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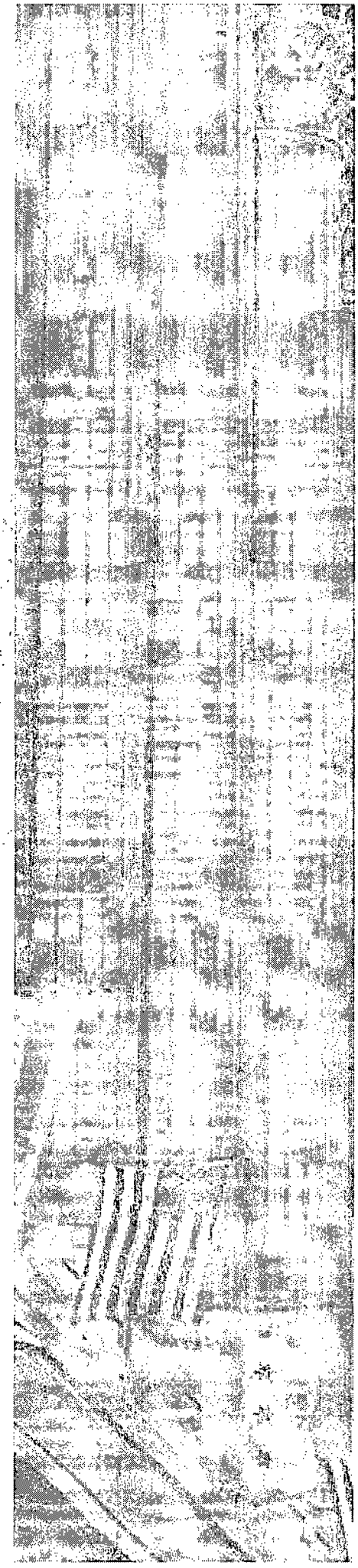

OFFICE OF INSPECTOR GENERAL
City of Chicago

REPORT OF THE OFFICE OF INSPECTOR GENERAL:

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CHICAGO DEPARTMENTS OF TRANSPORTATION AND FINANCE LOADING ZONE AND RESIDENTIAL DISABLED PARKING SIGN PROCESSES AUDIT

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June 3, 2015

To the Mayor, Members of the City Council, City Clerk, City Treasurer, and residents of the City of Chicago:

The City of Chicago Office of Inspector General (OIG) has completed an audit of the City's loading zone and residential disabled parking sign application processes. In 2013, site surveys, billing, and installation of loading zones were carried out by the Chicago Department of Transportation (CDOT). For disabled parking signs, site surveys and billing were carried out by the Department of Finance (DOF) while installation was carried out by CDOT. Both types of sign requests are reviewed and approved by Aldermen via City Council ordinance.

While the processes at CDOT and DOF differed, the audit objectives were the same: to determine if the applicable fees were collected and to identify any delays in the installation processes.

Loading Zone Sign Process

OIG found that the City,

- failed to collect $3.9 million, or 59.9% of the recurring loading zone fees invoiced in 2013, including amounts due from previous years;
- miscalculated the initial installation fees for 100% of a sample of 95 loading zones reviewed by OIG, resulting in *overpayment* of $10,550 in fees by sign requestors. Based on our analysis it is reasonable to assume that all such installation fees were similarly miscalculated;
- does not have a standardized process to maintain loading zone applications and did not maintain complete data for 88.4% of installations. Without reviewing the entire population and on the basis of the limited data available, OIG determined that it took CDOT an average of 337 days from the date of request to install a loading zone sign, including 97 days which OIG could not fully analyze because the application was in City Council.

OIG's audit is not the first report to find inefficiency in the loading zone application process. In fact, the City noted many of the same fundamental issues in a Mayoral press release of June 2012 and in a 2013 internal proposal for restructuring the loading zone process. The proposal describes a much leaner process that removes decision-making from legislators, places it with transportation professionals, and brings Chicago's operations substantially more in line with comparable municipalities. We strongly recommend that CDOT pursue improvements across

loading zone installation process either through the 2013 plan, or through other process improvements detailed in this report.

OIG also identified a lack of segregation between the billing and collecting functions for loading zone application fees, creating a risk of fraud. At the time of the audit, the same CDOT administrative employee had responsibility for creating and sending out initial bills, receiving payments, transmitting payments and deposit tickets to DOF, and updating payment status in the program database. CDOT took prompt action to address this risk, thereby complying with the City's Cash Management Policy—issued in June 2014, during the course of OIG's audit. We urge all departments to do likewise.

Disabled Parking Sign Process

Our audit found that the City,

- collected 100% of installation fees for disabled parking signs, but failed to collect approximately 10% of annual renewal fees resulting in $3,250 of uncollected fees;
- took an average of 207 days to complete a disabled parking sign request from application to installation, including 113 days between when DOF completed a survey of the parking site and when it sent an order for installation. DOF explained that during this period the application is in City Council.

Accordingly, we recommend that DOF work with the City Council to define goals for each portion of the disabled parking sign installation process, measure actual performance compared to those goals, and determine if there are cost-effective ways to speed up the process.

CDOT and DOF responded to our audit findings and recommendations by describing corrective actions they have already taken and actions that they plan to take in order to address the issues identified in the audit. Both departments agreed with OIG that the sign processes can and should be improved, and both departments committed to work with City Council to address those aspects of each process that involve aldermanic approval or potential changes to the Municipal Code.

We thank the management and staff of both DOF and CDOT for their cooperation during this audit.

Respectfully,

Joseph M. Ferguson
Inspector General
City of Chicago

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Acronyms

CDOT	Chicago Department of Transportation
CBD	Central Business District
CSR	Customer Service Request
DOF	Department of Finance
MCC	Municipal Code of Chicago
OIG	Office of Inspector General

I. EXECUTIVE SUMMARY

The Office of Inspector General (OIG) conducted an audit of the Chicago Department of Transportation's (CDOT) process for loading zone signs and the Department of Finance's (DOF) process for residential disabled parking signs.

The objectives of the audit were to determine if,

- CDOT accurately recorded, calculated, and collected fees related to loading zone sign installations and renewals;
- DOF accurately recorded and collected fees related to disabled parking signs; and
- significant delays occurred during the application for and installation of loading zone and disabled parking signs.

Loading Zone Signs

We concluded that CDOT did not collect $3.9 million, or 59.9%, of the $6.4 million of annual loading zone fees invoiced in 2013, including amounts due from previous years. We also determined, however, that CDOT inaccurately calculated the installation fees for each of 95 loading zones we reviewed. CDOT charged per sign instead of per zone, causing business owners in the sample to overpay by a total of $10,550. Based on discussion with CDOT and this sample we find it reasonable to assume that all business owners with loading zone sign installations were inaccurately charged.

OIG also found that the City does not have a standardized process to maintain loading zone applications and that 88.4% of installations recorded within CDOT's system lack complete data. Therefore, OIG was unable to review the entire population of installations to determine the average length of time from initial application to completion of the installation request. However, for the 95 loading zone installations reviewed, OIG determined that installation took an average of 337 days.

Finally, OIG identified a lack of segregation between the billing and collecting functions for loading zone application fees. At the time of the audit, CDOT had assigned a single administrative employee the responsibility of billing, receiving payment, transmitting payments and deposit tickets to DOF, and updating payment status in the program database.

Prior to the arrival of the current CDOT management team, the department had internally identified similar weaknesses in its collection processes and data reliability in a 2013 proposal entitled *Loading Zone Restructuring*. The proposal was presented to the Mayor's staff in July of 2013 but has not been implemented. More information on this proposal is available in the background section of this report.

