Motor Carrier Safety Administration's "Large Truck Crash Causation Study." The study, which included crash information and data for three years, determined that when a commercial motor vehicle is the cause of a crash, the driver is at fault 88% of the time. The driver is more likely to be the "cause" of a crash than a vehicle defect, therefore, must be considered more heavily in the fine structure.

The State's current fine for all commercial motor vehicle related violations, including those for drivers who violate the safety regulations, is \$50. The fine stays the same regardless of the severity of the violation.

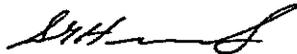
Based on the research conducted, the Colorado State Patrol Motor Carrier Safety Section is recommending the following change to the State's current commercial vehicle fine schedule for equipment and driver violations:

- \$100 Vehicle equipment violation.
- \$150 Driver violations
- \$200 Vehicle out-of-service violations
- \$250 Driver out-of-service violations

The recommended increase in fine structure will require state legislation. The desired outcome of the increased fines is that commercial carriers and drivers will be more aware of the safety regulations. Therefore, compliance with the regulations will increase which will result in fewer injury and fatal crashes.

If you have any questions or concerns, please contact me at (303) 273-1679 or by email at scott.hernandez@cdps.state.co.us.

Sincerely,



Scott Hernandez, Major
Colorado State Patrol

Enclosure: State Fine Schedules

cc: CDPS Director Weir
Colonel Trostel
LTC Salas
Captain Torgerson

COMMERCIAL MOTOR CARRIER FEES AND FINES
Commercial Motor Vehicle Safety Regulations

Total states who responded: 20

1. Alaska

Alaska has a specific fine for each federal regulation. Their CMV fine range is \$75 to \$300. Below is an example.

▪ Marking Violation	\$200
▪ Turn Signals	\$150
▪ Wiring Violations	\$75
▪ Brake violations	\$150 – 300
▪ Fire Ext. / Triangles	\$150
▪ Cargo Securement	\$150 – 300
▪ Suspension	\$150
▪ Steering	\$200
▪ Periodic Inspection	\$100
▪ No Medical Card	\$200
▪ Violated Restrictions	\$150
▪ Ill or Fatigued	\$300
▪ Hours of Service	\$150 – 300

No hazardous material fines were provided.

2. Connecticut

Connecticut provided a simple fine schedule.

▪ Violations	\$92
▪ Out-of-Service	\$136
▪ Haz-Mat Violations	\$500

3. Georgia

Georgia advised that all CMV violations are misdemeanors and the fines can be up to \$1,000.

4. Idaho

Idaho provided a simple fine schedule. They separate CMV violations into two categories: serious and non-serious. They provided an example of serious violations as possession of alcohol, disqualified driver, false logbook and haz-mat violations. A non-serious violation example would be unsafe equipment, failed to keep logbook current and expired drivers license.

▪ Non-serious violations	\$116
▪ Serious violations	\$336

5. Illinois

Illinois provided a simple fine schedule. Violating an out of service order can be a class four felony with up to a \$10,000 fine.

▪ Violations of parts 390-396	\$75
▪ CDL violations	up to \$1,000

6. Iowa

Iowa has the following fine schedule.

▪ Haz-mat violations	\$182
▪ CMV Rail Crossings	\$182
▪ Violation Drug/Alcohol	
Out of service order	\$182
▪ Violating hour of service	
Out of service order	\$83
▪ No or improper CDL	\$182
▪ All other violations	\$83

7. Maryland

Maryland provided the following fine schedule.

▪ Haz-mat	\$80 – 1,000
▪ CDL violations	\$500 – 1,000
▪ Ill or fatigued	\$280
▪ Lighting	\$60
▪ Braking	\$530
▪ Tires	\$130
▪ Cargo Securement	\$130
▪ Suspension	\$80 – 130
▪ Hours of service	\$80 – 1,000
▪ Part 396	\$130 – 1,000

8. Maine

Maine does not have a maximum fine schedule. They provided a minimum fine schedule.

▪ Mechanical violations	\$100
▪ Log violations	\$240

9. Michigan

All that Michigan advised is that their fines are a minimum of \$250 and can be a felony.

