PERFORMANCE AUDIT REPORT

Policies and Procedures for Billing and Collecting Alley and Footway Revenues Billed to Property Owners During Fiscal Years 2001 and 2002

December 2003

City of Baltimore
Department of Audits

CITY OF BALTIMORE

MARTIN O'MALLEY, Mayor

DEPARTMENT OF AUDITS

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Honorable Joan M. Pratt, Comptroller
And Other Members of the Board of Estimates
City of Baltimore

We conducted a performance audit of the City's policies and procedures for billing and collecting alley and footway revenues billed to property owners during fiscal years 2001 and 2002. The purpose of our audit was to determine whether those policies and procedures included internal controls that were properly designed and placed in operation for billing, collecting, monitoring, and recording alley and footway revenues.

As a result of our audit, we noted certain areas where the effectiveness of the control procedures could be improved, and recommend that:

- The Department of Transportation periodically review assessment rates (preferably on an annual basis) and request the Board of Estimates' approval to adjust the rates when significant increases in contract costs are incurred.

- Billings be initiated promptly after improvements to alleys and footways are completed including the required public notices and allowable appeals. Also, the Footway Section should adopt billing procedures similar to those utilized for alley billings (i.e., billing groups of footways as they are completed rather than waiting until work is completed for the entire contract).

- Alley and Footway Management perform periodic reviews to determine whether all property owners who have had work completed are billed in a timely manner.

- The Department of Finance, in conjunction with the Department of Law, determine the feasibility of filing civil suits to collect delinquent alley and footway assessment bills not recovered through the annual tax sale or determine whether there are other procedures that could be adopted to facilitate the collection of delinquent bills.

- Procedures be established to review inspector adjustments and Zoning Board appeal abatements to ensure that those adjustments are recorded in the general ledger and the individual customer accounts.

- Collections of alley and footway assessments be properly allocated between principal and interest in the general ledger. We also recommend that alley and footway personnel consult with the Mayor's Office of Information Technology and the Department of Finance to determine whether it is possible to identify and correct previous incorrect postings.

- The City discontinue recording revenues and applicable accounts receivable for amounts that it will not collect such as for improvements made to properties listed in the name of the Mayor and City Council. We also recommend that the City attempt to identify and adjust revenues and the corresponding accounts receivable for such improvements previously recorded.

- The City periodically prepare a summarization of the individual customer accounts receivable balances recorded in the subsidiary records and reconcile the summary report total to the general ledger control account and the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report.

Respectfully submitted,

Yovonda D. Brooks, CPA
City Auditor

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Background Information

The Department of Transportation is responsible for maintenance and repairs of the City's alleys and footways. Owners of abutting properties requiring footway improvements are given the option to have the improvements done themselves or by the City. Otherwise, the improvements are done through the City. Owners of properties abutting alleys and footways improved by the City are assessed and billed for a portion of the costs incurred for those improvements, based on the square footage of the applicable fronts, rears or sides of the abutting properties. Billings to owners of corner lots, having the fronts on some intersecting or crossing alley and having the sides upon the alley to be paved, are based on one-fifth (1/5) of the length of the side. If within a period of five years, alleys are graded, paved, or curbed abutting a corner lot, the owner of the corner lot is assessed for improvements to either the side alley or rear alley, whichever is greater.

According to the Baltimore City Code, the assessments to property owners could be as much as 2/3 of the costs for paving the alleys. However, the City's policy has been to bill the property owners for approximately 50% of the cost of those improvements. The current assessment rate to property owners for alley improvements is $2.75 per square foot and has been in effect since 1989.

The Baltimore City Code also states that property owners should be assessed the full cost for footway improvements. The current assessment rates, which have been in effect since 1987, to property owners for footway improvements are $4.75 per square foot for 7-inch cement concrete footways and $4.00 per square foot for 5-inch cement concrete footways. The current assessment rate for 5-inch exposed aggregate concrete footways is $4.50 per square foot and $5.50 per square foot for 7-inch aggregate concrete driveways. The rates for aggregate concrete have been in effect since 1984. The City is responsible for the cost of footway improvements required because of damage caused by City-owned trees.

Property owners are eligible for a credit on the assessed amounts for the grading, paving or repairing of alleys and footways if the owner received a homeowner's property tax credit in the previous fiscal year.

