
Cash Handling Review Photo Radar

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Cash Handling Review

Photo Radar

1. Introduction

Cash Handling Reviews determine whether cash resources are handled in a manner consistent with established City requirements and whether they are adequately safeguarded against loss. They also assess the adequacy and effectiveness of internal controls within cash-handling locations. Cash Handling Reviews consist of an objective review and evaluation of the cash-handling practices and procedures relating to the receiving, transporting, storing, depositing, recording and safeguarding of City money (including cash, cheques, credit cards and debit cards).

The Office of the City Auditor (OCA) selected five cash-handling projects for review in 2004. Projects were selected based on a number of criteria including estimated revenue; volume of transactions processed; cash-handling risk; date of previous audit undertaken in the area, if any; and history of problems and control weaknesses identified. Photo Radar, with annual net revenue of approximately \$16M was selected for review based on these criteria.

2. Background

Photo radar tickets are issued by Edmonton Police Service Commissionaires who use vans owned by the Edmonton Police Service to monitor motorists for speeding. The photo radar equipment and cameras are owned by an independent contractor who bills the Edmonton Police Service \$15.75 for every ticket that is eventually paid. The contractor processes the film and mails the ticket to the registered owner of the vehicle. Fine amounts are pre-determined based on the severity of the violation. All payments for photo radar speeding violations, as well as all other highway traffic fines issued by the Edmonton Police Service, are made to the Solicitor General - Province of Alberta. The Province incorporates a 20% administration processing fee in each fine paid. In addition, a 15% surcharge is levied to provide funding for victims of crime. At the end of each month, the Province sends a summary of photo radar tickets paid to the Photo Radar Operator contractor. The contractor updates their records to reflect issued tickets that have been paid during the previous month and issues an invoice to the Edmonton Police Service. For example, if a \$115 ticket was issued and paid, the Province would collect \$115 and issue a payment of \$80 to the Edmonton Police Service. The Edmonton Police Service then would arrange to pay the contractor \$15.75, leaving the Edmonton Police Service with net revenue of \$64.25.

3. Objectives

Because Photo Radar revenue involves an outside contractor and an external collection agent, the OCA’s objective was to determine whether controls and systems are in place to ensure that amounts due from the Solicitor General – Province of Alberta are complete, accurate and received in a timely manner.

4. Methodology and Scope

Our review consisted of two main procedures. The first was to determine whether tickets generated by the independent contractor were reconciled to fees paid and revenues collected. Our second objective was to determine whether fine revenues from the Solicitor General – Province of Alberta were received in a timely manner.

5. Observations and Recommendations

5.1 Reconciliation to Contractor and Province of Alberta Records

Reconciliations between contractor records and the records maintained by Edmonton Police Service are performed on a monthly basis. However, due to corrections received from Alberta Justice in subsequent months, monthly reconciliations to the contractor records and invoices are difficult to track. Reconciliation should be used to validate both service fees paid to the contractor and amounts collected from the Province.

The Photo Radar service provider is paid on a per-ticket-paid basis. The invoice from the service provider for November 2002 stated that 15,774 tickets had been paid. However, an analysis of the November data file of tickets issued and paid indicated that only 15,594 tickets were paid. The OCA then analyzed data from a different month and the situation was reversed. These most likely indicate either over- or under-payments or timing issues.

Recommendation #1	Management Response and Action Plan
<p>The Office of the City Auditor recommends that the monthly data report received from the Photo Radar Service Provider be reconciled both to the contractor’s monthly invoice for services rendered and to revenues received from the Province.</p>	<p>Accepted Comments: Currently, the Traffic Section of the EPS reviews and approves all billings for payment to the Photo Radar Service Provider (ACS). Information is received from the Provincial Government on tickets collected which is used to validate the billing advice provided by ACS. Proposed Action: That the EPS Finance Section work with the Traffic Section to establish a formal reconciliation process for ensuring billings paid to the Photo Radar Service Provider and amounts collected from the Province are accurate. Planned Implementation: December 31, 2005 Responsible Party: Director Finance & Supply Services</p>

5.2 Fine Collection Timeliness

Using computer-aided analysis techniques, the OCA’s analysis of photo radar and red light tickets issued and paid during the period January 2002 to October 2004 indicated the following:

- As at October 31, 2004, 48,143 tickets worth \$5.8 Million were unpaid.
- 40% of tickets are more than 1 year past due
- 22% of tickets are more than 2 years past due
- For tickets that have been paid, 33% were paid after the due date (due date is 60 to 90 days after the ticket issue date).

Other than withholding provincial registration services from the registered owner of the tagged vehicle, the Province does not attempt to actively collect unpaid tickets. Currently a penalty of either \$20 or 25% of the fine (whichever is greater) is assessed if payment is not received by the due date. No further penalties are assessed and no interest is charged on overdue tickets. The OCA believes that the City should explore with the Province means of improving collection of delinquent tickets. For example, additional penalties and/or interest or higher fine amounts could be set when the ticket is issued and early payment discounts could be offered so that the net cost is the same as under the current system if the ticket is paid on time.

Recommendation #2	Management Response and Action Plan
<p>The Office of the City Auditor recommends that the City of Edmonton enter into negotiations or discussions with the Province to explore ways of improving the effectiveness of collections.</p>	<p>Accepted with Modification Comments: The Edmonton Police Service supports this recommendation with the following modifications. This proposal impacts all municipalities & major police agencies in the Province and requires a change to the Provincial Traffic Safety Act. As a first step, it is recommended that EPS, on behalf of the City, enter into discussions with the Province to assess and explore the options available to improve fine collections. If required, EPS should seek support through the Alberta Urban Municipalities Association (AUMA) in entering into discussions with the Province to address the recommendations outlined in this report. The EPS can offer support as required to AUMA.</p> <p>Proposed Action:</p> <ol style="list-style-type: none"> 1. That EPS enter into discussions with the Province on fine collection issues. 2. If required, seek AUMA’s support in bringing forward the recommendations in this report. EPS would offer assistance as required to AUMA through City Administration. <p>Planned Implementation: April 30, 2006 Responsible Party: Chief Administration Officer</p>

Conclusions

In all cash reviews conducted by the OCA, the OCA's goal is to provide assistance in helping the Administration strengthen internal controls and to improve methods of prevention and detection of fraud.

We wish to thank the staff at the Edmonton Police Service – Photo Radar Unit for their cooperation and support during this review.