10. Missouri

Missouri advised that each county judge sets their own fines. There are 114 counties. They do have a specific fine for each specific violation. The maximum CMV fine is \$5,000.

11. Montana

Montana provided the following fine schedule.

▪ Haz-mat violations	\$135 – 835
▪ Ill or fatigued	\$235
▪ Posses drugs or alcohol	\$660
▪ Part 393 violations	\$135
▪ Part 395 violations	\$135 – 535
▪ Part 396 violations	\$135 – 535

12. Nebraska

Nebraska provided the following fine schedule.

▪ CDL violations	\$100
▪ Part 390 violations	\$50
▪ Part 392 violations	\$30 – 200
▪ Part 393 violations	\$25 – 100
▪ Part 395 violations	\$50 – 100

13. North Carolina sent the CVSA guidelines for CMV fines.

14. Ohio

The only information that was provided from Ohio was the fines for CDL violations.

- CDL violations \$250

15. Oregon

Oregon provided the following fine schedule.

- Ill or Fatigued \$162
- Posses drugs or alcohol \$355
- Lighting \$162
- Braking \$162 – 355
- Tires \$82 – 355
- Suspension \$162
- Steering \$355
- Part 395 violations \$162 – 367
- Haz-mat \$82 – 355

16. Rhode Island

Rhode Island has one fine for all CMV violations.

- FMCRS violations \$125

17. Tennessee

Tennessee provided the following fine schedule.

- FMCSR First offense \$25
- FMCSR Second offense \$50
- FMCSR Third offense \$100
- No record of duty status \$100
- General hour of service \$150
- False log \$500
- Possess alcohol \$500

18. Utah

Utah provided the following fine schedule.

- Load Securement \$250
- General equipment \$40 – 100
- CDL violations \$75 – 500
- Medical card \$100
- Log book \$100 – 500
- Possess alcohol \$600
- Haz-mat violations \$200 – 1850

19. Vermont

Vermont provided the following minimum and maximum fine schedule.

- All CMV violations \$26 – 1,176

20. Virginia

Virginia provided the following fine schedule.

- Markings \$53
- Medical cards \$78
- Ill or fatigued \$103
- Alcohol / Drugs \$128

▪ Hours of service violations	\$128
▪ Cargo Securement	\$128
▪ Braking	\$128
▪ Tires	\$78
▪ Suspension	\$78
▪ Steering	\$128
▪ Haz-mat	\$128

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
(303) 866-3091
FAX (303) 866-2400



Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

February 20, 2007

Senator Stephanie Takis, Chair
Legislative Audit Committee
C/O Office of the State Auditor
200 East 14th Avenue
Denver, Colorado 80203

Dear Senator Takis:

Attached please find the Department's implementation status update for the State Auditor's recommendations to the Department of Revenue resulting from the Ports of Entry performance audit dated October 2006.

If you have any questions regarding these documents or the Department's implementation of the recommendations, please contact me at (303) 866-5610.

Sincerely,

A handwritten signature in cursive script, appearing to read "Roxanne Huber".

Roxy Huber
Executive Director

Attachment

**Ports of Entry Performance Audit
Implementation Status Update
Department of Revenue
02/20/07**

Recommendation #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 Implementation Status:

Implemented. The Department took several steps to ensure that safety inspections are appropriately risk based. Initially the Department formalized in a written policy its continuing practice of using ISS2 scores and other risk-oriented criteria as the basis for safety inspections. We also reinforced the need for compliance through staff communications and training provided to all safety inspectors, including full-time Motor Carrier Safety Assistance Program (MCSAP) safety inspectors and part-time safety inspectors. In addition, the safety program manager distributed the written safety inspection policy to all ports, reiterating the safety inspection policy and directing compliance with the policy. The safety program manager is tasked with periodically verifying adherence to the policy by individual inspectors and ports. Finally, to facilitate the effectiveness of our safety inspectors training one another, the full time inspectors attended training on technical writing and public speaking. This training will be followed by a 40-hour train the trainer class that will be offered at the Colorado State Patrol academy. These training courses for our 8 full-time inspectors will assist them in training and directing the part-time inspectors for adherence to the Department's safety inspection standards contained in the safety inspection policy. This training is also intended to assist the inspectors in developing a new inspection safety manual, which will provide a written reference for all safety inspectors. The manual is scheduled for completion on April 1, 2007.