Residential Disabled Parking Signs

OIG determined that DOF collected all installation fees for disabled parking signs, but failed to collect 10% of annual renewal fees resulting in $3,250 of uncollected fees for the period we audited.

DOF did maintain complete data for residential disabled parking signs, and OIG therefore was able to determine that the City installed those signs in an average of 207 days from application to installation.

Recommendations

OIG recommends that CDOT seriously consider restructuring the loading zone process by actively pursuing changes such as those described in its 2013 *Loading Zone Restructuring* proposal, or that it engage with DOF and City Council to correct problems in the current billing and installation processes. CDOT should also determine all overpayments by business owners and develop the necessary corrective action to issue reimbursements. We recommend that DOF work with City Council to improve the residential disabled parking sign installation process. CDOT and DOF agreed with the OIG's recommendations and responded with corrective actions the departments have taken or will take. The specific recommendations related to each finding, and CDOT's and DOF's responses, are described in the "Audit Findings and Recommendations" section of this report.

II. BACKGROUND

CDOT's Division of Sign Management "manufactures and installs street signs, traffic signs, and various other signs used by the City; [and h]andles the repair and replacement of existing signs based on citywide service requests."[1] It produces and installs many types of signs including loading zone, stop, and one way signs. CDOT calculated that in 2013 it had completed 37,173 sign installations, removals, and changes. CDOT's 2013 budget provided for 41 full-time equivalent positions and funding of $23.0 million for traffic sign management.[2] As of February 24, 2014, the sign shop had 33 employees (filled positions) including administrative and management staff according to CDOT.

This audit was limited to two specific sign types – loading zone and residential disabled parking.

A. Loading Zone Sign Installation Process

The Municipal Code of Chicago (MCC) § 9-64-160 authorizes the commissioner of transportation to determine the location of a loading zone, "subject to the approval of the city council." The MCC does not specify who should receive loading zone requests or what evaluation criteria should be used. Currently, requests are submitted to the Alderman of the ward where the loading zone would be located.

CDOT described the major steps of the loading zone sign application and installation process as follows:[3]

1. Applicant submits a request to the Alderman.[4]
2. If the Alderman approves the request, the Alderman introduces a loading zone ordinance at the City Council, where it is referred to the Pedestrian and Traffic Safety Committee (the Committee).
3. The Committee directs CDOT to conduct a site survey of the proposed loading zone location.
4. CDOT conducts a site survey.
5. CDOT sends its site survey analysis to the Committee with a recommendation to approve or deny the proposed ordinance.

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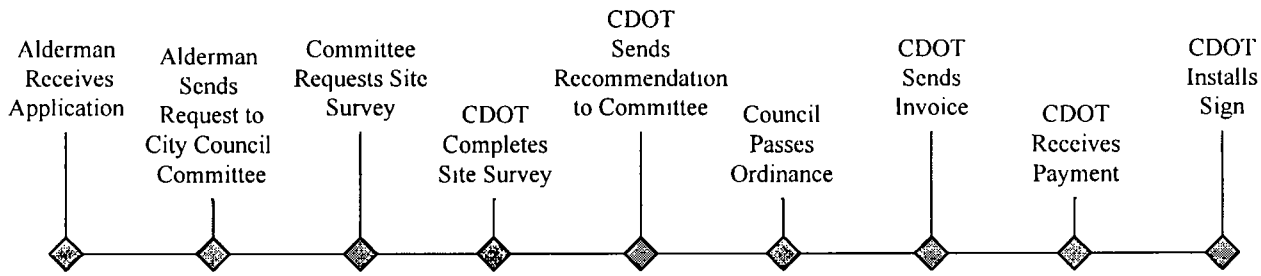
[1] City of Chicago, Office of Budget and Management, "2015 Budget Overview," 110, accessed May 1, 2015, http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2015Budget/OV_book_2015_ver_11-24.pdf.
[2] City of Chicago, Office of Budget and Management, "2013 Budget Overview," 120, accessed May 1, 2015, http://www.cityofchicago.org/content/dam/city/depts/obm/supp_info/2013%20Budget/2013Overview.pdf. In 2013 and 2014, the sign function was performed by the Traffic Sign Management subdivision of CDOT's Division of Infrastructure Management. Effective in the 2015 budget year, CDOT reorganized Sign Management into a stand-alone division.
[3] See also City of Chicago, Small Business Center, "Loading Zones," accessed May 1, 2015, http://www.cityofchicago.org/city/en/depts/bacp/sbc/loading_zones.html.
[4] The loading zone applications were not designed by CDOT and there is no standard application format. Instead, each aldermanic office has its own application.

6. If the Committee approves the proposed ordinance, it refers it to the full City Council for vote.
7. If the City Council passes the ordinance, CDOT invoices the applicant.
8. Applicant pays the required permit fee.
9. Upon receipt of payment, CDOT manufactures and installs the signs.

The following is a simplified depiction of the above timeline which will be used again in the Findings section of the report.



Source: OIG depiction of process as described by CDOT

Loading zone fees are based on the size of the loading zone and whether it is located inside or outside the central business district (CBD). The current version of MCC § 9-68-030, which took effect January 1, 2012, states,

> No sign shall be erected by the commissioner of transportation [...] for the specific purpose of designating a loading zone [...] until the owner, agent or lessee has paid to the comptroller the following:
>
> 1. For a loading zone [...] space located in the central business district [...]; (i) an annual fee of $500.00 for up to 20 linear feet of curb space used, which fee shall include the erection of the signage; and (ii) an annual fee of $50.00 per linear foot of each foot of curb space used in excess of 20 feet.
> 2. For a loading zone [...] space located outside of the central business district: (i) an annual fee of $110.00 for up to 20 linear feet of curb space used, which fee shall include the erection of the signage; and (ii) an annual fee of $50.00 per linear foot of each foot of curb space used in excess of 20 feet.

The previous version of the ordinance set a higher base size of 25 linear feet and did not differentiate loading zones in the CBD.

B. Residential Disabled Parking Sign Installation Process

MCC § 9-64-050 authorizes the commissioner of transportation to erect signs that restrict parking to vehicles displaying a disability parking decal on residential streets, "subject to the approval of the city council." The MCC states that the initial application must be made either to the Alderman of the ward in which the signs would be erected or to DOF. It also specifies the criteria by which DOF will evaluate the feasibility of the location:

> The determination shall be based upon the number of restricted parking spaces currently installed on the residential street; the proximity of the requested restricted parking space to crosswalks, curb cuts, alleys, intersections and fire hydrants; and any other information concerning the applicant's needs and local traffic restrictions. The determination may also be based upon the extent of the alternative accessible off-street parking at the applicant's primary residence.

DOF and CDOT described the major steps of the disabled parking sign application and installation process as follows:[5]

1. Applicant submits a completed standard application and installation fee either to the Alderman or directly to DOF.[6] When DOF receives an application; it forwards a copy to the relevant Alderman and vice-versa, such that DOF and Aldermen should be aware of all applications upfront.

   If the Alderman approves the sign request, the Alderman introduces a residential disabled sign ordinance to the City Council, where it is referred to the Committee.[7]
2. DOF receives the ordinance, application, and payment.[8]
3. DOF conducts the site survey.
4. DOF sends its site survey analysis to the Committee with a recommendation to approve or deny the proposed ordinance.[9]
5. If the Committee approves, it submits the ordinance to the full City Council for vote.
6. If the City Council passes the ordinance, DOF sends a hard copy of the site survey to CDOT and requests sign installation.
7. CDOT manufactures and installs the signs.

