

OFFICE OF THE CITY AUDITOR

AUDIT OF PUBLIC WORKS AND TRANSPORTATION STREET LIGHTING



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March 4, 2005

Memorandum



CITY OF DALLAS

March 4, 2005

Honorable Mayor and Members of the City Council
City of Dallas

We have conducted an audit of the Department of Public Works & Transportation Street Lighting for the period of October 1, 2002, through September 30, 2004. This audit was conducted under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by City Council.

We concluded that monthly street lighting expenses and charges are adequately monitored to ensure amounts are appropriate and comply with the contract. Also, responses to citizens' requests, regarding street lighting concerns, are adequately addressed. However, the processes for administering excess lighting payment agreements and for recovering costs from third parties, liable for damaged/destroyed street lighting poles, could be improved.

Specific issues are discussed in the Opportunities for Improvement section of this report.

A separate management letter was issued to the Department of Development Services/Property Management Division regarding administering payment agreements for excess street lighting.

We appreciate the cooperation of City staff during our audit.

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c: Mary K. Suhm, Acting City Manager

AUDIT OF PUBLIC WORKS AND TRANSPORTATION STREET LIGHTING

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INTRODUCTION

Authorization

We performed an audit of Street Lighting administered by the Department of Public Works & Transportation (PWT). We conducted this audit under the authority of Chapter IX, Section 2 of the Dallas City Charter and in accordance with the Annual Audit Plan approved by City Council.

Scope and Methodology

We performed our audit in accordance with generally accepted government auditing standards and included inquiries and other audit procedures that we considered necessary in the circumstances. Our audit period was October 1, 2002, through September 30, 2004. However, we also reviewed certain related procedures, events, and matters occurring before and after this period.

Our objectives were to determine whether:

- Internal controls are adequate to ensure that monthly PWT—Street Lighting expenses are appropriate and periodically monitored.
- Maintenance, operating, and fuel costs charged by TXU are in accordance with contractual agreements.
- Excess lighting provided to private development is cost effective to the City of Dallas (City).
- Responses to City citizens' requests regarding street lighting are adequate.
- The process for recovering costs from third parties, liable for damaged or destroyed street lighting poles, is adequate.

We developed an understanding of relevant control structures through:

- Interviewing City personnel.
- Reviewing applicable guidelines, procedures, and Administrative Directives.
- Reviewing applicable transactions and documentation.

Overall Conclusion

As a result of our inquires, analysis, and other work performed, we conclude that:

- Monthly street lighting expenses and charges are adequately monitored to ensure amounts are appropriate and comply with the contract.
- Responses to citizens' requests, regarding street lighting concerns, are adequately addressed.
- The processes for administering excess lighting payment agreements and

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for recovering costs from third parties, liable for damaged/destroyed street lighting poles, could be improved.

Specific issues are discussed in the Opportunities for Improvement section of this report.

A separate management letter was issued to the Department of Development Services/Property Management Division regarding administering payment agreements for excess street lighting.

Background

Street Lighting division of PWT (SL) has one full-time equivalent employee designated to coordinate this function. This employee reports to a manager who reports to the Assistant Director of PWT. The SL budget for FY 2003-4 was \$14,673,883. Electrical use, and operation and maintenance (O&M) charges represented 99.6% of this budgeted amount.

SL has an existing contract for electrical use and O&M charges with Texas Utilities (TXU). The contract was executed December 10, 1985, and is effective on a year-to-year basis until canceled by either party with three months written notice. The City has a contract with Reliant Energy for all other electrical energy services except for street lighting.

The Texas Public Utility Commission (PUC) regulates the rates charged in all municipalities within the State of Texas. The PUC grants rate increases to TXU. The most recent rate increase granted to TXU was effective August 2004.

In the normal course of business, the City provides street lighting. Occasionally, excess street lighting is requested by a property owner. The City evaluates these proposals, and if approved, directs the property owner to pay the difference in cost (DIC) to TXU to construct the additional lights.

Additionally, TXU charges the City O&M, on a monthly basis, for any additional light requested by the property owner. The City had a policy that required the developers to be charged O&M for a twenty-year period, with all charges to be paid in advance. In 2000, Council asked PWT to review its "excess lighting" policy. Presently, property owners may pay for the twenty-year period in a lump sum amount, or sign an agreement to pay in 20, one-year incremental amounts. The payment agreements for the additional street lighting are under the direction of the Department of Development Services /Property Management (DDS/PM).

Responses to citizens' requests regarding street lighting are principally handled through Citizen Request Management System (CRMS). These requests are for maintenance and/or new/relocation requests. Any emergency call(s) are handled

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as a dispatched call to the appropriate department. SL contacts TXU via email to report maintenance requests. However, TXU does not respond back to the City if or when this request is finalized. New/relocation requests require a City engineer or assistant to contact the citizen.

Currently, the Dallas Police Department (DPD) provides police reports on damaged/destroyed street lighting poles to Risk Management/Department of Human Resources (RM). RM's current process does not involve notifying SL of the damaged/destroyed street lighting.

OPPORTUNITIES FOR IMPROVEMENT

During our audit, we identified certain policies, procedures, and practices that can be improved. Our audit was not designed or intended to be a detailed study of every relevant system, procedure, and transaction. Accordingly, the opportunities for improvement presented in this report may not be all-inclusive of areas where improvements may be needed.

1. The process for recovering costs from third parties, liable for damaged or destroyed street lighting poles, needs improving.

Street Lighting Division of PWT (SL) and Risk Management/Department of Human Resources (RM) are not adequately pursuing third parties who have damaged or destroyed City of Dallas street lights.

DPD sends RM copies of accident reports that involve damage to potential City property. RM forwards a copy of the DPD accident report to the applicable department to verify whether the property named on the accident report is City property. The department responds to RM and indicates whether the damaged property is City property or not. RM does not send SL any DPD police reports on damaged or destroyed street light poles.

SL receives monthly invoices from TXU for damaged street lighting poles that have been repaired or replaced. SL verifies that the damaged/destroyed pole belongs to the City prior to paying TXU for the repairs. SL does not request information from RM pertaining to third parties responsible for damaging or destroying City street lights.

Meetings were held with RM and SL personnel to determine whether the departments were pursuing any third parties who had damaged/destroyed City street lights. RM indicated that no street light pole damage claims (by third parties) had been forwarded to RM by SL. At this time, SL has identified three damage claims over the past two years where accident reports received from RM matched the repair cost information received from TXU. These damage claims totaled \$1,969.05.

Administrative Directive 4-9 (AD) states, "It is the policy of the City of Dallas to establish and maintain a system of internal controls designed to ensure that resources are safeguarded against waste, loss, and abuse." Under the AD, the Department Director is responsible for modifying and updating internal control policies and procedures regarding change management for methods of operation. The City does not have a defined process and procedure for pursuing the third parties responsible for damaging or destroying City street lighting poles. The lack of this control prevents the City from recovering monies from third parties who have either damaged or destroyed City street lighting poles.

We Recommend that the Director of Public Works consult with the Director of Human Resources to coordinate the sharing of information between SL and RM

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regarding damage to street lighting poles; and consult with the City Attorney's Office to:

- Establish policies and procedures to pursue third parties that have damaged City of Dallas street lights; and
- Identify and pursue collections from third parties liable for damaging/destroying street light poles.

Management's Response:

Meetings between RM staff and SL staff have already taken place and RM has agreed to follow the already established procedure shown in the attached flowchart.

OPPORTUNITIES FOR IMPROVEMENT

PROCESS FOR RECOVERING COSTS FOR STREET LIGHT POLE DAMAGES