Recommendation #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 records.

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

Department of Revenue Implementation Status:

- a. Implemented. To monitor the appropriateness of PrePass pull-in rates for its members on an ongoing basis, POE management implemented monthly reviews of reports from PrePass, which include settings and information on specific carriers. In addition, management staff conduct random checks to review the federal ISS2 scores and compare with the PrePass pull-in rate for individual carriers to ensure that carriers with high ISS2 scores have a correspondingly high PrePass pull in rate. Motor Carrier Services (MCS) management also reviews PrePass' re-verification of credentials and safety information for carriers, and the safety manager reviews PrePass scores as they relate to inspections and safety violations. Using all this data, inconsistencies are identified and carriers who should have their PrePass score modified or who should be removed from the PrePass program are identified for follow-up.
- b. Implemented. Specific changes have been made to allow the PrePass pull-in rates and settings to be changed at individual ports. PrePass was able to offer additional settings of 25 and 50% in addition to the previously available settings of 1 through 5, 10 and 100. At this time, PrePass cannot offer other settings. Vehicles with high scores (ISS2 rating of 75 or above), or that show "inspect" on the PrePass screen are now being inspected when safety inspectors are present at the port. (Staffing of safety inspectors is discussed further in recommendation 3c. below.)

In addition, the Department is discussing the agreement with the PrePass vendor (Help Inc.) and as well as changes to the PrePass algorithm used as a basis to score member carriers. It is important to note that PrePass does not use the ISS2 scores from the Federal Motor Carrier Safety Administration (FMCSA) as the basis of its scoring algorithm, as PrePass maintains that the accident information from FMCSA is not accurate. Therefore, PrePass has developed its own algorithm to determine a scoring system. MCS is continuing to discuss these issues with PrePass and FMCSA in the hopes of

ensuring that the PrePass scoring algorithm is reliable and includes the federal scoring system which Colorado relies on to oversee commercial carrier safety on the state's roadways.

- c. In Progress. The Department met with PrePass on February 7 to discuss changing the pull-in rate to 50% for carriers with high ISS2 scores (75 or above). Prepass indicated that this may not be a good solution because it will increase the number of vehicles required to clear each port, rather than bypass the port, and this may cause staffing issues as well as issues with traffic backups particularly at the Monument and Ft. Collins Port of Entry locations. Discussions with PrePass are continuing to determine what other solutions are available as discussed in 2b. above.
- d. Implemented. Safety inspectors are actively using ISS2 scores, PrePass information, and observable safety issues to identify and inspect higher risk carriers. This process is being reinforced through training, policy, and supervision. Analysis of FMCSA crash data is also being used to set up target areas for special operations involving multiple mobile port units and other law enforcement jurisdictions. In addition, this data can be used by mobile units to determine areas where additional enforcement is needed. It should be noted, however, that all vehicles meeting our risk criteria may not be inspected, since the number of safety inspectors is insufficient to permit full 24/7 coverage at our 10 permanent and 10 mobile ports and a safety inspector must be present to conduct a safety inspection. (Staffing of safety inspectors is discussed further in recommendation 3c. below.)

Recommendation #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 inspections 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 Implementation Status:

- a. Implemented. Using available data, the Department developed a basic methodology using port runner, safety, and crash data to associate higher risk with locations, days and times. ISS2 scores for port runners that can be

identified are evaluated for safety ratings, and this is compared to crash data information. Using this information, the Department identified the state's two highest accident rate counties. Consequently, a joint port runner operation involving the use of several mobile ports is planned for these areas. Pending results, special mobile port operations may be run on a quarterly basis, or as practicable based on staffing. At this time, the collection and analysis of risk data is a manual process; however, the Department will be able to automate this process once the planned updates to the Business System are made.

- b. Implemented. The Safety Program manager, who supervises the full time MCSAP safety inspectors, is using the data collected in 3a. above to develop monthly schedules. MCS management verifies compliance with federal guidelines which recommend 30% of inspections during off-peak hours. The remaining inspector resources will be scheduled for peak hours, when crash data show that most crashes occur.