Property owners have the option of paying the assessments in full when due or paying the assessments in equal annual payments, plus interest, over a period of up to 5 years. As shown on Exhibit I, the City billed approximately $2.2 million for alley and footway improvements during fiscal years 2001 and 2002. Net collections and other credits against those billings totaled approximately $1.7 million. According to the City's general ledger, the total amount for all alley and footway accounts receivable at June 30, 2002 (including contracts billed prior to fiscal year 2001) was approximately $1.1 million, and the net collections and other credits during fiscal years 2001 and 2002 totaled approximately $3.1 million. However, according to the City's records, more than $500,000 of that amount represents write-offs or reductions for properties reverting to the City at the annual tax sales.

Alley and footway bills not paid within 30 days of the due date are considered delinquent. In those cases, the City sends the applicable property owner a delinquency notice. Properties with unpaid delinquent footway bills at year-end are included in the City's annual tax sale as an

attempt to recover the liens. Properties with unpaid delinquent alley bills, however, may not be included in the annual tax sale unless those properties have other delinquent bills normally subject to the tax sale (property taxes, water bills, footway bills, etc.).

Audit Scope, Objectives and Methodology

We conducted a performance audit of the City's policies and procedures for billing and collecting alley and footway revenues billed to property owners during fiscal years 2001 and 2002 (July 1, 2000 through June 30, 2002). The purpose of our audit was to determine whether those policies and procedures included internal controls that were properly designed and placed in operation for billing, collecting, monitoring, and recording alley and footway revenues. Our audit was conducted in accordance with generally accepted *Government Auditing Standards* related to performance audits, issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

The objectives of our audit were to determine whether property owners receiving the benefits of alley and footway improvements were actually billed, whether property owners were billed at the proper rates, and whether billed amounts were properly monitored, collected, and recorded.

To accomplish our objectives, we obtained an understanding of the policies and procedures used to accumulate costs for alley and footway repairs and to bill, collect, monitor and record applicable revenues generated as a result of those repairs. We also had discussions with various personnel from the Department of Transportation's Alley, Footway, and Fiscal Administration Sections, as well as the Mayor's Office of Information Technology (MOIT) and various sections within the Department of Finance's Bureau of Treasury Management and Bureau of Accounting and Payroll Services (BAPS). We also reviewed various records and reports utilized to process, monitor, control and record alley and footway revenues and the associated accounts receivable.

Our findings and recommendations are detailed in the Findings and Recommendations section of this report. Responses of the Department of Transportation, the Department of Finance and the Mayor's Office of Information Technology and, if necessary, the Department of Audits' comments to the responses are included with the applicable findings and recommendations.

Findings and Recommendations

Accounting and Control Procedures for Billing, Collecting and Monitoring Revenues

Conclusion

Alley and footway rates assessed to property owners have not been adjusted for many years even though the contract costs for those improvements have increased. Also, long delays occurred between the completion of contract work and the related billings to property owners. Additionally, the City has not adequately pursued the collection of delinquent alley and footway assessment bills.

Finding #1
Alley and footway rates assessed to property owners have not been adjusted for many years even though the contract costs for those improvements have increased.

Analysis
Alley and footway rates assessed to property owners have not been adjusted for many years even though the contract costs for those improvements have increased. The alley and footway assessment rates have not been increased since 1989 and 1987, respectively. The alley assessment rates approved in 1989 were intended to recover 50% of the cost of improvements made. However, costs have risen since then. For example, the costs for Alley Contract #98006 totaled $1,073,524, or $5.95 per square foot, and the amounts billed to property owners totaled $322,220, or 30% of the costs, resulting in a funding shortfall of $214,542. Fifty percent (50%) of the cost per square foot for Contract #98006 totaled $2.98; however, $2.75 per square foot was assessed to property owners. Many other alley contracts billed during fiscal years 2001 and 2002 had similar shortfalls, and increases in the cost per square foot for alley improvements are likely to continue. For example, fifty percent (50%) of the estimated cost of Contract #01004 (billed to property owners during fiscal year 2003) is $3.20 per square foot, or 16% more than the current $2.75 assessment rate.

Other factors also contributed to the shortfalls. For example, some property owners received home owners' credits, and assessments were often reduced through appeals. Also, the costs for portions of some of the alley repairs were not assessable to the property owners. As mentioned in the Background Information Section of this report, owners of corner lots were assessed for improvements to either the rear alley or one-fifth (1/5) of the side alley, whichever is greater. Also, some of the alleys paved did not abut property owners' lots.

