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Reference No.



OFFICE OF THE AUDITOR-GENERAL
P. O. Box N-3027
Nassau, The Bahamas

The Controller

Road Traffic Department

Nassau, Bahamas

3rd May, 2016

**AUDIT REPORT ON THE ACCOUNTS OF
THE ROAD TRAFFIC DEPARTMENT
(NEW PROVIDENCE)
FOR THE PERIOD JULY 1st, 2012 TO JUNE 30th, 2015**

Enclosed, please find the audit report on the accounts of the Road Traffic Department – New Providence for the period July 1st, 2012 to June 30th, 2015.

We have included a summary of management's response in our report.

Sincerely,



Terrance Bastian
Auditor General

NK/ag/et/da

Encl.

- c.c. The Permanent Secretary, Ministry of Transport & Aviation
 The Financial Secretary, Ministry of Finance
 The Treasurer, Public Treasury Department
 The Speaker of the House of Assembly

**AUDIT REPORT ON THE ACCOUNTS OF
THE ROAD TRAFFIC DEPARTMENT
(NEW PROVIDENCE)
FOR THE PERIOD JULY 1st, 2012 TO JUNE 30th, 2015**

OBJECTIVES

We conducted an audit of the Road Traffic Department (hereinafter referred to as "RTD") for the fiscal periods July 1st, 2012 to June 30th, 2015. The audit procedures were specifically focused on Motor Vehicle Licence Revenue, Licence Plate Revenue, and Payroll Processing for the aforementioned period. The primary objectives of the audit were to determine whether:

- a) Motor Vehicle and Licence Plate Revenues were collected and deposited intact and on a timely basis;
- b) Payroll Expenditure was applied for the purposes intended, and in accordance with proper financial authority;
- c) Accounting records were being properly and accurately maintained; and
- d) There was compliance with the Road Traffic Act of 1958 (herein after referred to as "the Act"), the Road Traffic (Amendment) Acts 2010 and 2011, the Road Traffic Regulations of 1959, the Road Traffic (Amendment) Regulations 2012, the Financial Administration and Audit Act of 2010, and whether all other policies, procedures, and rules were being followed as stipulated by Administration.

AUDIT SCOPE

Our focus during this audit was on the examination of revenue derived from motor vehicle licences and licence plates, expenditure from payroll, and the retention of information on the employee personnel files of the RTD. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

BACKGROUND

The RTD, which is presently located in the Clarence Bain Building, Thompson Boulevard, is headed by a Controller who is responsible for the day-to-day operations of the Department. The Road Traffic Department's mission is "to recommend the enactment of relevant legislation and promote efficient and organized ground transportation through the enforcement of the Road Traffic Laws and Regulations". The RTD's responsibilities include, but are not limited to,

the provision of Learners Permit/Provisional Licence, Driving Tests, Driver's Licences, Vehicle Registration and Inspection, Public Transportation, Road Safety, and Traffic Regulations.

In this regard, the RTD is governed by the Road Traffic Act of 1958 along with its 2010 and 2011 amendments. The Road Traffic Act is an Act to declare, amend and codify the law relating to motor vehicles, and to provide for the regulation of traffic on roads and of motor vehicles; to provide for the establishment of a Road Traffic Authority; to provide for the protection of third parties against risks arising out of the use of motor vehicles; to amend the law with respect to the licencing of motor vehicles plying for hire or reward; to provide for the regulation of public transport services; and to make provision for matters connected with the matters aforesaid.

The RTD is preparing to improve the Department's performance by investing in a fully automated system which will contribute to alleviating customer queues and a reduction on wait time as the Department strives to become more efficient and effective in carrying out its mandate. This automation is expected to serve as a catalyst for improvement in the Department's service delivery.

FINDINGS, IMPLICATIONS AND RECOMMENDATIONS

We have set out below the main findings arising from our audit and the respective implications and recommendations. These findings arose from our normal audit procedures, which are designed primarily for the purpose of forming an opinion on the accounts of the Government. Consequently, we did not conduct a detailed review of all aspects of the system and this report cannot be regarded as a comprehensive statement of all weaknesses that exists or of all improvements that might be made.

1.0 MOTOR VEHICLE LICENCES

1.1 ISSUANCE OF LICENCES

We observed during the examination of motor vehicle licences that there were a number of instances noted where the RTD was in contravention of the Act. Because the issues relating to the licencing of motor vehicles are too numerous to outline in this report, we wish to highlight the critical points noted during the examination of this area.

The most significant points are noted below and will be addressed separately as follows:

- 1.2** Fraudulent Licence Issued - Special Investigation
- 1.3** Missing and Illegible Inspection Certificates
- 1.4** Missing and Fraudulent Insurance Certificates
- 1.5** Inaccurate Classification of Vehicles
- 1.6** Unsystematic Issuance of Licencing Stickers
- 1.7** Customer Receipts Not Being Generated - West Bay and Carmichael Locations
- 1.8** Precision of Information Written on Vehicle Permits
- 1.9** Licencing Inventory
- 1.10** Retention of Licencing Documents

1.2 FRAUDULENT LICENCE ISSUED - SPECIAL INVESTIGATION

We conducted a special investigation into the issuance of a duplicated motor vehicle licence. The duplication occurred during the month of December 2014. It was noted that the original licence was issued at the Carmichael Road location on November 26, 2014 and the duplicated licence was issued at the Head Office location on December 2, 2014. It should be clarified that the duplicated licence contained the original licensee's name, licence plate number, and expiration date.