- c. Implemented. The Department considered several options for providing more flexibility in scheduling part-time safety inspectors, including individual schedule changes, shift modifications, and adding inspector staff. We reviewed work schedules and determined that making fundamental scheduling changes is not advisable. Split shifts are not feasible because most port locations are in rural locations. However, scheduling flexibility can be increased by training POE officers currently on staff to become safety inspectors thereby expanding the availability of qualified safety inspectors when needed. To accomplish this, 5 existing employees already attended safety inspector training in February and will be assigned on a part-time basis to inspector duties at ports. We are also exploring the possibility of sending officers to federal MCSAP training to become inspector trainers. Having inspector trainers on staff would allow us to efficiently train more of our own port officers to become safety inspectors. Since this is a two-week training course, it presents some scheduling challenges to cover the regular shifts of officers at the ports while they away at training and also to coordinate schedules with the dates and times that classes are offered by the State Patrol. Nevertheless, current MCSAP inspectors have begun the process for identification as candidates to become federally certified part A and B inspector trainers. Once we have officers on staff who are inspector trainers, MCS can consider the feasibility of maximizing safety inspector availability by requiring safety inspection certification for all Port of Entry officers. Our goal will be to have safety inspectors scheduled at port locations and times when violation risks are high while ensuring that the timing and location of safety inspections is not predictable.

To better understand the issue of safety inspector availability, the following background information may be helpful. The Department has 10 permanent ports (with 17 sites, including the dual port sites) and 10 mobile ports. On average, there are about 10 port officers, including safety inspectors, available

to provide 24/7 coverage in each of the port offices. Safety inspectors include 8 full time inspectors (one each assigned to 8 of the Department's 10 permanent ports, and 56 part-time safety inspectors). However, the part-time inspectors are POE officers who at times are scheduled in the role of safety inspector, and at all other times are assigned to perform other roles at the port. Consequently, because the ports often have only one or two officers on duty at a time, even when part time inspectors are on duty, they may not be available to do safety inspections, because they are required to perform other duties. However, we believe that increasing the number of certified safety inspectors will increase our ability to conduct safety inspections.

Recommendation #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 Implementation Status:

In Progress. The Department analyzed the CDOT information used by the auditors as a basis for conclusions about port staffing and found that reliable conclusions about the level of violations at the locations where data was collected could not be confirmed. For example, vehicles may have had overweight permits, or may have included other legitimate high weight vehicles such as snowplows. In addition, the data collected could vary significantly from the port location to be staffed because the data collection point was as much as 30 miles away. Consequently, CDOT offered use of its portable Weigh-In-Motion (WIM) equipment to more reliably assess traffic patterns and weight information nearer to the individual ports where officers are to be scheduled and also where violations can be confirmed. Use of these portable WIMS will begin as road conditions improve in the spring. Enhancements planned to the Business System will allow data to be collected and then extracted into reports that can be used to systematically assess traffic patterns and violations. Until then, port officers have direct visual knowledge about traffic patterns and scheduling is determined using this actual information.

Recommendation #5:

The Department of Revenue should strengthen the operations of the Port of Entry Sections' 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, violations rates, and operational hours and locations, and make operational decisions accordingly.
- c. Ensuring all data from mobile unit laptops is 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 Implementation Status:

- a. Implemented. MCS held a supervisory staff meeting in November 2006 which included a discussion of identifying ways of improving scheduling of mobile teams. As a result, the frequency and timing for reporting work schedules was revised to provide more accurate schedules and locations. Supervisory review of schedules has also been revised to ensure compliance with MCS guidelines for mobile units (25% off-peak). In addition, POE District supervisors are now actively reviewing actual mobile port locations and hours of operations to ensure compliance with schedules or justified departures.
- b. In Progress. As stated in the progress update for Recommendation #15, a Departmental working group has begun the process of analysis of the POE Business System considering the requirements and needs of the POE business unit. As a part of this analysis process, relevant data related to mobile port operations will be included to make a determination to what extent the system can be modified to support mobile port operations. The system analysis will be complete by June 2007 and actual enhancements to the Business System are expected to be completed by December 2007.
- c. In Progress. The mobile port workflow process is being charted by IT personnel so an analysis can be performed to assist in establishing a valid verification process for data uploads by June 2007.
- d. Implemented. To better match enforcement efforts to risk, the Department implemented a process to analyze port runner and crash data and use the results as a basis to modify schedules and locations for mobile units. On an ongoing basis, POE will continue to analyze and use available data to schedule mobile port locations and hours of operation. After planned changes are made to the Business System, the Department hopes to enhance this process by automating the data collection and analysis and reporting processes and using data available from other agencies. The Department is already working with CDOT to obtain relevant data, including data from CDOT remote WIM locations. The Department is also working with CDOT to

implement a process to establish new portable WIM locations in high risk areas at POE request.

Recommendation #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 Implementation Status:

- a. In Progress. MCS reviewed statutes, and provided updated and corrected information to the IT Division to update the Business System. Changes to the Business System will be implemented as appropriate pursuant to the application analysis discussed in Recommendation 15 below. Pending enhancements to the Business System, POE officers have been directed to manually add notes in the comments section of a carrier's record in the system to record repeat offenders, port runners, and out of service (OOS) violations so that other officers working subsequently with a carrier will be aware of prior violations. In addition, POE officers have been directed to enforce statutory provisions if not previously being enforced.
- b. Implemented. The deputy chief positions are responsible for identifying training needs and ensuring that all management and staff receive appropriate training. Statutory requirements have been identified and training has begun ensure that all staff are familiar with the requirements. This is an on-going process, and training will be established for any areas identified where additional or new training is needed.
- c. In Progress. CSP is in the process of establishing a hearing process and scheduled 2 rulemaking hearings in February. The Department has offered and will continue to provide assistance as requested by CSP.
- d. In Progress. Information now recorded manually by POE officers in the comments section of a carrier's record in the Business System about repeat

offenders, port runners, and out-of-service (OOS) violations is now exchanged manually with the other ports, the CSP, and the Public Utilities Commission (PUC) Enforcement Unit. As a result of prior violations being tracked and exchanged, 80 summonses have to date been issued for jumping OOS violations.

Planned enhancements to the Business System to track repeat offender information will automate the notification of such information to other ports as well as to the PUC, CDOT, and CSP. Automating this process is necessary so that connections to data sources at various agencies can be made, including the Department's driver license system, Colorado Courts, the PUC, and the State Patrol.

Recommendation #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 time line 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 subsequent agreement.

Department of Revenue Implementation Status:

- a. Implemented. The Department 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. In Progress. The Department reviewed the MOU, evaluated requirements of the agreement, and identified recommended changes. We are now in the process of monitoring New Mexico's compliance with the joint port agreement through April 2007, and plan to meet with the appropriate agency officials from New Mexico in May 2007 to determine if opportunities exist for improved cooperation.
- c. Deferred. After meeting with New Mexico officials, the Department will evaluate all collected data and make a decision about whether it is advisable to continue joint port operations, based on costs and benefits, prior to the expiration of the current agreement with New Mexico on June 30, 2007.

Recommendation #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 reconciliations 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 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 to remind drivers of the need to ensure they receive a receipt and verify the amount of the receipt for any payment made.

Department of Revenue Implementation Status:

- a. In Progress. To implement this recommendation, IT personnel developed a working model utilizing a central database server instead of local port servers. Testing of functionality is in process at this time. A central server solution will minimize missing numbers by controlling the assignment of receipt numbers, and consolidation on the central server may also reduce the need for manual receipts. To address recommended changes to the Business System, a Departmental work group is actively working to determine the feasibility of modifying the Business System infrastructure and business application(s) to address the auditor's concerns. Once the Business System can generate a report to identify missing receipts and penalty assessments, POE will evaluate the results and take appropriate corrective action.
- b. In Progress. With the assistance of the Department's financial staff, the POE district supervisors are evaluating POE cash handling procedures and updating POE procedures to comply with the Department's cash receipts policy and to integrate with other Department processing units. The Department's POE, Accounting, Central Department Operations, and other affected units have been working together to develop improved methods for systematic reconciliation of ports collections from the point of collection to final recording in the State's accounting system. Some procedures have already been changed, for example, procedures are now in place to perform daily reconciliations of cash collections to bank deposits, and to allow use of the

bank's Check 21 process for improved collection of bad checks. Other procedures are still being developed in coordination with other Department processing units to facilitate reconciliation of all types of ports collections by any Department unit to the ports Business System.