Similar shortfalls occurred for footway contracts billed during fiscal years 2001 and 2002. As shown on Exhibit II, contract costs for the eight (8) footway contracts totaled $3,793,667. After excluding $1,896,390 funded through Motor Vehicle Funds (for damages caused by City owned trees, etc.), the balance needed from assessments to property owners was $1,897,277. However, billing assessments totaled $1,108,044, resulting in a shortfall of $789,233.

Recommendation #1
We recommend that the Department of Transportation periodically review assessment rates (preferably on an annual basis) and request the Board of Estimates' approval to adjust the rates when significant increases in contract costs are incurred.

Agency Response
Department of Transportation: The Department of Transportation (DOT) will re-evaluate the price per square foot assessed to the property owners based on the historical data available. If the historical data support the increase in the price assessed to the property owners then we will request the Board of Estimates for the appropriate increase. In the mean time, DOT will continue on using the approved Board of Estimates rates of $2.75 per square foot for alleyways and $4.00 per square foot for footways.

Department of Audits' Comments
DOT's response did not indicate when the initial review would be completed. The examples cited in our analysis above show that costs have increased since the rates were last adjusted, many years ago. Also, the response did not address our recommendation for a periodic (annual) review of contract costs and assessment rates.

Finding #2
Long delays occurred between the completion of contract work and the related billings to property owners.

Analysis
Long delays occurred between the completion of contract work and the related billings to property owners. For the 64 completed alleys billed during fiscal year 2001 and the 71 completed alleys billed during fiscal year 2002, the time lag between the completion date and the date the property owners were billed for applicable alley repairs ranged from 2 months to 40 months, with an average time lag of 9 months. According to the Alley Section's policies, the property owner billing process is normally initiated two to three months after several alleys in a contract are completed because of the time needed to provide for notice to property owners and requests for appeal. According to Alley Section personnel, the additional delays were generally caused because the employee assigned to initiate the billing process was absent for an extended period of time, and no one was assigned to take over that responsibility.

For the 338 completed footways under Contract #99028 and the 251 completed footways under Contract #99029 billed during fiscal year 2001, the time lag between the completion date and the billing date for each footway ranged from 10 to 20 months. These long time lags occurred, in part, because the property owners were not billed for footway repairs until all properties in a footway contract were completed, rather than as groups of footway repairs within a contract were completed (as was done for alleys). However, there were still long delays in billing even after the last footway in the contracts were completed. Footway improvements were completed on various dates from August 1999 through June 2000. However, the property owners were not billed until April 2001.

Recommendation #2
We recommend that billings be initiated promptly after improvements to alleys and footways are completed and after allowing time for the required public notices and allowable appeals. To facilitate timely billings, another employee should be assigned billing responsibility when the employee primarily responsible is absent. Also, the Footway Section should bill groups of footways as they are completed rather than waiting until work is completed for the entire contract. We also recommend that Alley and Footway Management perform periodic reviews to determine whether all property owners who have had work completed are billed in a timely manner. This review can be accomplished by utilizing reports generated through MOIT for this purpose.

Agencies Responses
Department of Transportation: The DOT Alley and Footway sections will review their billing procedures. However, footway billings are completed as specified in Article 26 10-5, Assessment of Costs. If footways were billed upon completion of groups, notices would have to be published in 2 newspapers on a weekly or monthly basis, perhaps resulting in a more cumbersome process, and definitely resulting in increased costs for the City.

Department of Finance: Once the alley and/or footway improvement and appeals process is completed, every effort is made by the Billing Unit in the Bureau of Treasury Management to bill the customers within 3 to 5 work days following notification by Alley and Footways.

Department of Audits' Comments
DOT's response did not indicate a time frame for reviewing the billing procedures and developing a more timely billing process and did not address our recommendation to assign billing responsibility to another employee when the employee primarily responsible is absent. Also, DOT's response did not include specific information to support the possibility of a more cumbersome billing process and an increase in costs to the City if property owners were billed more frequently for footway costs. The benefits of billing more timely may outweigh possible increased costs when you consider the interest the City could earn if the assessments are collected sooner. DOT's response also did not address our recommendation for Alley and Footway Management to perform periodic reviews to determine whether all property owners who have had work completed are billed in a timely manner.

Finding #3
The City has not adequately pursued the collection of delinquent alley and footway assessment bills.