In speaking with the actual licensee and viewing the original issued licence we confirmed that the information presented on the original licence was duplicated. This situation was further exacerbated when the fraudulent licensee admitted to this malfeasance to the original owner in order to obtain an authentic licence in August 2015.

During the investigation neither the original documentation nor the fraudulent documentation could be found in the cash batches provided for November 2014 and December 2014. However, it was noted in reviewing the system postings that the fraudulent licence was recorded using

the original owner's name and licence plate number on December 2, 2014. Since the duplicated licence was recorded in the system, we acknowledge that a licence was issued without the proper retention of the inspection certificate, prior year vehicle permit, and a copy of the insurance certificate.

The following are excerpts from the Act as it relates to the above noted fraud:

Section 23(1) of the Act states:

- (1) *Any person who, with intent to deceive –*
- a) *Forges within the meaning of the Penal Code, or alters or uses or allows to be used by any other person, a certificate of insurance within the meaning of this Act; or*
 - b) *Makes or has in his possession any document so closely resembling such a certificate as to calculate to deceive,*
Shall be guilty of an offence and shall be liable on summary conviction to imprisonment for a term of twelve (12) months and, in addition, to a fine not less than one thousand dollars but not exceeding two thousand dollars.

Section 32 of the Act states:

- (1) *No motor vehicle licence shall be granted under this Act unless there is in force in relation to the motor vehicle concerned a certificate of fitness issued under this section.*

IMPLICATION

As this is a clear violation of Section 23 (1) (Forgery of Certificate of Insurance) and Section 32(1) (Inspection of Motor Vehicles) of the Act, it is evident that collusion had to occur during the inspection, writing, and cashiering phases in the Head Office and Carmichael Road locations to enable the issuance of this duplicated licence.

The inspectors, writers and cashiers who may be involved in this act of gross negligence should be made aware of the consequences of their actions as it pertains to the violation of the Act. Any fraudulent activity is unacceptable and staff members of the RTD should understand their role in ensuring our roads are protected.

The staff members of the RTD have to understand their role in ensuring our roads remain protected from persons that are not willing to abide by the law. Since this act was executed by willing participants in the RTD, then it is obvious that the problem is not with the public alone, but with the RTD staff.

RECOMMENDATION

We strongly recommend that the persons complicit in this act be removed with immediate effect. We further recommend that the person that was issued the fraudulent licence be contacted and action taken as stipulated by the Act.

1.3 MISSING AND ILLEGIBLE INSPECTION CERTIFICATES

OBSERVATION

We observed during the testing of motor vehicle licences that there were several instances where the inspection certificates were not among the documentation retained on file. In other instances where the inspection certificates were retained on file, some of them were illegible.

The process of licencing a vehicle begins with the inspection of the vehicle and the inspection certificate is used to validate that a vehicle was present and was fit for the road. If a vehicle does not pass inspection it should be issued a rejection slip and not licenced.

In order for a vehicle permit to be written up, the writer should verify the authenticity of the inspection certificate; retain a copy of a valid insurance certificate and the original of the prior year vehicle permit, at a minimum, according to the circumstance. These items are then stapled together by the writer and given to the cashier for processing.

IMPLICATION

If inspection certificates are not retained or are illegible, it would appear as if the vehicle did not obtain a proper certificate of fitness as required by Section 32 (1) of the Act and should not be issued a licence. The inspection certificate should always be retained, legible, and specific as to the vehicle inspected.

It is apparent that if a certificate of inspection is missing from a licensee's documentation that it was never in place as this is the first document to be retained. In the case where the inspection certificate is illegible it would appear as if the inspectors are performing their duties without due care and attention. The inspection certificate is the catalyst in the licencing process and without it a vehicle should not be allowed to be on the road. The public's safety is placed at risk when persons that should not be granted a licence receives one.

If during the examination of licences it was determined that only one sample was missing an inspection certificate, one may conclude that the certificate may have been misplaced or in the

case of an inspection certificate being illegible, one may conclude that the writing of the inspector was just not clear in that instance. However, when there are several instances of missing and illegible inspection certificates, it leads the auditors to suspect that there may be an undertone of deception within the process.

RECOMMENDATION

We recommend that management should ensure that those inspectors, writers, and cashiers that are intentionally not adhering to the precepts of their roles on a continuous basis be removed with immediate effect. Actions such as those noted in this finding should not be tolerated on any level by management.

We also recommend that the authenticity of the inspection certificate should be verified by the writers and cashiers. Writers and cashiers should be held accountable for their part of the processing of a licence by ensuring that they are receiving legible and complete documentation.

1.4 MISSING AND FRAUDULENT INSURANCE CERTIFICATES

OBSERVATION

It was observed during testing that there were numerous instances of what appeared to be fraudulent insurance certificates. It was especially seen being perpetrated on a particular insurance company's letter head in the instances examined. It was also noted in examining the samples that there were missing insurance certificates.

