



OUTDOOR ADVERTISING PROGRAM

Performance Audit, May 2013 Report Highlights



Dianne E. Ray, CPA
State Auditor

Department of Transportation

PURPOSE

Assess the Department's efforts in providing effective control over outdoor advertising and in managing the Tourist Oriented Directional Signs (TODS) and Specific Information and Business Signs (LOGO Signs) Programs.

BACKGROUND

- In 1965, the federal government enacted the Highway Beautification Act, which called for states to restrict outdoor advertising along the Interstate Highway System and many state highways.
- In accordance with the Highway Beautification Act, Colorado enacted statutes and rules which limit the construction of outdoor advertising devices to designated locations.
- The federal government may withhold up to 10 percent of its highway funding to a state that does not comply with the Highway Beautification Act. For Colorado, this would have amounted to more than \$40 million in Fiscal Year 2012.
- The Department issues permits for outdoor advertising devices, which must be renewed annually. The Department collects over \$60,000 in revenue from permit fees.
- The Department is responsible for inventorying permitted signs, locating illegally erected signs, and taking action to have illegal signs removed.
- The Department contracts out the administration of the TODS and LOGO Sign Programs, which provide the blue signs in the right-of-way that advertise food, lodging, fuel, and other information to the traveling public. The Department collected over \$600,000 for this contract in Fiscal Year 2013.

OUR RECOMMENDATIONS

The Department should improve controls in the Outdoor Advertising Program by:

- Establishing a comprehensive monitoring process that includes standard procedures for enforcing federal and state requirements when illegal signs are identified.
- Strengthening internal controls over the renewal permit process.
- Providing for the financial management of the Program in accordance with statutory requirements.
- Implementing an effective monitoring process for the TODS and LOGO Sign Programs contract.

The agency agreed with all of our recommendations.

AUDIT CONCERN

The Department could implement more comprehensive policies and procedures as well as internal financial controls in permitting and monitoring outdoor advertising and in administering the Tourist Oriented Directional Signs (TODS) and Specific Information and Business Signs (LOGO Signs) Programs.

KEY FACTS AND FINDINGS

- In an examination of 162 highway miles, we identified 30 off-premise outdoor advertising signs that did not have a Department-issued permit.
- Of the 241 permitted devices along those 162 miles, we identified:
 - 16 that were not displaying a Department-issued permit decal and 72 that were not displaying a Department-issued renewal sticker.
 - 41 that did not have an accurate picture or any picture of the sign in the Department's sign inventory database and 5 that did not have accurate location coordinates for plotting the sign's location in the database.
- The Department does not have an appropriate segregation of duties within the Outdoor Advertising Program for processing renewal payments. Currently, the Program Manager issues invoices, collects payments, records payments, and issues renewal stickers.
- The Department does not consistently collect late fees for permit renewals submitted after the statutory deadline due to a lack of clarity in statute as to when late fees should be assessed. Additionally, the Program Manager explicitly waived late fees in nine cases even though statute does not allow for them to be waived.
- The Department has not established a Roadside Advertising Fund into which fee revenue should be deposited as mandated by statute.
- The Department has not reviewed fees for Outdoor Advertising permits every four years as mandated by statute. Permit fees have remained the same since at least 1981.
- The Department has not established an effective contract monitoring process for the contract in place for the TODS and LOGO Sign Programs. Specifically, the Department has not verified that the revenue and other data submitted by the contractor are accurate.