Analysis
The City has not adequately pursued the collection of delinquent alley and footway assessment bills. Properties with unpaid delinquent footway bills and alley bills, where permitted by law, were included in the City's annual tax sale as an attempt to recover the delinquent liens. However, no further collection procedures were pursued for delinquent assessment liens not sold at tax sale, other than to continue to attempt to recover those liens at subsequent tax sales. According to the City's records, there were more than $500,000 of write-offs or reductions for properties reverting to the City at the 2001 and 2002 tax sales. It is our understanding that the

City could pursue collection by filing civil suits in District Court to obtain judgments against the applicable property owners. However, we were told that the City has not filed for judgments in many years because of staffing shortages.

Recommendation #3
We recommend that the Department of Finance, in conjunction with the Department of Law, determine the feasibility of filing civil suits to collect delinquent alley and footway assessment bills not recovered through the annual tax sale or determine whether there are other procedures that could be adopted to facilitate the collection of delinquent bills.

Agency Response
Department of Finance: The Bureau of Treasury Management in conjunction with the Law Department will look into the feasibility of filing civil suits or other appropriate action to collect delinquent alley and footway assessment bills not recovered through the annual tax sale. This issue ties into a bigger issue regarding the manner in which all types of bills should be collected and to determine if the City should hire a firm to assist in collecting delinquent accounts. This evaluation should be done by June 2004. It should be noted that if an individual only has a delinquent Alley Bill and there are no other lienable delinquent bills, the alley bill itself couldn't go to Tax Sale.

Accounting and Control Procedures for Recording and Reconciling Accounts Receivable

Conclusion

Numerous billing adjustments were not recorded in the general ledger (control account) or individual customer accounts (subsidiary records), and many adjustments were recorded in the subsidiary records but not in the general ledger. Also, payments for alley and footway assessments were not properly allocated between principal and interest in the general ledger. Since the City did not prepare summary reports of the individual customer accounts receivable balances, the subsidiary record totals were not periodically reconciled to the general ledger or the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report. Consequently, we were unable to determine the correct alley and footway accounts receivable balance at June 30, 2002.

Finding #4
Numerous billing adjustments were not recorded in the general ledger (control account) or individual customer accounts (subsidiary records), and many adjustments were recorded in the subsidiary records but not in the general ledger.

Analysis
Numerous billing adjustments were not recorded in the general ledger (control account) or individual customer accounts (subsidiary records), and many adjustments were recorded in the subsidiary records but not in the general ledger. Alley and footway revenues and the corresponding entries to the accounts receivable general ledger were recorded based on initial

billing information. However, subsequent billing adjustments/abatements were often made because of inspectors' adjustments and appeals to the Zoning Board. Our tests disclosed that 55 inspector adjustments, totaling approximately $16,600, and 7 Zoning Board appeal abatements, totaling approximately $5,700, were not recorded in the accounts receivable general ledger, thereby overstating alley and footway revenues and the applicable accounts receivable balance by approximately $22,300. Twenty (20) of the inspector adjustments, totaling approximately $4,900, were also not recorded in the individual customer accounts (subsidiary records) and were not reflected as assessment/billing reductions to the applicable property owners.

Recommendation #4
We recommend that procedures be established to review inspector adjustments and Zoning Board appeal abatements to ensure that those adjustments are recorded in the general ledger and the individual customer accounts.

Agency Response
Department of Finance: The Bureau of Treasury Management believes that the best way to fix this problem is to automate the adjustments process. MOIT indicated that a record of adjustment could be created and the IFS could be updated through a temporary disk. If the IFS cannot accept a temporary disk, the process could be handled through the Accounts Receivable Unit within the Bureau of Accounting and Payroll Section (BAPS). MOIT will be requested to automate the process. This programming change could be implemented by January 1, 2004. In the interim, the Bureau of Treasury Management will request the Alley and Footways Unit to send BAPS and the Accounting Section of the Bureau of Treasury Management a copy of the adjustment request indicating the General Ledger Number so that an adjustment can be made to the Customer's Account and to the General Ledger System.

Department of Audits' Comments
The response did not address periodic reviews to ensure that automated adjustments have been properly recorded in the general ledger and customer accounts.

Finding #5
Collections of alley and footway assessments were not properly allocated between principal and interest in the general ledger.

Analysis
Collections of alley and footway assessments were not properly allocated between principal and interest in the general ledger. Except for collections through tax sales, we noted numerous cases where the collections of alley and footway liens were recorded as principal in the general ledger, rather than allocating an appropriate portion to interest. Accordingly, accounts receivable and interest revenue were understated in the general ledger for those transactions. Due to the large volume of incorrect postings, it was not practical for us to determine the amount of the understatements.

Recommendation #5
We recommend that collections of alley and footway assessments be properly allocated between principal and interest in the general ledger. We also recommend that alley and

footway personnel consult with MOIT and the Department of Finance to determine whether it is possible to identify and correct previous incorrect postings.

Agency Response
Department of Finance: MOIT created a program that creates a file each night with all the information of crediting the proper General Ledger Accounts to include principal, interest, penalties, HTC Credit, bad check fees, and tax sale costs. BAPS will determine the steps it needs to take to implement the program into the IFS. This program will be implemented by January 31, 2004. It will not be possible to adjust history.

Finding #6
Improvements made to properties listed in the name of the Mayor and City Council were often billed and recorded as accounts receivable, but those billings were not expected to be collected, resulting in an overstatement of revenues and accounts receivable.

Analysis
Improvements made to properties listed in the name of the Mayor and City Council were often billed and recorded as accounts receivable, but those billings were not expected to be collected. Our tests disclosed numerous such occurrences, resulting in an overstatement of revenues and accounts receivable. According to a report that we requested from MOIT, there were more than 1,000 delinquent alley and footway bills with outstanding amounts, totaling approximately $1.4 million as of June 30, 2002. However, at least $1 million of the outstanding delinquent amounts represent billings to the Mayor and City Council.

Recommendation #6
We recommend that the City discontinue recording revenues and applicable accounts receivable for amounts that it will not collect such as for improvements made to properties listed in the name of the Mayor and City Council. We also recommend that the City attempt to identify and adjust revenues and the corresponding accounts receivable for such improvements previously recorded.

Agencies Responses
Department of Finance: The Bureau agrees with the recommendation that the City discontinue recording revenues and applicable accounts receivable for amounts that it will not collect for improvements made to properties listed in the name of the Mayor and City Council. MOIT indicated that the system could be programmed that if the property is in the name of the Mayor and City Council and there is not a 3rd party mailing address on the record which would indicate a leased facility then MOIT could generate an adjustment to abate the cost of the improvement. A request from the Department of Transportation to MOIT will be initiated to make this change. MOIT indicated they could have the program change in place by January 1, 2004. The Bureau of Treasury Management cannot go back into history and make adjusting entries for improvements previously recorded.

Department of Transportation: The DOT Alley and Footway Sections will discontinue sending out notices to properties listed in the name of the Mayor and City Council. The DOT Alley and Footway Sections will work with MOIT to automate this modification/process.

Finding #7
The City did not prepare summary reports of the individual customer accounts receivable balances recorded in the subsidiary records. Consequently, the subsidiary record totals were not periodically reconciled to the general ledger control account or the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report.

Analysis
The City did not prepare summary reports of the individual customer accounts receivable balances recorded in the subsidiary records. Consequently, the subsidiary record totals were not periodically reconciled to the general ledger control account or the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report. As of June 30, 2002, the general ledger balance for alley and footway receivables totaled $1,141,285. However, the subsidiary record of customer account balances totaled $2,160,299, or $1,019,014 more than the general ledger balance. According to another report, the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report, alley and footway accounts receivable totaled $652,220 as of June 30, 2002.

We identified an $800,000 adjustment in the subsidiary records that could account for a substantial portion of the difference between the subsidiary records and the general ledger. However, we were unable to obtain an explanation from alley personnel for that adjustment. Because of this, as well as the other errors noted in Audit Findings #4, #5 and #6, it was not possible to determine the correct alley and footway accounts receivable balance at June 30, 2002.

Recommendation #7
We recommend that the City periodically prepare a summarization of the individual customer accounts receivable balances recorded in the subsidiary records and reconcile the summary report to the general ledger control account and the Bureau of Accounting and Payroll Services' Revenue Control Statement of Accounts Receivable Report.

Agency Response
Department of Finance: The Bureau agrees that there should be a monthly reconciliation between the general ledger control account and the customer accounts receivable balances. However, we do not believe we can go back in history to do the periodic reconciliations. The recommendation is to make an adjustment at a certain date and to reconcile monthly from that point in time. The intent is to do the reconciliation by January 31, 2004.