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[5] See also City of Chicago, Department of Finance, "Residential Disabled Parking Sign Information," accessed May 1, 2015, http://www.cityofchicago.org/city/en/depts/fin/supp_info/revenue/parking_forms/residential_disabledparkingsigns.html.

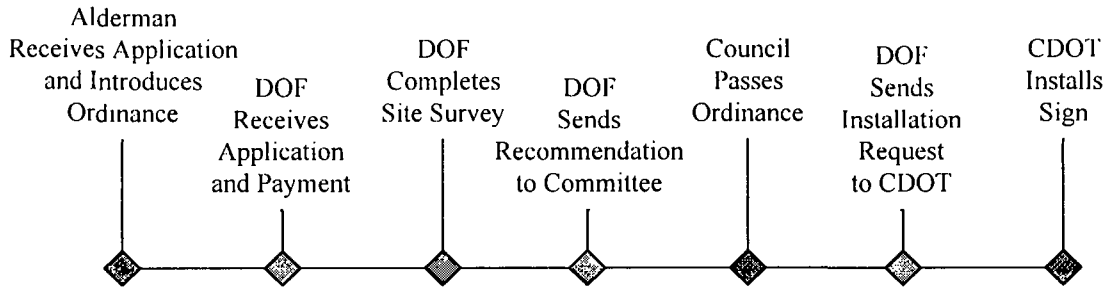
[6] All applicants complete a standard disabled parking sign application designed by DOF.

[7] MCC § 9-64-050 requires an ordinance for each disabled parking location.

[8] DOF stated to OIG that once it has received a completed application and payment, it does not always wait to receive the ordinance before it begins the site survey However, the ordinance must be introduced before DOF makes a recommendation to the Committee

[9] If DOF does not recommend installation, MCC § 9-64-050 allows the applicant to appeal to the Mayor's Office for People with Disabilities for review of the decision

The following is a simplified depiction of the above timeline.



Source: OIG depiction of process as described by DOF and CDOT

The fee for installation of residential disabled parking signs is set in MCC § 9-64-050 at $35 for a 25-foot space and $3.50 for each additional linear foot. The annual renewal fee is $12.50 "for continued maintenance" which is charged per sign ($25 for two signs).

C. CDOT's Loading Zone Restructuring Proposal

At the start of OIG's audit, CDOT management[10] characterized the current application and installation process for loading zone signs as inefficient and resulting in an excess of loading zones. CDOT also stated that it was implementing a two-phase project to improve the loading zone process.

CDOT described certain weaknesses of the current process and the results of those weaknesses in that discussion with OIG and in a 2013 *Loading Zone Restructuring* proposal.[11] CDOT specifically noted:

- aldermanic offices used differing sign request forms, some of which did not include the information necessary for CDOT to begin a site survey;
- the City did not receive payment for two-thirds of all loading zones in the previous three years;
- business owners felt a false sense of ownership of the public space and some treated loading zones as personal parking spaces;
- the loading zone fee structure incentivized applicants to request zones that were too small, resulting in traffic congestion when 40 to 60-foot long delivery trucks parked in the street because they could not use a 25-foot space;[12]
- most municipalities rely on a centralized group of transportation professionals to determine loading zone locations, which is more effective than basing locations upon the requests of applicants;

[10] Unless otherwise indicated, the statements and information summarized in this section are those of the CDOT management team that preceded current department leadership that came on board beginning in January 2014
[11] CDOT management stated that it shared the proposal with senior staff of the Mayor's office on July 11th, 2013
[12] Prior to January 1, 2012, the annual fee set in MCC § 9-68-030 was $110 for a 25-foot loading zone, plus $14 for each foot in excess of 25 feet

- poor recordkeeping including,
    - CDOT failed to invoice an estimated 22% of business owners for existing loading zones;
    - CDOT had no documentation or awareness of an estimated 533 loading zones;
- the City collected only $1.9 million in loading zone fees although the estimated 3,800 loading zones city-wide are worth $6.7 to $8.0 million annually as metered parking;
- the City inappropriately required loading zones for valet parking operations; and
- a legislated fee increase for loading zones created a backlog of remove-and-replace requests as business owners requested smaller spaces to avoid the higher cost.[13]

CDOT management also noted issues regarding the enforcement of loading zone restrictions, stating that since 2010 the issuance of loading zone tickets has decreased by 64%.

CDOT management stated that it had reviewed loading zone installation processes in three cities (Washington D.C., New York, and San Francisco) to inform their restructuring proposal. In addition, CDOT stated that it surveyed small businesses and some aldermen and noted that five Chicago wards—2, 27, 32, 42, and 43—accounted for 49% of the city's loading zones.[14]

CDOT's 2013 *Loading Zone Restructuring* proposal included,

- shifting the cost burden of loading zones from business owners to delivery companies by creating "a user fee proportional to curbspace value" and charging for time parked by using in-truck meters or pay-by-phone technology;
- consolidating loading zones on blocks with at least two zones;
- separating valet and loading zones;
- installing signage which clearly explains the loading zone time restrictions and the fact that, outside those specified times, the space acts as regular metered parking;[15] and
- piloting the new program with three different strategies identified.

Since the initiation of this audit, CDOT leadership has changed. Current management stated their position on the 2013 proposal in the Department's response to the audit recommendations (see Findings and Recommendations section of this report).

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[13] Effective January 1, 2012, the base loading zone size was reduced from 25 to 20 feet (MCC § 9-68-030). The fee for loading zones outside the central business district remained $110, but the price per foot in excess of the base size (reduced from 25 to 20 feet) was increased from $14 to $50. In addition, a higher fee was established for loading zones inside the central business district: $500 for a 20-foot loading zone, plus $50 for each foot in excess of 20 feet.
[14] CDOT calculated this percentage using the ward boundaries in effect from 2002-2012.
[15] CDOT had prototypes of the signs made and showed them to OIG during the initial audit meeting.

III. OBJECTIVES, SCOPE, AND METHODOLOGY

A. Objectives

The objectives of the audit were to determine if,

- CDOT accurately recorded, calculated, and collected fees related to loading zone sign installations and renewals;
- DOF accurately recorded and collected fees related to disabled parking signs; and
- significant delays occurred during the application for and installation of loading zone and disabled parking signs.

B. Scope

OIG examined processes related to two specific types of CDOT sign installations – loading zones and residential disabled parking.[16]

The audit included sign installation requests submitted between January 1, 2011 and October 31, 2013.

The audit considered invoicing and collection efforts related to loading zone signs as of February 25, 2014. OIG reviewed the collection of disabled parking sign installation fees for installations completed in 2013. OIG reviewed the invoicing and collection processes for disabled parking sign annual fees for installations completed in 2011.

C. Methodology

For all objectives, OIG met with CDOT management and staff to gain an understanding of the application, installation, and fee collection processes related to loading zones and disabled parking.

To determine if delays occurred in the sign installation processes, OIG attempted to gather information from CDOT data systems. OIG used the limited data available to calculate the length of time related to each of the process activities.

To determine the length of time from request to installation of a loading zone, we examined data and documentation for 95 loading zone requests.[17] To determine the accuracy of loading zone installation billing, we examined the same documentation and compared billing and payment information to the amounts required by MCC. To assess whether CDOT collected annual fees associated with loading zone signs, OIG reviewed management reports summarizing the annual billing and collection amounts. To assess whether DOF collected application and annual renewal

[16] Other types of signs that CDOT installs include street names, pedestrian crossing, speed limit, "Do Not Enter," "One Way," and "Stop "

[17] The 95 installations reviewed were the only installations a) initiated between January 1, 2011 and October 31, 2013, b) with a "completed" status, and c) with complete data in CDOT's system

fees related to disabled parking signs, OIG reviewed installation and collection data within CDOT data systems and management reports.