- c. In Progress. The first phase of investigating local banking options is completed and the method for depositing cash and checks collected at the ports has already been changed, with deposits being made directly into a central bank account through a special endorsement. Follow-up steps will be completed by the Department's controller.
- d. In Progress. Although local banking arrangements for most ports have been completed, efforts continue for two mobile ports and one permanent Port (Durango, Alamosa, and Platteville) to locate the most appropriate banking institution to ensure that banking accounts are established in a way that results in the lowest overall cost to the State and in accordance with the Department's cash receipts policy.
- e. Implemented. Signs were distributed to all Ports in November 2006. The signs, posted at each port, remind drivers to verify that their receipt matches the payment made, and provides a telephone number to call to report suspected fraud. To date, no calls have been received.

Recommendation #9:

The Department of Revenue should take the lead in working with the Department of Transportation, the Colorado State Patrol, and the Public Utilities Commission to undertake a comprehensive review and evaluation of the State's commercial 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 vehicles.
- 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 Implementation Status:

- a. In Progress. At the Department's request the American Association of Motor Vehicle Administrators (AAMVA), of which Colorado is a member, is providing assistance in developing and administering a survey of other

jurisdictions to obtain current information about their motor vehicle fees and fines.

- b. In Progress. The Department is working with other agencies to obtain needed information. Following completion of the report in a. above, the Department plans to compile available information to assess the costs of administering commercial motor vehicle laws and the costs to repair road damage, using information from other agencies, including the CDOT data described in their response included in the audit report.
- c. Deferred. Following completion of the AAMVA survey discussed in 9a. above, the Department plans to work with other state agencies and industry representatives to identify revenue sources and related economic impacts.
- d. Deferred. Using information obtained above, the Department will issue a report with findings and recommendations in July 2007, including proposals for statutory change.

Recommendation #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 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 only authorized software is on the Department's networks and that the software is still needed for operation.
- 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 Implementation Status:

- a. In Progress. The Department replaced 38 of 40 workstations that clear trucks at the ports as a part of its normal replacement plan in December 2006. Each new workstation is configured with software that prevents users from installing unauthorized software and limits installation of software to authorized IT staff only. The two remaining workstations are scheduled for replacement in March 2007 and will be configured similarly.

- b. In Progress. The Department removed the database utility noted by the auditors on the local port servers. In addition, once the central server process in Recommendation 8a. is in place, the local servers will be unnecessary and will be removed. With the central server process in place, the Department's current central monitoring and control process will prevent installation of unauthorized software on port equipment in the future. In addition, a process for conducting an automated software inventory of the MCS Port of Entry workstations is in place and an inventory is currently in progress. Exception findings will be reported to MCS and IT management quarterly beginning March 31, 2007.
- c. Implemented. The Department recently re-iterated to all staff, including POE personnel, the importance of following the Department's password policy that requires a unique password for each user. In addition, the Department also created unique user identification codes for each database administrator (DBA) on the local server database in accordance with the Department's password use policy.
- d. Implemented. As described in our original response to this audit recommendation, 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 these accounts annually.

Recommendation #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 Implementation Status:

- a. In Progress. As part of the analysis being accomplished for Recommendation #15, the Department's working group is in the process of identifying required fields so that data edits can be properly instituted.
- b. In Progress. As part of the analysis being accomplished for Recommendation #15 and Recommendation #8a., The Department's IT Division is in the

process of charting data workflows from the mobile laptop operation and from the fixed port locations so a verification process can be designed to ensure proper data transmission from ports to the central server and verification that data is accurately transferred from the central Business System server to other systems.