EXHIBIT I

ALLEYS AND FOOTWAYS
SCHEDULE OF BILLINGS AND COLLECTIONS DURING FY 2001 AND FY 2002
AND ACCOUNTS RECEIVABLE BALANCES AT JUNE 30, 2002
FOR CONTRACTS BILLED DURING FY 2001 AND FY 2002

CONTRACT #	ACTIVITY #	GENERAL LEDGER RECEIVABLE BALANCE 7/1/2000	NET AMOUNTS BILLED FY 2001	NET AMOUNTS BILLED FY 2002	NET AMOUNTS BILLED TOTAL	NET COLLECTIONS AND OTHER CREDITS FY 2001	NET COLLECTIONS AND OTHER CREDITS FY 2002	NET COLLECTIONS AND OTHER CREDITS TOTAL	GENERAL LEDGER RECEIVABLE BALANCE 6/30/2002
FOOTWAYS									
99028	373	$ (5,320)	$ 143,769		$ 143,769	$ 71,388	$ 38,422	$ 109,810	$ 28,639
99029	374	(3,466)	143,037		143,037	58,814	38,398	97,212	42,359
99030	375	(2,136)		$ 159,443	159,443	16,392	90,133	106,525	50,782
99031	376	(1,651)		148,151	148,151	11,504	71,955	83,459	63,041
99032	377	(2,828)		147,724	147,724	10,769	51,695	62,464	82,432
99033	378			124,656	124,656	15,345	72,651	87,996	36,660
00039	379			97,894	97,894	1,264	27,675	28,939	68,955
00041	381			113,370	113,370	5,063	68,271	73,334	40,036
TOTAL - FOOTWAYS		**$ (15,401)**	**$ 286,806**	**$ 791,238**	**$ 1,078,044**	**$ 190,539**	**$ 459,200**	**$ 649,739**	**$ 412,904**
ALLEYS									
97131	277	$ 24,502	$ 12,770		$ 12,770	$ 38,460	$ 7,504	$ 45,964	$ (8,692)
98080	282	62,952	29,792	$ 14,347	44,139	52,852	28,007	80,859	26,232
98081	283	130,666	58,554	7,124	65,678	78,159	31,938	110,097	86,247
98082	284	22,577	16,120	81,246	97,366	32,186	55,178	87,364	32,579
99054	285		88,398	119,374	207,772	45,588	79,766	125,354	82,418
99055	286	(780)	191,776		191,776	83,214	42,446	125,660	65,336
99056	287		192,792	40,420	233,212	104,932	53,044	157,976	75,236
98006	278	135,319		9,745	9,745	99,472	30,090	129,562	15,502
00060	290			8,156	8,156	774	8,351	9,125	(969)
00062	292			92,270	92,270	990	64,026	65,016	27,254
00063	293			157,365	157,365		83,560	83,560	73,805
00064	294			813	813		3,377	3,377	(2,564)
TOTAL - ALLEYS		**$ 375,236**	**$ 590,202**	**$ 530,860**	**$ 1,121,062**	**$ 536,627**	**$ 487,287**	**$ 1,023,914**	**$ 472,384**
TOTAL		**$ 359,835**	**$ 877,008**	**$ 1,322,098**	**$ 2,199,106**	**$ 727,166**	**$ 946,487**	**$ 1,673,653**	**$ 885,288**

EXHIBIT II

ALLEYS AND FOOTWAYS
SCHEDULE OF FOOTWAY ASSESSMENT SHORTFALLS AS OF JUNE 30, 2002
FOR FOOTWAY CONTRACTS BILLED DURING FISCAL YEARS 2001 AND 2002

CONTRACT	TOTAL CONTRACT COSTS	LESS AMOUNTS FUNDED THROUGH MOTOR VEHICLE FUNDS	REMAINING COSTS TO BE RECOVERED FROM ASSESSMENTS	LESS ACTUAL ASSESSMENTS	FOOTWAY ASSESSMENT SHORTFALL	PERCENTAGE OF REMAINING COSTS RECOVERED FROM ACTUAL ASSESSMENTS
99028	$ 467,565	$ 255,294	$ 212,271	$ 143,769	$ 68,502	68%
99029	473,830	260,204	213,626	173,037	40,589	81%
99030	556,333	258,452	297,881	159,443	138,438	54%
99031	449,188	229,438	219,750	148,151	71,599	67%
99032	473,509	232,656	240,853	147,724	93,129	61%
99033	511,358	251,681	259,677	124,656	135,021	48%
00039	463,369	195,204	268,165	97,894	170,271	37%
00041	398,515	213,461	185,054	113,370	71,684	61%
TOTALS	$ 3,793,667	$ 1,896,390	$ 1,897,277	$ 1,108,044	$ 789,233	58%