To assess the reliability of the loading zone and disabled parking sign datasets, OIG compared random samples of records in each of the datasets to the source data systems used by CDOT and DOF. The amount of missing data limited our ability to determine the source of delays within the loading zone process. We found the disabled parking sign data sufficiently reliable for purposes of this report.

To determine whether CDOT's staffing provided for appropriate segregation of duties relating to billing and collection, OIG interviewed CDOT management and staff to gain an understanding of staff's responsibilities and duties.

D. Standards

We conducted this audit in accordance with generally accepted Government Auditing Standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

E. Authority and Role

The authority to perform this audit is established in MCC § 2-56-030 which states that the Office of Inspector General has the power and duty to review the programs of City government in order to identify any inefficiencies, waste, and potential for misconduct, and to promote economy, efficiency, effectiveness, and integrity in the administration of City programs and operations.

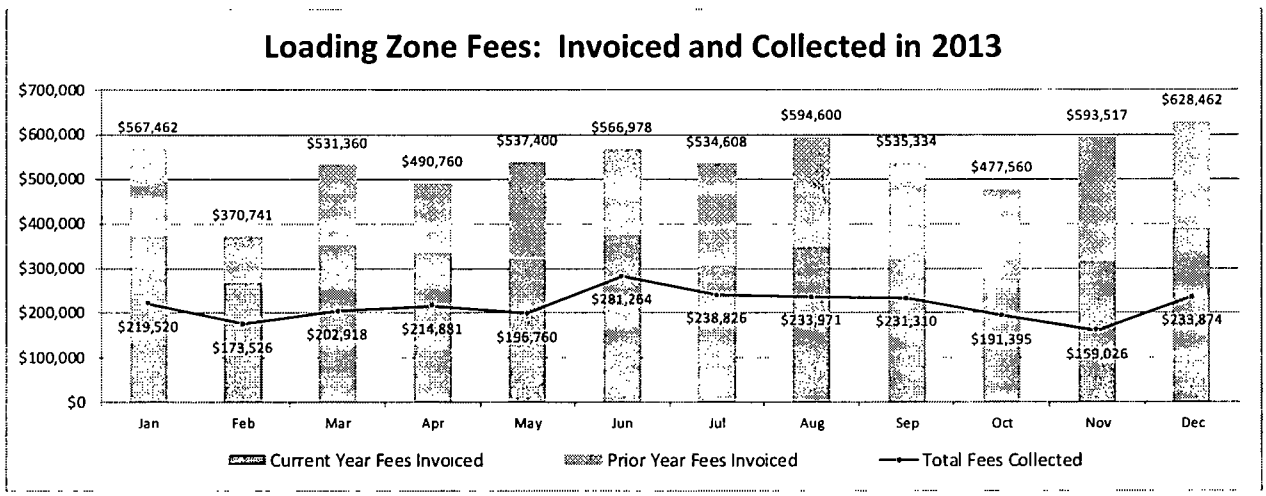
The role of OIG is to review City operations and make recommendations for improvement.

City management is responsible for establishing and maintaining processes to ensure that City programs operate economically, efficiently, effectively, and with integrity.

IV. FINDINGS AND RECOMMENDATIONS

Finding 1: CDOT did not collect $3.9 million, or 59.9%, of annual loading zone fees invoiced in 2013, including amounts due from previous years.

CDOT did not collect $3.9 million, or 59.9%, of the $6.4 million of annual loading zone fees invoiced by the Department in 2013. The $6.4 million included $2.5 million of uncollected fees from prior years.[18] The following chart summarizes the amount of loading zone fees invoiced each month of 2013 as well as the amount collected as of February 25, 2014.[19]



Source: OIG analysis of CDOT summary reports

CDOT re-invoices unpaid fees as part of the annual invoicing process, but does not engage in other collection efforts (e.g., contacting business owners, engaging a collection agency). In addition, it does not always remove the loading zone signs for nonpayment as required by law.[20] CDOT explained that the following issues compound the difficulty of collecting invoiced fees:

- CDOT does not have an accurate and complete inventory of loading zone sign locations, an issue noted in a 2012 press release[21] and in the 2013 *Loading Zone Restructuring* proposal described in the Background section of this report. In that proposal CDOT estimated that 533 loading zone signs were "completely undocumented."

[18] CDOT could not produce an aggregate report showing the past due amounts for each prior year However, individual bills generated by CDOT's billing system do break out how much is owed for each prior year.

[19] Appendix A provides detailed loading zone fee invoice data and includes a breakdown of the amount per month uncollected from previous years. Neither this finding nor the appendix include any payments that may have been received but not yet identified as payments for loading zone fees

[20] MCC § 9-68-030 states, "If the owner, agent, or lessee fails.. to remit the appropriate fees for the next annual period prior to the termination of the current annual period, the commissioner of transportation *shall* remove such sign. . " (Emphasis added.)

[21] City of Chicago, Office of the Mayor, Press Release, June 17, 2012, accessed May 1, 2015, http://www.cityofchicago.org/dam/city/depts/mayor/Press%20Room/Press%20Releases/2012/June/6.17.12FirstRoundofILFProjects.pdf

- CDOT stated it does not have the resources to verify or update billing information. Thus it is unable to track businesses that have moved or discontinued operations.
- The ordinance-prescribed removal of a sign for non-payment is not cost-effective, the cost of removing signs often exceeds the amount due and as a result of the removal business owners will often pay the invoice and, thus, demand the re-installation of the sign. According to CDOT, it has limited resources to complete installations and, in addition to the added cost, the removal of signs adds to its workload.

CDOT informed OIG that the invoicing and collection practices developed for loading zone fees mirror those used for commercial driveway fees, which were out of the scope of this audit. CDOT reported that $3.4 million of commercial driveway fees invoiced during 2013 remained uncollected as of February 25, 2014.

The Department stated that it initiated corrective action regarding this finding during the course of the audit, as described in the management response below.

Recommendations:

1.1. We recommend that CDOT management consider restructuring the loading zone process by pursuing changes such as those described in the Department's 2013 *Loading Zone Restructuring* proposal. If CDOT implemented the proposal, it would eliminate the need for loading zone installation and annual fees. Instead, the City would collect fees from the drivers at the time of use. According to CDOT's proposal, the payment could be collected through the issuance of annual or daily passes or in a manner similar to parking meters.

If CDOT does not overhaul the process as it had proposed, we recommend that CDOT at a minimum conduct a review of all loading zone locations to create an accurate and complete inventory of locations and to identify the business owners responsible for the past and ongoing annual fees.

a. Furthermore, we recommend CDOT identify and implement process controls to ensure the accurate and complete inventory and identification of responsible business owners in the future. Proper invoicing and, ultimately, collection relies on this fundamental information.

1.2. We also recommend that CDOT work with DOF to create and implement procedures to collect unpaid fees. This would include an analysis of past due fees associated with each location/business owner and the collectability of those fees. If deemed collectable, CDOT should pursue payment. If deemed uncollectable, CDOT should update its records to reflect that determination.

1.3. In addition, we recommend that CDOT work with DOF to identify and fully implement procedures to comply with the City's Cash Management policy. The controls identified within that policy are designed, in part, to ensure "that all payments are received, properly safeguarded and deposited." Specifically, we recommend the following:

a. CDOT and DOF should define procedures to achieve compliance with the policy's directive that "payments should be made directly to DOF managed resources through established payment processing systems."

b. CDOT should transition its stand-alone billing system to the City's FMPS Accounts Receivable system or another billing system sanctioned by DOF.

