

An Audit of
**The Department of Public Safety's
Fiscal Year 2004–2005 Contract with the
North Texas Tollway Authority**

August 29, 2003

Members of the Legislative Audit Committee:

The Department of Public Safety's (Department) proposed fiscal year 2004–2005 contract with the North Texas Tollway Authority (Authority) did not cover all of the Department's costs in providing highway patrol service positions to police the Authority's tollway systems. Material adjustments totaling \$1,061,490 were needed to cover the Department's costs, primarily to address newly enacted retirement incentives (see the attachment to this letter for additional details). The Department has revised its proposed contract with the Authority to account for these costs. Rider 52 of the General Appropriations Act authorizes the Department to provide these positions (see text box).

The Department currently has 17 positions assigned to the Authority under its fiscal year 2002–2003 contract. It plans to provide the Authority with an additional eight positions under its fiscal year 2004–2005 contract.

Rider 52 prohibits the Department from providing the additional eight positions until it complies with Rider 51, which requires the Department to increase the number of troopers patrolling Texas highways by 10 percent by August 31, 2003 (see text box). Our current review of the Department's full-time equivalent (FTE) count of troopers shows that the Department will not increase its trooper FTE count by 10 percent by August 31, 2003. Nevertheless, the Department believes that it met the intent of Rider 51 and plans to assign the Authority eight additional positions.

In April 2003, we reported that the Department may not be able to comply with Rider 51 by the August 31, 2003, deadline (see *A Review of the Department of Public Safety's Efforts to Increase the Number of Troopers Patrolling the Highways*, SAO Report No. 03-031). Since then, the Department has actively worked to comply with Rider 51; however, retirement incentives and attrition have more than offset its efforts toward this goal. The Department currently has 1,638 troopers and anticipates adding 160 positions from its training academies. As of August 15, 2003, however, it anticipated losing 129 positions because of retirement incentives.

**Excerpts from the General Appropriations Act
(77th Legislature)**

Rider 52, page V-55

"The department is authorized 24 highway patrol service positions upon entering into an interlocal cooperation contract with the North Texas Tollway Authority to police the Dallas North Tollway Systems. The Number of Full-Time-Equivalent Positions (FTE) figure indicated above is hereby increased by eight each fiscal year. The eight FTEs authorized by this rider may not be added until the department increases by 10 percent the number of troopers patrolling Texas highways in accordance with the goals as outlined in Rider Number 51....This authorization is contingent upon a certification by the State Auditor's Office that the contract covers all costs incurred...."

(Note: The State Auditor's Office confirmed with the Legislative Budget Board that the number of positions was stated in error above and should have been 25 instead of 24).

Rider 51, page V-54

"It is the intent of the Legislature that the DPS increase by 10 percent the current number of troopers actually patrolling Texas highways by August 31, 2003."

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We appreciate the Department's cooperation during this audit, and its responses are included in the attachment to this letter. If you have any questions, please contact Julie Ivie, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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Attachment

cc: Members of the Public Safety Commission
Colonel Thomas A. Davis, Jr., Director, Department of Public Safety

Original and Revised Department of Public Safety Contract Amounts

The Department of Public Safety (Department) initially drafted a contract with the North Texas Tollway Authority (Authority) that reimbursed the Department for \$3,190,084 for fiscal years 2004 and 2005. As Table 1 shows, after reviewing the cost estimates in that contract with the State Auditor's Office, the Department increased the contract amount to \$4,251,574.