IMPLICATION

There is a noticeable lack of oversight in the licencing process. The behaviour being displayed by the staff of the RTD in circumventing rules and regulations is unacceptable. No licence should be issued to any person where the insurance certificate is not seen and/or retained on file for proper audit trail. The Act definitively states in Section 23(1) that an invalid insurance certificate is an offence that is punishable by imprisonment and a fine. Invalid insurance certificates places an immense burden on the public as there is no immediate recourse in the event of an accident. There seems to be a lack of monitoring by the appropriate staff.

RECOMMENDATION

We recommend that management review and monitor the controls around the verification of insurance certificates. We further recommend that any instances identified in the noted finding be investigated and the necessary action taken.

1.5 CLASSIFICATION OF VEHICLES

OBSERVATON

We observed in some instances that vehicles were not appropriately classified based on the categories outlined in Schedule A of the Road Traffic (Amendment) Act of 2010. Schedule A of the Act outlines the categories for issuing an appropriate motor vehicle licence as follows:

<u>Vehicle Class</u>	<u>Vehicle Weight</u>	<u>Rate</u>
A	0 – 5,000 lbs	\$150.00
B	5,001 – 15,000 lbs	\$550.00
C	15,001 lbs and over	\$700.00

We were informed that the way a vehicle's weight is determined by the RTD is dependent on the classifications taken from the RTD Vehicle Make and Model Weight Booklet. It is the responsibility of the inspector to identify the appropriate classification of vehicle and indicate this on the inspection certificate.

While examining certain licencing documents we noted that there appeared to have been some issues in classifying some of the jeep and truck models between the A and B vehicle classes. There was a specific case, where a truck was brought in for licencing, the sales agreement and the insurance certificate identified it as a Ford F-250. However, the inspector identified the vehicle as a Ford F-150 per the inspection certificate.

IMPLICATION

Since the vehicle class is the basis on which motor vehicle licence revenue is generated, it is imperative that the vehicle models be specifically checked to ensure the correct vehicle class is chosen during the inspection. If the Vehicle Class is not precisely determined, the RTD stands to lose a minimum of \$400.00 per vehicle between Class A and B, and \$150.00 per vehicle between Class B and C.

In the instance outlined herein, it appears as if the inspector intentionally identified the incorrect vehicle giving rise to a lower fee to the customer. This type of circumstance presents a great risk for the RTD in that the department would be susceptible to manipulation of the vehicle classes without any knowledge of the same. When proper controls are lacking in the inspection process it provides an opportunity for fraud or graft to be perpetrated.

RECOMMENDATION

We recommend that a system be implemented whereas the specific weight of the vehicle could be determined outright in order to ensure that the correct vehicle class is chosen. The vehicle curb weight is usually outlined in the door of the vehicle and this can be used as one of the measures in capturing the vehicle weight. As we are in a computerized environment, the RTD should be utilizing specific software that could provide this information by the Chassis or Vehicle Identification Number (VIN).

We also recommend that at each stage of the licencing process, staff members are made accountable for the correct determination of the vehicle class through clear and concise documented evidence on the inspection certificate. This documentation should include the owner's name, address, vehicle plate number, vehicle make, model, year, chassis number or VIN, weight, and vehicle class.

We further recommend that each individual involved in this process should not only have an identifying signature but also an identifying stamp with a number that is unique to that individual. This would ensure transparency and accountability throughout the licencing process.

1.6 ISSUING LICENCING STICKERS OUT OF SEQUENCE

OBSERVATION

We observed through the examination of motor vehicle licences documentation that there were discrepancies in the manner in which the vehicle permit, inspection stickers, validation stickers, and decals were issued to customers. It was noted that within the cashiers' batches there were old and new sequences for the noted stickers being issued within the same day. It was also noted that numbering sequences from prior months were being issued in current batches.

IMPLICATION

In issuing the stickers and vehicle permits out of sequence it would appear that there is a lack of controls around the systematic issuance of assets. If assets are issued by the writers and cashiers in an illogical or unsystematic manner then it could be said that management would not be able to give an account for the anticipated daily revenue nor would they be able to determine if the correct revenue was being generated and collected. If the accounts department, which holds the ultimate custodial role, does not ensure that an end of day detailed reconciliation is performed, then persons could perpetrate all sorts of malfeasance with these assets.

RECOMMENDATION

We recommend that each officer who is operating in a custodial capacity be made accountable for the safeguarding, disbursement, issuance, and collection of revenue for each item of inventory. We further recommend that management has to ensure that control over assets is maintained at all times and reconciliation of the same is performed on a daily basis.

1.7 CUSTOMER RECEIPTS NOT BEING GENERATED – WEST BAY AND CARMICHAEL LOCATIONS

OBSERVATION

We observed that the West Bay and Carmichael locations do not produce customer receipts. It was also noted that accountability for revenue collected at these locations is dependent on a handwritten listing of vehicles inspected and a cashier's calculator tape. It can be further noted that the auditors could not verify the collection of revenue for the samples tested at these locations as the end of day revenue reports could not be produced for examination.

IMPLICATION

Since it was noted in finding 1.6 above that there is a lack of controls around the custody, disbursement and issuance of assets, the accounts department would not be able to provide any assurance around the accuracy and completeness of daily revenue collected. Proper safeguards around the collection of revenue dictate that a receipt should be prepared for each customer and a copy retained for proper record keeping. This would ensure that all funds collected can be reconciled to all assets disbursed and issued to the public.

It is unacceptable that the RTD's record keeping is in such a state that pertinent documentation cannot be located. Without the proper retention of records related to revenue collection, there is no way of determining whether all assets disbursed to the RTD locations are being accounted for in the end of day revenue collection. Allowing revenue collection offices to operate without being accountable for producing receipts, reconciling assets, and retaining documentation around the same creates an environment conducive to fraud.

RECOMMENDATION

We recommend that management ensures that all offices of the RTD are provided with official receipt books and be made accountable for issuing and retaining cash receipts. We also recommend that a reconciliation of all assets issued and held in custody be performed on a daily basis to accompany the end of day revenue reports until such time as an electronic system can be implemented across all of the RTD's offices. We further recommend that all written receipts are legible, clearly state the purpose of the receipt, and the particulars on the intended recipient.

1.8 PRECISION OF INFORMATION WRITTEN ON VEHICLE PERMITS

OBSERVATION

We observed that in many of the batches examined, the pertinent information written on the copies of vehicle permits were indecipherable. The vehicle permit contains information on the customer name, licence plate number, vehicle make and model, insurance company, insurance expiration date, chassis number, licencing sticker numbers, licencing fees, signature of writer and the date the permit was written.

IMPLICATION

Without the proper information being displayed on the file copy there is no way to reconcile all the transactions that may have occurred at a location. For offices that have a manual environment (no computerized transactions), there is no way of comparing the listing of vehicles inspected with the information contained on the copy of the permit. If for some reason a customer needs to replicate a licence previously provided by the RTD, this would not be feasible in many instances.

Documentation should always be legible, visible and available for audit inspection. Auditors should not be trying to decipher what the intention of the writer is on examining a vehicle

permit. If individuals wanted to perpetrate acts of deception with the assets of the RTD, the practice of writing without the vehicle permit information being visible on the file copy would be one of the ways to control the process.

Since it appears that the RTD staff members are omitting inspection certificates, writing up illegible inspection certificates, and accepting falsified insurance certificates in the enablement of issuing motor vehicle licences, management of the RTD could not possibly have the utmost assurance that an accurate account of revenue from daily activities is being produced.

RECOMMENDATION

We recommend that management ensures that all persons involved in the motor vehicle licencing process be made accountable for producing and retaining useful information. We also recommend that the legibility of vehicle permits be verified by the supervisors and confirmed by the accounts department at the end of each day.

1.9 LICENCING INVENTORY

OBSERVATION

We observed that the licencing inventory consists of inspection books, inspection certificates, inspection reject slips, inspection stickers, decals, validation stickers and vehicle permits. These are disbursed by the accounts department to the inspectors, writers, and cashiers without ensuring that there is an end of day reconciliation between what is disbursed from inventory to that which was issued to the public and remains with these custodians.

IMPLICATION

It is a critical component in the safeguarding of assets that reconciliations should not only be performed timely, but on a systematic basis, around the issuance and subsequent sale of an asset. This would ensure that misappropriations are not allowed to occur through the manipulation of number sequences.

It is deemed necessary that when items of inventory are disbursed to any staff member, that they are responsible and accountable for those items. Ensuring that each individual responsible for an item of inventory is cognizant of their role in the safeguarding of assets and the collection of revenue is paramount to a sound system of internal controls.

Making personnel aware that control measures, such as reconciliations, will be performed daily would ensure that the revenue of the RTD is collected for all inventory issued. Reconciliations would also assist management in forecasting inventory levels and future revenues. It would also aid in the detection and prevention of fraud through misappropriation of assets. When inventory is not reconciled, persons with the intent to deceive or defraud, would be able to manipulate certain processes or collude to carry out certain questionable acts.

RECOMMENDATION

We recommend that management ensures that all disbursements of inventory be accounted for and reconciliations of the same performed on a daily basis to enable transparency and accountability around the safeguarding government assets. We further recommend that custodians of government assets should always remember that all of the assets held have a distinct value and should be protected at all times.

1.10 RETENTION OF LICENCING DOCUMENTS

OBSERVATION

We observed during our sample selection process that the filing of licencing documents was in a chaotic state. The auditors were unable to access many of the daily batches and revenue reports for the years under audit due to the haphazard manner in which documents were placed in the storage rooms. We also observed that the storage areas were in a state of disrepair with ceiling tiles missing and water damage to the roof and walls.

IMPLICATION

Official records should be retained in a temperature controlled secure room and should always be stored in a manner that would allow accessibility by the auditors. Records should not be placed in any room or available space where they could be damaged by a force majeure or easily removed due to the manner in which they are stored. It would be imperative that the department safeguards its records to avoid losing pertinent registration information especially since the RTD operates mainly in a manual environment at most of its locations.

RECOMMENDATION

We recommend that management considers other storage alternatives such as off-site storage and to utilize more durable storage boxes. Management may also consider designing special shelving for storage due to the volume of documents retained by the department.

2. LICENCE PLATES

2.1 NEW LICENCE PLATES INVENTORY

OBSERVATION

We observed during the analysis of new licence plate revenue that the department was unable to provide the auditors with a listing of all new license plates generated and issued to the public during the years under audit. It was further observed through the review of the new licence plate log books that a detailed record of all licence plates issued was not maintained as there were obvious gaps in the recording of plates issued to the Head Office and other offices of the RTD.

Additionally, the auditors' observed that the RTD could not provide request letters for new licence plates to the Ministry of Public Works ("MoPW") and the intake record of new licence plates when received from the MoPW.

IMPLICATION

It is a requirement of a sound internal control system that all items of inventory be recorded and a listing of all movements properly maintained. Without maintaining an accurate listing of all plates, the RTD would not be able to determine if the revenue recorded for New Licence Plates correlates with the number of plates produced and issued to the public.

Since it is indeterminate by the RTD as to the amount of new plates produced for all vehicles during the years under audit, it would suffice to say that from the production records of the MoPW there is an under recording in the New Licence Plates revenue line item of approximately \$234,000.00 (see Table 1).

The table below shows the revenue calculated by the auditors as compared to that recorded in the system for new licence plates produced in New Providence:

Table 1

CATEGORY	NEW PLATES PRODUCED (JULY 2012 - JUNE 2015)	NEW PLATE REVENUE (\$15.00 PER PLATE)
CARS	43,700	\$ 655,500.00
TRUCKS (T)	4,000	\$ 60,000.00
MOTOR CYCLES	1,100	\$ 16,500.00
GOVERNMENT TRUCKS (T)	100	\$ 1,500.00
GOVERNMENT CARS	400	\$ 6,000.00
MISCELLANEOUS (M) WHITE & BLACK	100	\$ 1,500.00
GOVERNMENT MISCELLANEOUS (M) RED & WHITE	100	\$ 1,500.00
SELF DRIVE CARS (SD)	300	\$ 4,500.00
TOTALS	49,800	\$ 747,000.00
	RTD Recorded Revenue	\$ (512,981.83)
	Difference	\$ 234,018.17

RECOMMENDATION

We recommend that management ensures that official request letters be sent to the MoPW for the production of new licence plates. We also recommend that a detailed electronic record be kept of all new licence produced, received into inventory, and issued to the public. We further recommend that before a new licence plate is issued, all information needed to identify the owner of the new plate be retained as a matter of record. Finally, we recommend that management seek to determine why there is an under recording of government revenue by \$234,000.00.

2.2 REPLACEMENT LICENCE PLATES

OBSERVATION

We observed that high quantities of replacement licence plates were being produced on a monthly basis for which it appeared as if a fee of Five Dollars (\$5.00) was being charged for the production of such plates. In reviewing the monthly production sheets from the MoPW it was determined that averages of around 140 replacement plates are produced monthly for the RTD. It was further noted from the monthly production sheets that a vast number of low digit plates were being reproduced. When the auditors inquired as to how plates are ordered it was stated that there is no formal process for the ordering of these reproduced plates.

IMPLICATION

In reading through the Road Traffic Act (Chapter 220) (the “Act”) along with its subsequent amendments, it was noted that there were not any references made in the Act or the amendments in relation to the production of replacement plates other than that ordered by the Minister when plates are to be replaced in totality (recalled and replaced). It should be further noted that there is no fee of Five Dollars (\$5.00) delineated anywhere in the Act for the production of licence plates. A further review was performed on the Procedures Manual of the RTD and although this manual speaks to when a plate can be replaced, it did not outline any fee for a replacement plate. This practice of ordering and producing these replacement plates is in direct contravention of the Act.

Detailed records of lost, stolen, or destroyed plates should be kept to support any request to replace a licence plate in order to ensure that persons are not utilizing inactive plates in another person’s name for illegal purposes. The risk associated with the production of replacement plates without a formal ordering process is that the personnel of the RTD could be complicit in putting plates in circulation that may already be on another vehicle.

When plates are issued without appropriate evidence of ownership and legitimacy of a lost, stolen, or destroyed claim, then this could give rise to fraudulent acts to be perpetrated by willing parties as indicated in the Finding 1.2 (Fraudulent Licence Issued) to this report. It is with utmost antipathy that this act of producing plates, without the proper authority of the Controller and instituted procedures, should cease. No department should be in violation of its own Act and be carrying out activities that are contrary to the design of the Road Traffic Rules.

Based on the produced replacement plates outlined in paragraph 1 to this finding, we report a serious weakness not only in the process around the production of these plates but also in the

revenue recorded for such plates. No such charge of Five Dollars (\$5.00) should have been levied without an amendment to the Act. The RTD should not be acting on its own accord in determining the amount of revenue the Government should receive for the issuance of these plates.

A reproduced plate would not cost less to produce than a new plate because the same man hours would be deemed necessary for the production of the plate. It can be further stated that the RTD would appear to be at an indeterminate loss in plate revenue for the 5,100 reproduced plates during the period under audit.

RECOMMENDATION

We recommend that the Controller put in temporary measures to immediately cease the practice of reproducing plates until an amendment to the Act is put forward to address the documentation needed in applying for these plates and the associated fees for such plates. We further recommend that until such time as an amendment can be put forward, meticulous control measures be implemented to ensure only legitimate plates are being produced and issued to the public.

2.3 ACTIVE VS INACTIVE LICENCE PLATES

OBSERVATION

We observed through inquiries of management that the RTD did not maintain a register containing the registered number of all licenced motor vehicles. Based on the requirements outlined in Section 5 of the Act, the RTD should be maintaining a register of the name and address of all registered owners, insured persons, and insurers of licencees. We further noted that a listing of all active and inactive licence plates could not be produced for audit inspection.

IMPLICATION

In order for the RTD to forecast revenue for motor vehicles, it would be essential for a register of information on the number of registered vehicles to be maintained. Due to the RTD being in contravention to its Act in this regard, the determinable amount of revenue that would be due to the government in any given year is unknown.

If a forecast would be performed based on the total number of licence plates produced and issued, approximately 374,000 plates, to the public as of the June 30, 2015, one would estimate that the motor vehicle licence revenue should be at a minimum of \$73 million dollars ($374,000 \times \195.00) instead of the reported average of \$26 million dollars per annum. If the approximate number of 374,000 plates was reduced by 50%, there would still be an estimated loss of \$10 million dollars as compared to the actual recorded revenue noted herein.

Due to the severe lack of order and control around the safeguarding of assets, collection of revenue and reporting of the same, the RTD cannot attest that the correct revenue is being reported at the end of each fiscal year.

RECOMMENDATION

We recommend that management ensures that the processes in the RTD be revamped and tailored to capture every registered licensee's information as delineated in the Act. It is paramount to the sustainability of the RTD that processes are controlled to enable the collection of all revenue due to the Government.

3.0 PAYROLL

3.1 PAYROLL PROCESSING

OBSERVATION

We observed in performing the payroll process procedures that a salary payment in the amount of \$358,750.00 was allowed to be processed and paid to a staff member during the month of January 2015. This amount appeared to have circumvented all controls around payroll processing inside the RTD. It was noted that the Public Treasury issued a stop letter to the bank on January 26, 2015 and the paying bank remitted the overage of \$355,220.83 to the Public Treasury via a draft dated January 28, 2015.

Upon requesting the supporting documentation for the remittance of the overpayment to the Government, it took four (4) months to receive the requested information. It was further observed that there was no physical approval of the payroll during this pay period by the officer in charge as there was no documentary evidence to support the approval.

Also during the review of the payroll files we discovered the following issues:

Table 2

n/a - Not applicable

EMPLOYEE #	COMMENTS	AMOUNT OVERPAID	AMOUNT UNDERPAID
1	Employee has a 2 year contract that did not contain the 15% gratuity as stipulated by General Orders 1335.	n/a	n/a
2	Employee's starting salary was at \$1,000.00 less than the approved salary amount.	\$ -	\$ 500.00
3	Employee's starting salary was at \$750.00 less than the scales allow.	\$ -	\$ 1,102.89
4	Employee was interdicted but was removed from the payroll for seven (7) months without a court judgement.	\$ -	\$ 7,043.75
5	Employee was overpaid by two (2) days based on the effective date of the retirement.	\$ 133.06	\$ -
6	Employee was overpaid by thirteen (13) days based on the effective date of the retirement.	\$ 817.28	\$ -
7	Employee was overpaid by one (1) month based on the effective date of the retirement.	\$ 2,290.17	\$ -
8	Employee was overpaid by two and a half (2.5) months based on the effective date of the retirement.	\$ 5,451.62	\$ -
9	Employee was overpaid by two (2) months based on the effective date of the retirement.	\$ 7,741.66	\$ -
10	Employee overpaid by seven (7) months based on the effective date of medical issue requiring pay to be on 7/8ths and then half pay.	\$ 3,042.47	\$ -
11	Employee was interdicted and pay was not reduced to half pay after date of interdiction for ten (10) months.	\$ 9,229.16	\$ -
12	Employee retired however the increment increase was not received before the date of retirement for thirty and a half (30.5) months.	\$ -	\$ 1,532.20

IMPLICATION

It is evident that there was a grave breakdown in the internal controls around payroll processing within the RTD. The operational risk associated with the overpayment of \$355,220.83 is that the payment could have ultimately gone undetected not only within the government's processing, but also within the bank's processing. Ultimately the department is responsible to adhere to certain procedures in the processing of payroll, but it is obvious that there was not a review and approval process during this pay period. Payroll within the department is standard, except for promotions, increments, or service wide increases. As such, a doubling of the RTD payroll within the month of January 2015 should have been captured by the officer in charge before the final payment was processed.

This issue would have not escalated outside of the department if the final totals on the payroll register and the change report for the noted month were compared to the prior month's payroll register. Responsibility, ownership, and accountability appeared to not have permeated the accounting function as the evidence around the return of funds was not retained within the RTD to support this erroneous act. Further, it took numerous requests over four (4) months in order to obtain the supporting documentation for the return of public funds. This is not acceptable as it showed a lack of concern around being held responsible for the expenditure of government funds.

For the issues related to Table 2 above, it should be noted that these errors were allowed through the payroll process for various months during the period under review. It is critical that accounting officers be cognizant of their role in controlling the payroll process through consistent reviews and approvals of salary payments. Any changes in the overall payroll from month-to-month should be approved through appropriate sign-offs by the officer in charge. If this final review and approval does not occur in this sensitive area, then errors, such as that noted herein, may be occurring on a wider scale. It is imperative that secondary reviews of the payroll are performed and it should not be taken for granted that the payroll could not be manipulated.

RECOMMENDATION

(This should be brought to the attention of the Ministry of Finance and the Public Treasury)

We recommend that the controls surrounding the payroll review and approval process needs to be strengthened with immediate effect with the RTD. Stringent controls must be documented, implemented and executed during each payroll cycle to avoid mistakes from occurring. We also recommend that there should be documentary evidence of the person

approving the final payroll through signatures and dates on the final payroll registers. We further recommend that the errors noted in Table 2 be investigated and rectified.

3.2 DELAYS IN RETIREMENT BENEFITS PAYMENTS

OBSERVATION

It was observed in testing employee files that retirees received their retirement letters months after the effective retirement dates.

IMPLICATION

It is expected, after years of good and faithful service and timely submission of retirement notices by employees, that retirement benefits should be paid upon the effective date of retirement. Consideration needs to be given to the needs of these employees in receiving their benefits in a timely manner as most public officers have continued financial obligations even after retirement. It would be anticipated by these persons that gratuity would be received and other benefits would take immediate effect in order to meet such obligations. By not ensuring that retirements are processed in a timely manner, this could result in a source of frustration for retirees as they would be depending on their pension within the next month of retirement.

RECOMMENDATION

We recommend that management ensures that a sense of urgency is maintained throughout the submission and approval processes of granting retirement benefits. We also recommend that appropriate follow-ups are performed with the Ministry of Public Service and that the retiree be kept abreast of the progress of their retirement benefit.

3.3 MINIMUM WAGE

OBSERVATION

Based on our review of monthly payroll for the audit period July 1, 2012 – June 30, 2015 it was observed that there were five (5) employees who were making under the annual minimum wage. Article 40, of the Bahamas Public Service Union Agreement, states that the new salary increases for persons whose salary is under \$10,700.00 should be \$11,450.00 effective from September 2014.

IMPLICATION

It is imperative that the RTD ensures that it is not in contravention of Article 40 of the Bahamas Public Service Union Agreement. The MoPS assessed one of these employee's salary as being incorrect from that employee's start date. Since all of these employees are in the same job classification, then all salaries should have been assessed in the same manner, unless there is an educational differentiation among the five (5) employees.

RECOMMENDATION

We recommend that the management of the RTD review the salary of these employees to ensure that the salary paid upon joining the department was accurate.

3.4 SPECIAL PROJECT PROGRAMME

OBSERVATION

During our audit we observed that the RTD was utilizing the services of the twenty-three (23) re-deployed employees from the Department of Environmental Health Services in various capacities with seven (7) being classified under a Special Projects Programme

IMPLICATION

The continued employment of the seven (7) persons under this type of programme appears as if these persons are being unfairly used in their various capacities solely to fill roles until such time as permanent employees could be hired. It would be egregious not to give serious consideration to alleviating the continued unease of these employees as it relates to their employment status. This would ensure that employees do not feel disenfranchised when they see other employees being paid at a higher wage for similar duties, qualifications, and skills.

RECOMMENDATION

We recommend that the Controller of the RTD review the employment listing of all employees engaged under the purview of the RTD and provide recommendation for regularization of these persons into the public service. We further recommend that in addition to the regularization of the seven (7) employees, the RTD in conjunction with the Department of Environmental Health Services should give consideration in bringing all twenty-three (23) employees onto the payroll register of the RTD.

3.5 PERSONNEL FILES

OBERVATION

We observed during the examination of payroll files that the documentation was not maintained in any particular order and not in line with governmental standards, General Orders – Appendix A Section 5, around maintaining personnel files.

IMPLICATION

It is imperative that personnel files be kept in order, not only in appearance, but also in the form in which files are kept. When reliance is placed on the documentation placed on file for tracking basic employment information such as a record of leave entitlements, achievements, salary progressions, promotions, annual assessments, grievances, and retirement, then it becomes essential to maintain order. If due care and concern is not a consideration when placing information on an employee file, it makes it more difficult to track the aforementioned information which can lead to misplacement of pertinent information and duplication in effort within the human resources function.

If information remains unorganized and haphazard then an employee would not be able to be appropriately assessed in a timely manner. The errors outlined in findings 3.1 and 3.2 are a direct correlation to personnel files not being in order. There were overpayments, underpayments, and incorrect payments of salaries due to a lack of order within these personnel files.

It is with utmost importance that files are reflective of current employee circumstances so that any human resource personnel assigned to assess a particular employee could be aware of the employee's current circumstance.

RECOMMENDATION

We recommend that management ensures that all payroll files follow the structure as delineated in General Orders and that the contents of the files are placed in a systematic and concise manner.

4.0 BUILDING CONDITION

OBSERVATION

We observed during the audit that the building in which the RTD is housed is in a deplorable state. The following issues with the building's condition were noted:

- A substance resembling mold was in the ceiling.
- Numerous ceiling tiles were missing.
- Continuous overflows in the bathroom.
- Inoperable faucets in the bathrooms.
- Distinct odor emanating from the carpet.
- Staircase railings were not stable.
- Staircase steps were cracked.
- Outside stairs were broken and cracked.
- Elevators were inoperable on numerous occasions.
- The elevator did not have an inspection certificate from the Ministry of Public Works.

IMPLICATION

Having a building in the condition as noted in the observation presents serious risks of injuries to the staff and the general public. This in turn would place the department in a position of being liable for a lawsuit in the case of injury.

RECOMMENDATION

We recommend that management puts forth a plan for the department to be relocated to another building as soon as practicable.