1.4. Finally, because CDOT had stated that the loading zone billing and collection processes mirrored other billing and collection processes within CDOT (e.g., commercial driveways), OIG recommends that CDOT implement controls addressing the above recommendations for all comparable processes. CDOT should also consult with DOF to determine if these billing and collection processes can be combined with others, such as annual business licensing, to streamline billing for users and for the City.

Management Response:

1.1. "CDOT appreciates the OIG's work in assessing the loading zone program and will continue its efforts to reform this program in line with the OIG's recommendations.

Over the last year, the current CDOT management team has undertaken various efforts to improve the loading zone process, including added staffing, elimination of the data entry backlog, and improved cash management and billing procedures. Going forward, CDOT will continue to work to identify and evaluate additional short-term and long-term improvements to the program. The 2013 Loading Zone Restructuring *proposal prepared by the previous CDOT administration lays out certain broader objectives and potential options for more wholesale changes to the program, which the department continues to evaluate. Our main efforts to-date have been focused on making more immediate improvements that ensure the current program is administered as effectively as possible.*

This year, CDOT will undertake a more accurate inventory of loading zone billings and the parties responsible for payments that will serve as a basis for current account verification and future process improvements. This review includes the following: (a) CDOT will verify the status of payments for past due loading zone invoices and confirm that all payments have been credited to the appropriate receivable; (b) DOF will place holds on the business licenses of current businesses that have past due loading zone invoices; (c) CDOT will send letters to loading zone users that have unpaid invoices informing them that non-payment will lead to removal of loading zone signs; (d) CDOT will work with impacted loading zone users to resolve any issues specific to their accounts that might arise; and (e) if the aforementioned steps have all been taken and the business still has unpaid past due invoices, CDOT will remove loading zone signs. This review will not only increase the accuracy of CDOT's loading zone inventory, but will also facilitate the collection of past due loading zone fees.

The billing audit described above will serve as a good foundation for any future physical inventory efforts, and CDOT is working to identify additional personnel to begin further updating loading zone inventory records.

1.2. As described in Section 1.1 above, CDOT is working with DOF to implement procedures to improve collection of unpaid fees. CDOT will provide an accurate accounting of known locations, businesses and amounts due, and will provide other assistance required to true up accounts. DOF will use this information to enforce collections, utilizing available options including collection notices, license and permit holds, and potential referrals to collection firms. DOF has started to place holds on the business licenses of businesses with past due loading zone invoices. CDOT will serve as the point of contact for impacted businesses to ensure that this process is accomplished in a consistent and equitable manner. CDOT will update its billing inventory with information on accounts that are determined to be uncollectable and will continue to work closely with DOF on collection of unpaid fees as it further improves the accuracy of its inventory.

1.3. CDOT has already implemented procedures to comply with the City's Cash Management policy.

Over the past year CDOT and DOF have worked diligently to ensure that all revenues generated by CDOT, including the loading zone program, are in compliance with the City's Cash Management policy. This includes implementation of both recommendations 1.3(a) and (b). CDOT's loading zone invoices are now generated from the City's FMPS-Accounts Receivable system and each invoice specifically identifies DOF's remittance address. For loading zones and commercial driveway annual fees, the remittance is directed to a DOF sanctioned bank lockbox or DOF payment centers. CDOT's Accounting Section enters the billing information into FMPS and maintains a billing ledger. Cash receipts to DOF are posted to FMPS via the City's centralized cashiering system and this information is shared with CDOT project managers.

With assistance from [the Department of Innovation and Technology (DoIT)] and in close coordination with DOF, CDOT intends to retire the current NSR/Suntrack system and to incorporate impacted loading zone and other CDOT functionality and processes into a future deployment of Hansen 8, a more robust permitting system that is fully supported by DoIT. This new system should help streamline access to City services, will be more user friendly, and will improve accountability. The incorporation of the loading zone process into Hansen 8 is currently scheduled for 2016.

1.4. CDOT has already implemented controls and procedures to comply with the City's Cash Management policy, as outlined in Section 1.3 above, for all comparable processes.

CDOT will work with DOF to continue to identify opportunities to further streamline the billing and collection processes. While these processes cannot be combined with other processes using current technology. CDOT will work with DOF and DoIT to combine compatible processes as future systems are developed."

Finding 2: CDOT inaccurately billed for loading zone installations.

OIG reviewed the files for 95 installations. CDOT inaccurately charged all 95 (or 100% of the sample), resulting in a net overpayment of $10,550 by business owners.[22]

As described in the Background section of this report, loading zone fees are based on the size of the loading zone and whether it is located inside or outside the CBD. Amendments to MCC § 9-68-030 that took effect in January 2012 reduced the base loading size from 25 to 20 feet and to create a higher rate for loading zones in the CBD ($500 in the CBD, $110 outside the CBD).

OIG found that CDOT did not bill applicants the amounts prescribed by the MCC. Specifically, the inaccurate charges consisted of the following:

- CDOT charged the business owners a fee *per sign* in all 95 of the installations reviewed by OIG even though, per the MCC the annual fee "shall include the erection of the signage."[23] Ninety-three of these applicants were charged double the amount required by MCC because the loading zones required two signs to designate the curb space, and two were charged triple because their loading zones required three signs. This resulted in overpayment of $11,090.
- CDOT charged 54 business owners (56.8% of the installations reviewed) a fee of $100 instead of the required $110. The $100 amount was reflected on the Fee Memorandum documents used to calculate the fee. This resulted in underpayment of $540.
- CDOT charged two business owners the incorrect location rate.[24] One, located outside the CBD, was charged the $500 CBD rate and the other, located inside the CBD, was charged the $110 non-CBD rate. While these individual business owners were inaccurately charged, the net effect to the City's revenue was $0.
    - OIG also requested annual renewal fee records for six loading zones located within the CBD and determined that CDOT billed three at the incorrect rate of $110 instead of the CBD rate of $500. This represents $1,170 in lost revenue each year that the designation remains uncorrected for these three locations.

Because of the data limitations described in Finding 3, these results cannot be projected to the total population of loading zone sign installations. However, based on CDOT's description of the process and the fact that 100% of the installations reviewed were charged a "per sign" fee, it is reasonable to assume that all business owners with loading zone sign installations were inaccurately charged. CDOT management stated that they were unaware that business owners were charged annual fees per sign rather than one annual fee. CDOT also stated that it could not determine why the Fee Memorandums inaccurately reflected a $100 fee instead of the

[22] The 95 installations reviewed were the only installations a) initiated between January 1, 2011 and October 31, 2013, b) with a "completed" status, and c) with complete data in CDOT's system

[23] Prior to January 1, 2012, MCC § 9-68-030 stated in terms similar to the amended MCC, "No sign shall be erected [...] until the owner [..] has paid into the city treasury a fee of $110.00 for the *erection, and maintenance for one year, of such signage* " (Emphasis added)

[24] These two business owners represented 4.8% of the 42 installations we reviewed for which the application was made after the MCC change on January 1, 2012

appropriate $110 fee. Finally, CDOT stated that CBD designations were inaccurate due to clerical errors.

The Department stated that it initiated corrective action regarding this finding during the course of the audit, as described in the management response below.

Recommendations:

2.1. CDOT should immediately design and implement procedures to ensure installation fees reflect the current requirements of the MCC. Such procedures should ensure business owners are charged a single annual fee equal to $110 if the loading zone is outside the CBD or $500 if inside the CBD.

2.2. CDOT should also determine all overpayments by business owners and develop the necessary corrective action to issue reimbursements.

2.3. Finally, CDOT should review all loading zone locations in the billing system and correct any that are inaccurately designated as outside the CBD although they are inside the CBD, or vice-versa.

Management Response:

2.1. "Effective February 2015, CDOT implemented procedures to ensure that billing for installation of a new loading zone is on a per zone basis (instead of on a per sign basis). CDOT was already billing annual loading zone maintenance fees on a per zone basis (not on a per sign basis). In summary, CDOT now uniformly bills for both new installations and annual maintenance fees on a per sign basis, ensuring the public receives consistent information.

Also effective February 2015, CDOT implemented procedures to ensure that billing is consistent with the MCC by taking into account CBD and non-CBD loading zone locations for new loading zone installation fees. The annual loading zone maintenance fees already account for the CBD and non-CBD distinction in the MCC. As noted in the response to Section 2.3. CDOT will verify that the billing system is correctly distinguishing between CBD and non-CBD locations.

2.2. CDOT will examine billing records to identify instances of overpayment going back to January 2012 (when the MCC was updated) that may have resulted when customers were billed for loading zone installations on a per sign basis instead of on a per zone basis. For any overpayments that are identified, CDOT will provide customers with a credit against future bills. Impacted customers will be notified in writing.

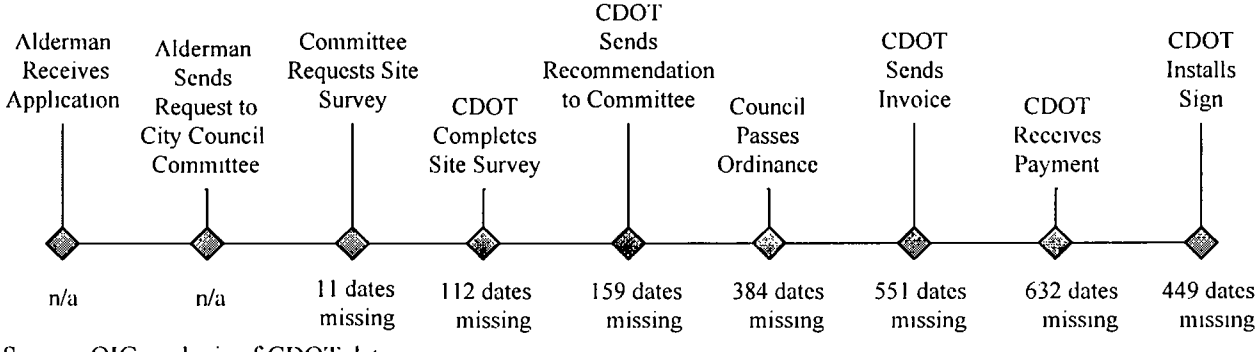
2.3. As outlined in Section 2.1 above, CDOT has implemented procedures to ensure that loading zone invoicing complies with CBD definitions in the MCC. CDOT will continue to utilize the definition of the CBD as outlined in Section 9-4-010 of the MCC. CDOT will also review the current loading zone locations in the billing system to ensure that loading zone locations are correctly billed based on their CBD or non-CBD location."

Finding 3: The loading zone sign program lacked complete and accurate tracking and performance data because the City Council did not centrally track application dates and CDOT did not maintain complete data for 88.4% of requests. Where complete data was available, OIG estimated that the City installed loading zone signs in an average of 337 days from the time of application.

OIG intended to measure the length of time taken to install each of the loading zones CDOT recorded as installed between January 1, 2011 and October 31, 2013. However, we could not calculate this measurement because the City Council did not centrally track loading zone application dates and CDOT did not maintain complete data for 812, or 88.4%, of the 919 loading zone requests over the 2.8-year period reviewed.[25]

CDOT uses the City's Customer Service Request (CSR) system to track the steps in the process for each sign request beginning with the City Council Pedestrian and Traffic Safety Committee's request for a site survey.[26] CDOT should have recorded a total of 6,433 dates marking steps in the installation process for the 919 requests, but 2,298, or 35.7% of the dates, were not recorded. CDOT attributed the missing dates to a consistent backlog of data entry and a reduction in administrative staff within the sign shop. Without complete data, CDOT cannot effectively use CSR as a management tool to monitor workload and progress.

The following graphic reflects the nine major tasks related to loading zone sign installations (as described in the Background section of this report), and the number of missing dates for the seven tasks that should be tracked by CDOT.

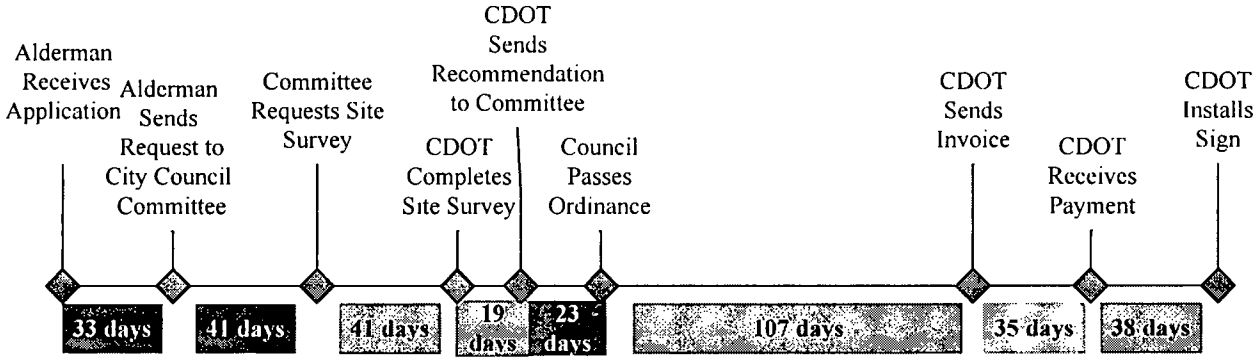


Source: OIG analysis of CDOT data

The lack of centralized data for the first two steps, which are performed by aldermen, and the incomplete data for CDOT's activities prevented OIG from calculating the average number of days taken to install all loading zone signs in 2013. We did, however, examine the hard copy files for the 95 sign installations with complete CDOT data and found 27 included application dates (the first step in the process illustrated above) and 93 included the date the Alderman

[25] Loading zone requests can include sign installations (new, relocations, edits to sign content) or the removal of signs CDOT's data does not differentiate between the various types of requests.
[26] CDOT uses CSR internally to track steps in the loading zone sign process, but this data is not publicly available An applicant cannot track the progress of a sign request online

forwarded the application to the City Council Committee (the second step).[27] Based upon that limited data and documentation, we calculated an average length of time between tasks as shown in the graph below. We then summed the individual averages to determine the entire process took an average of 337 days from the time the application was submitted until the loading zone signs were installed.



Source: OIG Analysis of available loading zone sign applications and complete CSR data.

According to this analysis, an average of 97 days elapsed during processes for which the alderman or the City Council Committee was responsible (timeframes in red in the above graph), 205 days elapsed during stages with CDOT responsibility (blue in the above graph), and 35 days elapsed while waiting for payment from the applicant (green in the above graph).

CDOT stated that it has no time service standards for the individual steps in the process. However, it has a target of 365 days from the date of the loading zone site survey request to the sign installation. CDOT stated that the 365-day target is reasonable because the installation and repair of public safety signs (such as stop signs and one way signs) takes precedence.

CDOT stated that staffing shortages have caused delays. CDOT management explained that site inspectors have other duties in addition to site surveys and installations of loading zone signs. They also stated that there were originally 50 inspectors assigned to conduct site surveys but that number was eventually reduced to 17. Management also described the following conditions which could impact the timeliness of the installation process:

- An ordinance is required for each new loading zone and each modification to the size of the zone.
- CDOT must individually produce each sign because of the uniqueness of restrictions involving the time and days.
- Each alderman has different application forms which do not consistently capture the information required by CDOT to complete the site survey. In addition, some forms are

[27] CDOT had complete electronic data for 107 loading zone requests, of which 95 were for installations, 6 were for edits to the sign content, 3 were for the relocation of signs, 1 was for the removal of the signs, and 2 contained multiple requests.

not designed to gather all the information necessary for accurate invoicing, which delays the process as the fee must be paid prior to installation.

- Recent legislated changes to fee amounts prompted increased requests for sign removal or modification.[28]
- CDOT stated that it received several hundred requests at the beginning of May 2013 because the City Council Committee had changed the process of sending requests to CDOT and this resulted in requests being delayed for four months and, ultimately, delivered all at one time.
- Public safety projects such as the Safe Passage program[29] were prioritized above all other sign production and installation (with the exception of stop signs and one way signs). CDOT had to produce and install over 600 Safe Passage signs within a three week period.

Recommendation:

3.1. We recommend that CDOT management consider restructuring the loading zone process by pursuing changes such as those described in the Department's 2013 *Loading Zone Restructuring* proposal. If the proposal were implemented, loading zone placement would not be initiated by business owners and would not require the City Council to pass an ordinance for each loading zone request. Rather, CDOT would recommend the quantity, size, and location of loading zones based upon the expertise of transportation professionals.

If CDOT does not implement an overhaul of the process as proposed, we recommend that CDOT,

a. engage with City Council to set specific time period performance measures for each task within the process and to track progress;

b. develop and implement controls to ensure the completion of each task within the newly defined time periods; and

c. design an application form, available electronically if possible, that captures all necessary data and require that all requests be completed on that standardized form.

3.2. We also recommend that CDOT develop and implement procedures to ensure CSR data is entered accurately, completely, and in a timely manner.

3.3. Finally, CDOT should evaluate its staffing needs in the sign management program and work with the Office of Budget and Management to address any confirmed staffing shortages.

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[28] According to CDOT, the January 1, 2012 change to the MCC described in Finding 2 resulted in numerous requests to replace the 25-foot zones with the less expensive 20-foot zones.

[29] The Safe Passage program designates walking routes for Chicago Public Schools students. Chicago Public Schools, "Safe Passage Program Information," accessed May 1, 2015, http://cps.edu/Programs/wellness/SafetyandSecurity/SafePassage/Pages/Safepassage.aspx

Management Response:

3.1. *"CDOT agrees that efforts should be made to reduce the timeframe for new loading zone installation.*

As discussed in Section 1.1, CDOT continues to evaluate potential long-term changes to the program. In the interim, CDOT will work with the City Council on overall loading zone process education and identification of efficiency improvements at the aldermanic and legislative levels. CDOT cannot, however, require adherence to performance management benchmarks (e.g. timeframe deadlines) for loading zone procedures that are governed by the legislative process and protocols.

CDOT will work with DoIT to create a new category and related performance metrics in the City's Customer Service Request (CSR) system specific to new CDOT loading zone signage installations. By creating a new CSR category specific to new loading zone installations, CDOT will be better positioned to monitor performance, respond to client expectations, and make necessary operational adjustments. CDOT will, however, continue to prioritize services for signage based on public safety impacts. Requests for emergency signage (stop signs, one-way signs, do not enter signs) are currently met in less than two days and are prioritized over all other signage (including loading zone signage).

CDOT will also work with the City Council to update and standardize the loading zone application form used by the aldermanic offices to initiate requests for new loading zone installations. This will ensure that applications are consistent and that they include all information required by CDOT to administer the loading zone process. This standardization will facilitate the development of any future on-line loading zone application process.

CDOT will work with City Council to evaluate opportunities to pursue reasonable modifications of the MCC that would help streamline the loading zone installation process, clarify responsibilities, and expedite removals for non-payment.

3.2. *CDOT has already implemented procedures for more accurate CSR data entry. In 2013, CDOT identified a critical shortage of CSR data entry clerks for the division of Sign Management. Working with OBM and DHR, CDOT was able to hire three new data entry clerks in 2014 to address significant backlogs in data entry input. As a result, data backlogs have been resolved and the reliability of Sign Management data has further improved. CDOT's Sign Management and Performance Management Sections now receive daily and weekly system-generated reports showing CSR statistics for Sign Management and have quarterly coordination meetings to discuss CSR data, identify issues and trends, and develop corrective actions.*

3.3. *CDOT believes that accurate data is a critical component in monitoring operational effectiveness and providing consistent levels of service that are responsive to the public. In order to achieve this, additional lines were added to CDOT's 2014 budget that*

allowed Sign Management to hire three additional data entry clerks (noted above in response to Section. 3.2) and one clerk. CDOT also hired four additional sign hangers in 2014. CDOT will continue to work with OBM and DHR to ensure that staffing is consistent with operational needs and client expectations."

Finding 4: CDOT lacked segregation of duties between invoicing and collection of loading zone fees.

At the time of the audit, one CDOT employee had responsibility for creating and sending out the initial loading zone sign invoice, receiving the payment, transmitting the payment and deposit ticket to DOF, and updating the CSR database with the payment. A lack of segregation of duties in handling, billing, and collection functions increases the risk of processing errors, misappropriation, and fraud occurrences. The City's Cash Management Policy states,

> No single individual should perform, or have the ability to perform, more than one related element of a transaction. A separate person or unit should be charged with each of the following:
>
> - Invoicing (may include issuing license, permit or other City service),
> - Receipt and recording of payment,
> - Reconciliation.

OIG notified CDOT of the lack of segregation of duties during the audit and CDOT revised the process by assigning payment receiving responsibility to another group. CDOT stated that management did not maintain this separation because administrative staff levels had been recently reduced from nine to two staff.

Recommendation:

4.1. CDOT should develop procedures to ensure segregation of duties is considered each time a shift in roles and responsibilities occurs. Furthermore, CDOT should examine all areas of operation to ensure duties for the receipt and recording of payment are properly segregated.

Management Response:

4.1. "CDOT and DOF have put procedures in place that fully address this issue.

All CDOT revenue processes include either a system-generated billing process or a point of sale (POS) transaction recorded into FMPS, and all payments go directly to DOF. In regards to POS transactions, customers are directed to a City cashier for payment, which is processed via the City's centralized cashiering system. Payments are collected by DOF and recorded in a daily receipts report which is forwarded to CDOT's Accounting Section. CDOT matches the unpaid receivable with the payment receipt and posts the receipt to the program ledger.

Please refer to the responses in Sections 1.3 and 1.4 for additional detail regarding other procedural improvements to the overall billing process."

Finding 5: DOF collected installation fees for disabled parking signs, but did not bill for annual fees in 10% of the installations reviewed.

DOF collected 100% of the $70 installation fees required for 262 residential disabled parking signs installed in 2013.[30] However, as described below, DOF failed to bill all disabled parking sign users for the $25 annual maintenance fee.

OIG reviewed the records for 652 disabled parking signs that had been requested and installed in 2011. We found that DOF did not invoice 65, or 10.0%, of the sign users in 2012 or 2013 for a total of $3,250 because DOF staff failed to update the sign application to a billable status in the database. Our review was limited to 652 installations in 2011 but we believe that the total amount of lost revenue is likely higher assuming that the same error occurred while processing sign requests in other years.[31]

For the remaining 587, or 90.0% of 2011 installations examined by OIG, DOF had either collected the fee, subsequently removed the related sign, or was actively trying to collect payment.[32]

Recommendation:

5.1. We recommend that DOF review all disabled parking sign records to ensure they are marked with the appropriate billable status. In addition, to avoid the reoccurrence of this issue, we recommend that DOF define and implement procedures to ensure the status of sign installations is properly updated in the future.

Management Response:

5.1. "DOF reviewed all disabled permit sign records in a non-billable status to ensure the accuracy of the billable status. DOF has implemented additional process controls which will ensure billing errors are identified and resolved in a timely manner. These process controls include review of billing reports and weekly staff meetings. Further, DOF reviewed all disabled sign permit records created in 2012 and 2013 and found for permit records created in both years, 99% (828 of 837 for 2012 and 490 of 495 for 2013) of the permits were subsequently billed accurately or the permit was inactivated and the sign was removed. The remaining 1% have since been updated to the proper billing status."

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[30] Of the 262 installations, 257, or 98.1%, required fees. The fees for the remaining five, or 1.9%, were waived. Per MCC §9-64-050, fees may be waived "if the applicant holds a valid, current disabled veterans state registration plate or provides a certification of approval under the Senior Citizens and Disabled Persons Property Tax Relief and Pharmaceutical Assistance Act."

[31] DOF stated that in 2013 it invoiced 8,129 sign users for $201,372 in annual maintenance fees. This includes signs installed in years prior to 2011.

[32] Fees for 549, or 84.2%, of the installations were paid. CDOT removed the signs for 26, or 4.0% of the installations. DOF sent invoices and was actively trying to collect payment for 12, or 1.8% of the installations.

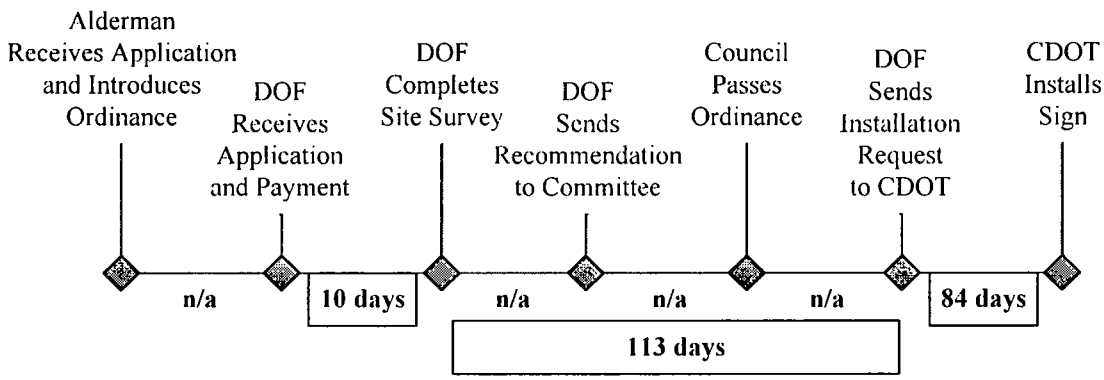
Finding 6: The City installed disabled parking signs in an average of 207 days.

The City took an average of 207 days to install 2,279 disabled parking signs requested between January 1, 2011 and October 31, 2013. Only 47.4% of installations were completed within 180 days.

As noted in the Background section of this report, an applicant may submit an application and payment either to an alderman or directly to DOF. DOF does not have data on the original submission date when applications are submitted to aldermen rather than to DOF, so that timespan is marked "n/a" in the graphic below.[33] For DOF, the process begins when it receives an application and payment either from an alderman or directly from an applicant. MCC § 9-64-050 allows DOF 30 days to complete a site survey after the applicant has paid and is determined to be eligible. OIG found that DOF completed the site survey an average of ten days after receiving the application and payment, as shown in the timeline below, and completed 98.1% of the site surveys within 30 days.

Currently there are no defined time goals for processing the application through the City Council Committee and, ultimately, passing the required ordinance. DOF did not have data on the steps between when DOF completes the site survey and when it asks CDOT to install the sign. Therefore, OIG could not calculate the times between those steps, but determined that it took an average of 113 days from the completion of the site survey until CDOT received the installation request; 23.2% requests took over 180 days. DOF explained that appeals can add time to this part of the process. If DOF does not recommend a requested sign for installation but the applicant appeals and the Committee overrides the Department's recommendation, this lengthens the time from site survey to sending the installation request.

CDOT has established 120 days as the maximum number of days to install a disabled parking sign after it has received a request from DOF. OIG found that CDOT installed the sign an average of 84 days after the request, and completed 75.4% of installations within 120 days.



Source. OIG analysis of DOF and CDOT data.

[33] Loading zone applications were not centrally maintained by the City Council or the Committee and, thus, were not available for OIG review

CDOT said some delays in 2013 and prior were due to the method DOF used to notify CDOT of installation requests. Prior to June 2013 paper copy requests were sent by mail, which may have caused lost requests and delays. Effective June 2013, DOF started sending requests to CDOT via email.

Recommendation:

6.1. We recommend that DOF work with the City Council to define goals for each portion of the disabled parking sign installation process, measure actual performance compared to those goals, and determine if there are more cost-effective and timely ways to provide residential disabled parking signs.

Management Response:

6.1. "DOF will work with City Council members to identify potential process improvements to standardize and streamline procedures that fall under aldermanic direction. However, DOF cannot require adherence to performance management benchmarks (e.g. timeframe deadlines) for procedures that are governed by the legislative process and protocols."

V. APPENDIX A: LOADING ZONE FEES

The following table summarizes the amount of loading zone fees invoiced during 2013, the amount collected, and the amount outstanding as of February 25, 2014. As explained in Finding 1, the invoiced amounts included uncollected fees from previous years. This table also provides a breakdown of the invoiced amounts to identify the percentage associated with previous years.

Month of Invoice	Total Invoice Amount	Amount Related to Previous Years		Amount Related to 2013		Amount Collected as of 2/25/2014		Amount Uncollected as of 2/25/2014	
Jan-13	$567,462	$194,532	34.3%	$372,930	65.7%	$219,520	38.7%	$347,942	61.3%
Feb-13	$370,741	$101,021	27.2%	$269,720	72.8%	$173,526	46.8%	$197,215	53.2%
Mar-13	$531,360	$179,460	33.8%	$351,900	66.2%	$202,918	38.2%	$328,442	61.8%
Apr-13	$490,760	$156,300	31.8%	$334,460	68.2%	$214,881	43.8%	$275,879	56.2%
May-13	$537,400	$216,300	40.2%	$321,100	59.8%	$196,760	36.6%	$340,640	63.4%
Jun-13	$566,978	$193,758	34.2%	$373,220	65.8%	$281,264	49.6%	$285,714	50.4%
Jul-13	$534,608	$229,238	42.9%	$305,370	57.1%	$238,826	44.7%	$295,782	55.3%
Aug-13	$594,600	$247,080	41.6%	$347,520	58.4%	$233,971	39.3%	$360,629	60.7%
Sep-13	$535,334	$215,784	40.3%	$319,550	59.7%	$231,310	43.2%	$304,024	56.8%
Oct-13	$477,560	$201,070	42.1%	$276,490	57.9%	$191,395	40.1%	$286,165	59.9%
Nov-13	$593,517	$277,617	46.8%	$315,900	53.2%	$159,026	26.8%	$434,491	73.2%
Dec-13	$628,462	$239,932	38.2%	$388,530	61.8%	$233,874	37.2%	$394,588	62.8%
Totals	**$6,428,782**	**$2,452,092**	**38.1%**	**$3,976,690**	**61.9%**	**$2,577,272**	**40.1%**	**$3,851,510**	**59.9%**

Source: CDOT Summary Reports

CITY OF CHICAGO OFFICE OF INSPECTOR GENERAL

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- reviews of City programs, operations, and policies.

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