Table 1

Differences Between Department of Public Safety Original and Revised Cost Estimates for Its Contract with the North Texas Tollway Authority				
Fiscal Year	Original Department Estimate	Revised Amount Based on SAO's Work	Difference	Comments
Wages and Salaries				
2004	\$ 1,052,372	\$ 1,108,744	\$ 56,372	The Department originally did not consider the pay levels of the 17 positions currently assigned to the Authority. The revised amounts are based on the actual salaries of those 17 positions and the projected average salaries for 8 additional positions.
2005	1,052,372	1,108,744	56,372	
Overtime				
2004	36,000	19,820	(16,180)	The Department's original estimates were based on \$120 per month for each position assigned to the Authority. The revised amounts are based on the average actual overtime for trooper positions of \$66 per month.
2005	36,000	19,820	(16,180)	
Hazardous Duty Pay				
2004	17,472	30,475	13,003	The Department's original estimates did not appropriately account for actual hazardous duty pay for the 17 positions currently assigned to the Authority. The revised amounts are based on the actual hazardous duty pay for the 17 current positions and the projected average hazardous duty pay for 8 additional positions.
2005	17,472	30,475	13,003	
Retirement				
2004	66,351	358,253	291,902	The Department's original estimates did not account for the possibility that troopers would make use of the early retirement incentive enacted through House Bill 3208 (78th Legislature, Regular Session).
2005	66,351	358,253	291,902	
Social Security Match				
2004	84,597	88,666	4,069	The Department's original estimates did not consider the pay levels of the 17 positions currently assigned to the Authority. The revised amounts are based on the actual salaries of those 17 positions and the projected average salaries for 8 additional FTEs.
2005	84,597	88,666	4,069	
Group Insurance				
2004	72,000	175,800	103,800	The Department's original estimates were based on the employee-only insurance rate for plan year 2001. The revised amounts are based on the employee and family rate for all 25 positions for plan year 2004 and include an estimated rate increase for plan year 2005.
2005	72,000	192,835	120,835	

**Differences Between
Department of Public Safety Original and Revised Cost Estimates
for Its Contract with the North Texas Tollway Authority**

Fiscal Year	Original Department Estimate	Revised Amount Based on SAO's Work	Difference	Comments
Automobile Operations				
2004	218,750	256,250	37,500	The Department's original estimates were based on a state mileage reimbursement rate of \$0.35 per mile. The revised amounts were based on (1) the actual operating costs per mile for Department vehicles assigned to the Authority (actual operating costs for fiscal years 2001 through 2003 and projected for 2004 and 2005) and (2) total acquisition costs of fully-equipped vehicles amortized over 80,000 miles.
2005	218,750	256,250	37,500	
Miscellaneous Operating Expenses				
2004	72,500	89,445	16,945	The Department's original estimates included only uniform replacement and cleaning costs. The revised amounts are based on all of the Department's actual operating expenses in fiscal years 2001 through 2003 and estimated operating expenditures for fiscal years 2004 and 2005.
2005	12,500	29,445	16,945	
Trooper Training Academy				
2004	0	25,881	25,881	The Department's original estimates did not include cost information related to the actual training costs for troopers in the training academy who are assigned to the Authority. The revised estimates include these training costs.
2005	0	0	0	
Amortization and Maintenance of Equipment				
2004	5,000	6,876	1,876	The Department's original estimates included a lump sum of \$5,000 for amortization and maintenance. The revised amounts are based on equipment the Department actually furnishes the Authority (excluding automobiles).
2005	5,000	6,876	1,876	
Totals	\$ 3,190,084	\$ 4,251,574	\$ 1,061,490	

Summary of Objectives, Scope, and Methodology

Our objectives were to determine whether the Department of Public Safety's proposed contract with the North Texas Tollway Authority reimburses the Department for all costs associated with providing the services required in the contract.

Our scope covered fiscal years 2001 through 2003 (through May 2003). Our methodology consisted of reviewing and analyzing the Department's actual expenditures for fiscal years 2001 through 2003 and estimating expenditures for fiscal years 2004 and 2005.

The audit was conducted in accordance with generally accepted government auditing standards; there were no significant instances of noncompliance with these standards.

Management's Response

The Texas Department of Public Safety agrees with the State Auditor's Office report regarding the adjusted proposed contract costs with the North Dallas Tollway Authority. The Department has chosen to estimate both Retirement and Insurance expenditures on a "worst case scenario" so as not to limit our agency's ability to pass on actual costs to the Tollway in the future. Adjustments in these two categories comprise the majority of the material adjustments identified as a whole by the State Auditor's Office. The Department estimates that actual billings to the Tollway may be lower than the worst case estimates in the contract.