CONCLUSION

In conducting this audit we noted that there are opportunities for improvement in strengthening the management of many areas within the RTD. Management has to ensure that the RTD has the appropriate level of staff to achieve its goals, staff roles and responsibilities are defined, staff training and development needs are met, there is transparency and accountability in managing government funds, and there is continuous management oversight to ensure the RTD is effective and efficient in carrying out its mandate.

We would expect that management appropriately address each of the following issues in order to strengthen its internal control weaknesses:

1. The under recording of motor vehicle licence revenue by a minimum of Ten Million (\$10,000,000.00) due to management not having control over the licencing inventory.
2. The under recording of new licence plate revenue by Two Hundred and Thirty-four Thousand Dollars (\$234,000.00).
3. The fraud discovered in the duplication of a motor vehicle licence.
4. Inspectors being allowed to write-up illegible inspection certificates and writers being allowed to process vehicle permits without inspection certificates.
5. The writers processing vehicle permits where the retained copies are indecipherable.
6. Staff members enabling the processing of vehicle licences where insurance certificates are missing or suspected to be fraudulent.
7. Motor vehicles being licenced using the incorrect vehicle classification.
8. Licencing stickers being issued out of sequence.
9. The lack of receipts being generated by the West Bay and Carmichael Road locations.
10. Motor vehicle licence documentation being retained and stored inappropriately.
11. The register of new, active and inactive licence plates is not being maintained.
12. The production of replacement plates without there being an Act to govern the cost and production of the same.
13. The overpayments and underpayments found in the processing of payroll due to the lack of proper oversight by the Accounting and Human Resources functions.
14. The undue delays in the processing of gratuity payments and other retirement benefits.
15. The five (5) employees being paid under minimum wage.
16. Regularization of the Special Projects employees.
17. The twenty-three (23) redeployed persons that are not on the Payroll Register of the RTD.
18. The unorganized manner in which the employee files are maintained.
19. The building conditions and the associated risks to employees and the public.

Due to the severity of the issues summarized above relating to revenue, we have determined that the Accounting Department needs to be more participatory in the revenue process. The Accounting Department should monitor the issuance of all motor vehicle licences and licence plates.

In order to maintain a sound system of internal controls around these assets the Controller and Finance Officer has to ensure the following occurs:

1. All assets of the RTD are recorded in an electronic inventory log by their number sequence or a physical count performed where there is no number sequence.
2. All assets to be disbursed out of inventory are to be formally requisitioned and approved by the Finance Officer.
3. All assets should be disbursed in a systematic manner, i.e. in order of their number sequence or in sums of even numbers.
4. Limits should be established around how many inventory items are issued to a single officer.
5. Issuances from inventory should be signed off by the accounting personnel along with the staff member(s) receiving the assets.
6. All issuances should be reviewed and approved by the Finance Officer.
7. All assets issued should be reconciled daily to end of day reports.
8. Inventory reconciliations should be reviewed and approved by the Finance Officer.
9. Replenishment of inventory items only occurs once assets issued have been appropriately reconciled and reaches the set depletion level.

Adhering to processes, such as those noted above, around the safeguarding of assets, will ensure that management has carefully considered deterrents to the department being susceptible to fraud.

Based on the deficiencies in internal controls, the breakdown in management's oversight around the revenue streams noted herein, and all of the malfeasances noted throughout this report, we will conclude that a complete restructuring of the motor vehicle licence section be executed as soon as practicable.

SUMMARY OF RESPONSE FROM MANAGEMENT

The Road Traffic Department and the Ministry of Transport & Aviation are committed to ensuring that the collection of revenue due to Government is afforded the very highest priority. In this regard, both the Department and the Ministry are intolerant of acts of theft, malfeasance, or indifference, as they relate to Government revenue, Departmental operations, and to the Government's payroll. You are aware, however, of the operational challenge by a wholly manual system.

We are committed to addressing the physical conditions in the Clarence Bain building, which houses both the Road Traffic Department, the Department of Labour and the Department of Social Services. We too find these conditions unsatisfactory.

In this regard, I wish to emphasize that our commitment to the long – overdue transformation of the Road Traffic Department is evidenced by the following major initiatives now underway:

- The development of a modern, integrated Drivers and Vehicle Licence system, which will provide a central register of vehicles, and eliminate manual processes which foster manipulation and malfeasance, thereby substantially improving the Department's revenue collection. The new system will also provide interface with Customs, the Police and insurance agencies, thereby minimizing the opportunity for fraud.
- Under the direction of the Ministry of Finance, we are poised to conclude agreement for the purchase and refurbishment of a complex on the Tonique Williams Darling Highway, for the relocation of the head Office of the Road Traffic Department into a state of the art modernized Road Traffic facility;
- The development of a new system for the secure production of licence plates, reducing substantially the opportunity for the illegal production and duplication of vehicle licence plates. Please note that the Government is now reviewing proposals in response to an RFP for a turnkey solution.

In the circumstances and to assure a full and complete context, it seems appropriate that these groundbreaking and significant efforts should provide a Background to your report, lest the impression be given that operations will continue as business as usual and the substantial efforts of the ministry, the department, and indeed the Government of The Bahamas, in addressing the challenges which have historically diminished the effectiveness of the Road Traffic Department be overlooked in the larger context.

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