



## Department of Transportation Non-Federal Revenue Process Audit

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**Audit Period: January through October 2013**

### Results Summary:

Objective	Conclusion
Receiving of Revenue	Well-Controlled
Safeguarding of Revenue Received	Improvement Needed
Recording/Deposit of Revenue Received	Well-Controlled with Improvement Needed

**Report number: 2014-DOT-02**

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## **Executive Summary**

### **Background**

The Ohio Department of Transportation (ODOT) plans, designs, constructs, and maintains the state's network of highways and bridges and provides financial and technical assistance to the state's public transit systems, general aviation airports, and railways. ODOT's primary funding sources include state and federal motor fuel taxes and bonds, the proceeds of which are appropriated in the transportation budget bill. The Department also received revenue (approximately \$95 million during state fiscal year 2013) from other miscellaneous sources, such as damage claim reimbursements, oversized vehicle permits, property management income, revenue incentives, matching funds from local governments, and audit recoveries.

During the audit, OIA identified opportunities for ODOT to strengthen internal controls and improve business operations. OIA conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank ODOT staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### **Scope and Objectives**

OIA staff performed assurance work related to non-Federal revenue processing at the Department of Transportation. The work was completed between August 2013 and December 2013. The audit scope included non-Federal revenue processing from January through October 2013. The audit objectives are as follows:

- Evaluate the design and effectiveness of controls over the receiving of revenue.
- Evaluate the design and effectiveness of controls over safeguarding of revenue received.
- Evaluate the design and effectiveness of controls over the recording/deposit of revenue received.

### **Detailed Observations and Recommendations**

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions.



## Observation 1 – Safeguarding of Sensitive Data

Credit card information is considered to be sensitive and the controls surrounding any credit card payment processing must hedge against the risk of credit card fraud.

ODOT received approximately \$160,000 in revenue via credit card transactions for various driver fees/fines, in state fiscal year 2013. Currently, a ‘Payment by VISA/MASTERCARD’ form containing the driver’s credit card number, credit card expiration date, and cardholder’s signature is required to be completed by the driver and mailed to the ODOT Revenue Section for processing. All credit card forms are kept secured in a locked filing cabinet within the Revenue Section for the current fiscal year; only three individuals have access to the filing cabinet. No information on the form is redacted after the credit card payment has been processed, due to past instances when the agency has needed to refer back to the original paperwork to verify information due to transaction errors or questions by cardholders. In addition, the Department’s current policies regarding credit card data does not address redaction of sensitive information or unique storage requirements of credit card information. Per the agency’s retention schedule, at the end of the fiscal year, the forms are sent to storage with the revenue deposits, and after four years, the documentation is destroyed.

Lack of policies and procedures regarding the redaction and retention of credit card information increases the risk of fraud and abuse.

### Recommendation

Update current policies and procedures to include provisions for: the methods used to handle and retain credit card information; who in the department should have access to such information; and directives for the proper destruction of sensitive data. Consider implementing procedures to begin redacting credit card information once the processing of the payment has been completed. Alternatively, migration to a secured automated solution may help control the handling of sensitive credit card data.

### Management Response

Of the \$160,000 collected in credit cards, approximately 54% of the transactions are currently completed electronically by a third party vendor and ODOT Finance does not have access to the credit card information for these payments. However, ODOT will update its procedures to address the access to, and retention of, credit card forms to reflect current ODOT practices. Additionally, ODOT management will explore the practicality of increasing the use of electronic payments via a third party vendor, which would further reduce ODOT’s access to sensitive information. ODOT will also review its process to determine if credit card information could be destroyed after the fiscal year has been audited.



Risk*	Remediation Owner	Estimated Completion Date
<b>Moderate</b>	Administrator, Division of Finance - Office of Budget and Forecasting	February 2014

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



## Appendix A – Classification of Conclusions and Observations

### Classification of Audit Objective Conclusions

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

### Classification of Audit Observations

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee