Office of Transportation Collections & Revenue Audit

AUGUST 4, 2026

Office of the County Auditor

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THE HOWARD COUNTY GOVERNMENT

Office of the County Auditor

MEMORANDUM

August 4, 2026

Memo To: The Honorable Members of the County Council
The Honorable Calvin Ball, County Executive

From: Janine McGregor, CPA, CISA
Acting County Auditor

Subject: Office of Transportation Revenue and Collections Audit

Pursuant to Section 212 of the Howard County Charter and Council Resolution 22-1985, the Office of the County Auditor conducted an audit of the Office of Transportation. Please find enclosed the audit report which contains our findings and recommendations, and outlines the scope, approach, and methodology we applied in conducting the audit.

Our findings have been shared with the Office of the Chief Administrative Officer, and we have included the Administration's responses. We wish to express our gratitude to the Office of Transportation for their cooperation and assistance extended to us during the engagement.

CC: Council Administrator
Brandee Ganz, Chief Administrative Officer, County Administration
Clarence Dickerson, Chief Administrative Office, Office of Transportation
Patrick Pope, Assistant Chief Administrative Officer, County Administration
Gary Kuc, County Solicitor, Office of Law

II. Background

The Office of Transportation (the Office) is responsible for planning, coordinating, and overseeing transportation infrastructure and services within Howard County. The Office works with federal, state, regional, and local partners to support the development of a connected, integrated, equitable, and safe multimodal transportation system. Its primary functions include transportation planning, oversight of public transit services, bicycle and pedestrian planning and coordination.

The Office operates under the oversight of the Department of County Administration and receives guidance from the Howard County Multimodal Transportation Board, which advises the County Executive on transportation-related matters.

During the audit period, the Office partnered with the Central Maryland Regional Transportation Agency (RTA) to oversee the management and operation of public transportation services. The RTA provides fixed-route and paratransit services to Howard County, Anne Arundel County, Prince George's County, and the City of Laurel. Funding for these services is derived from local revenues, state and federal grants, farebox receipts, and advertising revenues, which are shared among participating jurisdictions to support operating and capital expenditures.

III. Executive Summary

We conducted a performance audit of the Office of Transportation's revenues and collections associated with public transportation services administered through the Office and RTA. We gained an understanding of the workflow and processes related to the processes and controls in place to ensure that revenues were properly collected, recorded, reconciled, and reported.

Our walkthrough and testing procedures yielded findings related to inadequate internal controls over the revenue and collection processes, the absence of formal standard operating procedures, and the insufficient monitoring of vendor financial reporting requirements.

IV. Objectives

The objectives of our audit were to:

a) Determine the adequacy of the design and operating effectiveness of the internal controls over revenues and collections.

b) Determine the adequacy of operating effectiveness of the internal controls over the Transportation Services Program Revenue Fund.
c) Verify that the cost allocation method used to develop the revenue budget projection and the Office of Transportation's share of federal and state revenue appropriation are accurate.
d) Ensure that revenues for advertising are properly calculated, collected, recorded, and reported.
e) Ensure that the Central Maryland Regional Transportation Agency complied with contract requirements regarding its audited financial statements.

V. Scope, Approach, and Methodology

The audit focused on processes completed by The Office of Transportation covering the period 07/01/2023 through 06/30/2025.

We conducted the performance audit in accordance with the *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, and appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We determined the nature, timing, and scope of the audit procedures included but were not limited to:

a) Performed substantive testing, transaction testing, observation, inquiry, and analytical procedures
b) Determined the audit sample sizes
c) Correlated risk with nature, timing, and extent of testing
d) Designed multipurpose tests with a common sample to test several different controls and specific accounts or transactions

We planned the audit to reduce the audit risk to an acceptably low level. Planning was a continuous process throughout the audit. To address our audit objectives, we collected and reviewed key documents containing suitable criteria and analyzed data relevant to our audit objectives. We also performed the following procedures:

a) Attempted to obtain copies of policies, procedures, and other guidance relevant to the office/program activities and conducted reviews to gain an understanding of the processes and key controls as it relates to the audit objectives.

b) Reviewed laws, regulations, contracts and agreements applicable to the operations of the office/program to evaluate requirements and performance targets, expectations, and milestones.

c) Assessed the internal controls the office has in place for managing and monitoring the program activities. Specifically, we determined whether all five components of the standards for internal control in the County Government were significant to our audit objectives: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. We developed our audit plan to assess each of these control areas in determining how effectively the office manages the program oversight.

d) Obtained and analyzed data and reports used by the office to monitor and evaluate the effectiveness of the program oversight activities. We performed population validation procedures to assess the reliability of the data received. We determined that the data provided was unreliable for the purposes of our audit.

e) Conducted interviews and walkthroughs with management and staff connected with the program activities to gain an understanding and assessed the adequacy of the internal controls.

VI. Results

Finding 1: Inadequate Controls Over the Revenue and Collections Process

Condition

During our review of The Office of Transportation's internal controls as it relates to the design and operating effectiveness of its revenue and collections processes, we noted the following areas of concern:

Lack of Reconciliation: Management does not reconcile service hour data reports provided by the third-party vendor, RTA. These reports are utilized in calculating cost allocations to the various jurisdictions. Specifically, the reports used to calculate or support the allocation of revenue were not reconciled to source records (e.g., vendor service hour logs, or other system generated supporting documentation), and the methodologies used to allocate costs between jurisdictions were not adequately documented. As a result, Management could not demonstrate that the data used to allocate costs was complete, accurate, and supported.

Lack of Report Validation: Management relies heavily on reports generated and/or provided by RTA to support operational activities, and/or financial calculations. However, these reports were not independently validated for accuracy or completeness prior to use. Specifically, management did not establish procedures to verify that the data contained in the reports were without errors. Additionally, the reports had not been independently reviewed or otherwise subjected to formal assurance procedures.

Use of Manual Spreadsheets: Cost allocation logs are maintained in MS Excel without version control. Key calculations or tracking are performed outside a computer system that is not protected, increasing the potential risk of formulas being overwritten or cells manually adjusted.

Criteria

In accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States, Management is responsible for designing and implementing internal controls to ensure the reliability, accuracy, and completeness of information used to support operations and decision-making. Additionally, cost allocations should be based on verifiable and supportable data to ensure accuracy and compliance with applicable policies, agreements, and funding requirements.

Cause

In that capacity, it appears that the condition is due to the absence of a formal reconciliation process and lack of established procedures requiring verification of reported data to source documentation prior to its use in cost allocation calculations. Effectively, the lack of reconciling data reports to source documentation may lead to the risk that cost allocations may be inaccurate, unsupported, or improperly calculated.

Effect

As a result, the misallocation of costs across programs, funding sources, or jurisdictions, could lead to noncompliance with contractual, regulatory, or grant requirements, in addition to the loss of County revenue.

Recommendations

We recommend that The Office of Transportation implement a formal reconciliation process requiring that all data used in cost allocations are reconciled to the vendor's system generated service hour reports. This process should include documented evidence of review and approval to ensure completeness, accuracy, and consistency prior to finalizing cost allocation calculations.

Additionally, we recommend that Management strengthens controls over the use of manual spreadsheets by implementing formal spreadsheet governance and version control procedures. At minimum, management should:

a) Restrict editing access to authorized personnel and maintain appropriate segregation of duties;
b) Implement supervisory review and approval procedures for spreadsheet changes, calculations, and data updates;
c) Periodically, reconcile spreadsheet information to source records.
d) Evaluate opportunities to automate manual spreadsheet processes within controlled systems where feasible.

Administration's Response

The Office of Transportation will implement a reconciliation process requiring all data used in cost allocations to be reconciled, along with version controls over spreadsheets.

Finding 2: Lack of Formal Standard Operating Procedures (SOPs)

Condition

The Office of Transportation did not maintain formal, written standard operating procedures (SOPs) governing key grant administration and oversight activities. While Management provided documentation describing various grant administration processes and oversight activities, the documentation did not establish comprehensive procedures that clearly defined responsibilities, required actions, control activities, and monitoring requirements for administering and overseeing grant funded programs and vendor performance.

Criteria

As such, federal grant recipients and pass-through entities are required to establish and maintain effective internal controls over Federal awards in accordance with the Office of Management and Budget Code of Federal Regulation Title 2 Part 200 (Uniform Guidance). Effective internal controls should be documented and aligned with recognized internal control frameworks, such as the guidance in *Government Auditing Standards*, issued by the

Comptroller General of the United States issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Cause

The lack of SOPs occurred because the Office of Transportation had not established a formal process to develop, document, maintain, and periodically update written procedures for key operational and oversight activities.

Effect

Without formal SOPs, the Office cannot reasonably ensure that grant administration and oversight activities are performed consistently, accurately, and in accordance with management expectations and applicable grant requirements. The absence of documented procedures increases the risk of inconsistent practices, inadequate oversight, loss of institutional knowledge, control failures, and noncompliance with grant requirements.

Recommendations

We recommend that the Office develop, document, implement, and periodically update formal SOPs for key grant administration and oversight processes. At a minimum, the procedures should clearly define roles and responsibilities, required control activities, monitoring expectations, documentation requirements, and compliance responsibilities to promote consistency, accountability, and effective internal control over key processes.

Administration's Response

The Office of Transportation follows all federal, state, and local requirements. The Office will establish a documented process for all phases of key operational and oversight activities.

Finding 3: Inadequate Monitoring of Vendor Financial Reporting Requirements

Condition

The Office did not adequately monitor compliance with contractual financial reporting requirements for its transportation service provider. Specifically, the Office did not request, obtain, or maintain evidence that the vendor submitted the required audited financial statements for FY 2024 and FY 2025 as required by the contract. In addition, the Office had not established a formal tracking mechanism or monitoring process to ensure required financial statements and supporting documentation were received, reviewed, and retained in accordance with the contractual requirements.

Criteria

As outlined in the Annual Audit Inventory Section 30.10.1 of the contractual agreement, the vendor, RTA, is required to submit annual audited financial statements for each applicable fiscal year during the term of the agreement. Additionally, the Generally Accepted Accounting Principles (GAAP), requires entities to prepare complete financial statements (e.g., balance sheet, income statement, statement of cash flows, etc.) for the reporting period. As such, the Office is responsible for monitoring vendor's compliance with contractual requirements and maintaining documentation sufficient to demonstrate that required deliverables were received and reviewed.

Cause

In discussions with the personnel, we noted that the Office had not established adequate contract monitoring procedures to verify receipt of required financial documentation and ensure vendor compliance with agreement provisions.

Effect

As a result, the lack of audited financials limits the Office's ability to rely on the data received from the vendor. Additionally, without obtaining and reviewing the vendor's audited financial statements, the Office may miss indicators of financial instability, noncompliance, or other matters that could affect RTA's ability to properly support the County's transportation activities/operations.

Recommendations

We recommend that The Office of Transportation:

a) Establish and implement formal procedures to monitor vendor compliance with all financial reporting requirements contained in the agreements executed.
b) Request and obtain required audit financial statements from vendors in a timely manner.
c) Maintain documentation evidencing receipt and review of required financial audits.

d) Develop and maintain a contract compliance tracking mechanism to ensure all required deliverables are submitted and monitored throughout the agreement period.

Administration's Response

Administration concurs with this finding. The Office of Transportation (with consultation from the Budget Office) recently requested key financial statements to satisfy the agreement. The Office of Transportation will establish procedures to monitor and maintain documentation along with compliance tracking mechanism for vendor compliance.

V. Conclusion

Overall, our audit identified opportunities to strengthen the Office's internal controls over contract administration, vendor oversight, and revenue and cost allocations processes associated with the County's transportation services program. Management concurred with our findings and recommendations. Implementation of our recommendations should strengthen the Office's oversight framework and reduce the risk of errors, omissions, and noncompliance in the administration of the transportation services agreement.