- c. Implemented. As described in our original response to this audit recommendation, in September 2006 the Department's IT staff implemented automated scheduled database utility processes to ensure that Business System central server data are protected as recommended.

Recommendation #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. Fines and surcharges contain accurate amounts, as set forth in 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 Implementation Status:

- a. In Progress. The Department's IT Division obtained user requirements for enhancements to the Business System and expects to begin the process of analyzing the requirements in April 2007 to determine the extent to which the Business System can be modified, including limiting data modifications to authorized staff and implementing an audit trail for data modification.
- b. Implemented. The POE unit updated the fines and fees tables to correctly reflect statutory requirements, IT deployed the changes in the Business System, and the corrected fines and fees are currently in use.
- c. In Progress. The Department's IT Division obtained user requirements for enhancements to the Business System and expects to initiate the process of analyzing the requirements in April 2007 to determine the extent to which the Business System can be modified, including automatic calculation of fines, surcharges and fees.
- d. In Progress. The Department's POE unit identified two types of permits which were not being tracked separately in the accounting records because they did

not have a separate liability code. At POE management request, our Accounting unit assigned unique liability codes for temporary household mover permits and property registered carrier permits, both of which are issued for PUC. Both codes have been added to the Department's RAS Business Tax System and will be tracked separately after being loaded into the POE Business System, which is expected shortly. Use of the new codes will be confirmed by management review of monthly reports.

- e. Implemented. As described in our original response to this audit recommendation, the Department strengthened its processes for updates and changes to Department systems in June 2006.

Recommendation #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 Implementation Status:

- a. Implemented. The Department completed its portion of the State Continuity of Operations Plan (COOP) in December 2006, including definitions of core functions, support functions, and users.
- b. Implemented. As part of the COOP described in part a. above, the Department documented equipment, software, and other resources needed for disaster recovery, including alternate locations and back-up data. The Department is currently developing a decision item for resources needed to implement the COOP plan.
- c. Implemented. The Department completed documentation of recovery procedures and roles and responsibilities of each involved staff position as part of the COOP project completed in December 2006.
- d. Implemented. In December 2006, the Department completed the COOP plan which identifies testing plans and schedules testing. The Department's next port disaster recovery test is scheduled for July 2007. It is also important to

note that IT staff successfully completed actual port production recoveries in August 2006 and January 2007, using Department disaster recovery procedures.

Recommendation #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 offsite 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 Implementation Status:

- a. Implemented. As described in our original response to this audit recommendation, all devices at ports were tested, and some were replaced. All were operational by August 2006.
- b. In Progress. The Department now has an ongoing process to monitor database and full system tape backups to ensure that comprehensive backups are available, successfully completed, and back ups stored off-site. The success of the Department's monitoring system was recently demonstrated when tape backup malfunctions were identified and appropriate repairs promptly made so that the regular backup process resumed quickly. The Department also reviewed and tested alternatives for backing up laptop data, and selected the best option. IT personnel are now in the process of developing a recommendation which it will present to the business unit in the near future.
- c. In Progress. The Department procured routers and completed the router deployment in December 2006. The T1 circuits were approved and ordered through DOIT, and the Department is on schedule to complete the T1 installation by June 2007. Timely completion of the T1 installation is contingent on required work being done by Qwest and several local telephone companies.

Recommendation #15:

The Department of Revenue should improve the quality and reliability of the information needed for managing the POE's operations by conducting a comprehensive needs analysis of the POE's Business System. The needs analysis should analyze all aspects of

the System, document weaknesses, identify reports needed to manage POE 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 POE in improving its operations.

Department of Revenue Implementation Status:

In Progress. The Department formed a working group comprised of IT personnel and business unit personnel to assist in addressing this recommendation. This group is meeting regularly to gather business unit application requirements and desired functionality, network infrastructure, preferred technology and other information necessary to complete a comprehensive analysis of the Business System. The analysis, including a needs assessment, will result in a determination of the extent to which the Business System can be modified to implement system corrections and changes based upon costs, benefits and needs. IT expects to initiate the analysis in April 2007 based on input from the working group. The Department then plans to identify and make changes to the Business System as well as identify additional changes needed by the business group or recommended by the auditors that will require other solutions by December 2007.