



City Manager's Office – Internal Audit

DATE: January 25, 2012

TO: CRAIG SCHARTON, Assistant Director, DARM
DEL ESTABROOKE, Parking Manager

THROUGH: RENENA SMITH, Assistant City Manager *cr*

FROM: BOB KOURY, Principal Internal Auditor *Bob Koury*
Budget and Management Studies - Internal Audit

SUBJECT: FINAL FOLLOW-UP REVIEW REPORT - LIMITED SCOPE AUDIT OF
PARKING METER REVENUES AND INTERNAL CONTROLS

Attached is the Final Follow-up Review Report related to the Limited Scope Audit of Parking Meter Revenues and Internal Controls issued on June 30, 2011. This follow-up audit was performed in accordance with AO 1-12 and Government Auditing Standards.

The City's Parking Manager provided the current status and comments to Internal Audit on January 20, 2012, related to the five audit recommendations in the original audit report. Internal Audit performed follow-up procedures, as considered necessary, and determined the status of the original five audit recommendations as follows:

- 2 - Implemented
- 1 - Partially Implemented/In Process
- 2 - Not Implemented

We wish to thank you and your staff for your assistance during the course of this follow-up audit. If you have any questions or we can be of any further assistance to your Department, please contact Bob Koury, Principal Internal Auditor, at 621-7072.

Attachment

cc: Ashley Swearengen, Mayor
Council Members
Mark Scott, City Manager
Bruce Rudd, Assistant City Manager
Georgeanne White, Chief of Staff, Mayor's Office
James Sanchez, City Attorney
Karen Bradley, Interim City Controller/Finance Director
Elliot Balch, Downtown Revitalization Manager, DCR Department



City Manager's Office – Internal Audit

FINAL FOLLOW-UP REVIEW REPORT

**Limited Scope Audit – Parking Meter Revenues and
Internal Controls**

Audit Number 12-0007

**Performed by:
Bob Koury, Principal Internal Auditor
Budget and Management Studies – Internal Audit**

Issued on January 25, 2012

Introduction and Background Information

The City of Fresno has approximately 1,975 parking meters in the downtown area. Meters are for various periods of time, including 30 minutes, 1 hour, 2 hour, 4 hour and 10 hour increments.

The current parking meter rate is 75 cents per hour, in accordance with the City's Master Fee Schedule. Parking Services also offers a prepaid meter "Smartcard", which allows individuals to purchase meter time in advance that is stored on an electronic card and can be utilized at any electronic parking meter.

For individuals who are performing construction or conducting a special event in the downtown area and need to pre-purchase parking meters for short periods of time (1-3 days usually), Parking Services will "bag" the meters to take them out of service for the public. This must be approved and paid for in advance.

For FY11, the total budgeted Parking Meter revenue, including meter coins and "Smartcard" and "bagged/hooded" meter sales, is \$1,133,900. As of June 7, 2011, the total actual parking meter revenues received for FY11 was \$949,563, i.e. a variance of (\$184,337).

Audit Scope and Objectives

The primary objectives of this limited scope audit were: 1) to determine if all parking meter revenues per the City's approved Master Fee Schedule (MFS) were properly collected and deposited in a timely manner; 2) to test and determine the adequacy of all documentation in support of the parking meter revenues covered in this audit, and; 3) to identify any weaknesses in the parking meter processes, procedures and internal controls. Appropriate audit recommendations are then proposed to Department and Parking Division Management to strengthen and improve such internal controls and related recordkeeping for subsequent parking meter revenue collections for the City of Fresno.

Note: This Parking Meter audit is the first of three separate audits of Parking Fund Revenues. Limited scope audits will also be performed related to Parking Permits and Parking Citations revenues and internal controls following this audit.

Audit Conclusion

Overall, the Parking Division Manager and his limited staff should be commended for their efforts and professionalism in the collection, recordkeeping and depositing of parking meter revenues for the City. There are some areas, however, that were noted during the course of this audit that need to be addressed by the Department and Parking Division Management for improved internal controls and enhanced parking meter revenues. These areas are addressed throughout this audit report.

Audit Findings and Recommendations

I. Parking Meters/Coins Revenue

A copy of the current “Parking Meter Attendant Job Duties” procedures manual was obtained and reviewed during the course of this audit. Internal Audit also observed the entire parking meter/coin collection, security, counting, and depositing processes by the City’s Parking Meter staff. All related supporting documentation was also obtained, reviewed and tested for twelve sample weeks and twenty-four sampled days for the period December 17, 2010 through May 13, 2011. For this audit period, parking meter coin revenue averaged approximately \$21,000 per week.

Overall, the collection, security, counting (via automated coin counting machine), and depositing of parking meter/coin revenue was found to be adequate and appropriate. One item was noted, however, that needs to be addressed to further strengthen the internal control and accountability over these monies, as follows:

The “Coin Counting Machine Tape” that records and accounts for all parking meter coins placed in the machine for the week’s total collections was not consistently retained and affixed to the Parking Meter Weekly Report that is provided to the Parking Manager for his review, i.e. 6 of the 12 reports reviewed by Internal Audit did not have the coin counting machine “control tape” affixed to it. This procedure is good internal control and audit trail documentation as verification that all coins counted by the machine agree to the daily totals written on the Parking Meter Weekly Reports.

Audit Recommendation

1. The Parking Meter Supervisor and Attendants should ensure that the “Coin Counting Machine Tape” for the week’s total parking meter collections/coins is affixed to the Parking Meter Weekly Report on a consistent basis for the Parking Manager’s review and strengthened internal control. Providing the coin counting “control total” tape for each day’s total collections to the Parking Manager should be considered by Parking Management for even stronger internal control over these monies.

Original Management Response to Recommendation 1

Attaching daily total tape is not feasible at the present time. The coin counter does not allow for the printing of duplicate tape and due to the printer being a thermal printer you cannot get 2 ply paper to print an extra receipt. The meter shop will attach a weekly total tape to the weekly report on a consistent basis to keep the Parking Manager informed.

Current Status of Recommendation 1 – Implemented

There is not a solution for the duplicate tape issue. The weekly total tape is affixed to the weekly report and is given to the Parking Manager every Friday.

II. Prepaid Meter Cards/Smartcards

Prepaid meter “Smartcards” allow individuals to purchase meter time in advance that is stored on the electronic card and can be utilized at any electronic parking meter in the City’s downtown area. The meter cards are available for purchase at the Parking Division in City Hall and start at \$30 (40 hours @ 75 cents per hour) plus \$1 activation fee. Additional time can be added at the time of purchase or at a later date.

Prior to June 2009, the Parking Division had purchased and sold meter cards; however, those cards were not sequentially numbered for control, accountability and audit purposes. In June 2009, the Parking Division purchased 1,000 meter cards from an outside vendor for \$2,950. These meter cards were, in fact, pre-numbered and had a dollar value of \$30 “loaded” onto them upon receipt by the Parking Division from the vendor, i.e. \$30,000 in parking time value and ready for use. However, no inventory control records were established and maintained by the Parking Division when the 1,000 meter cards were received by the vendor, nor did the sales transaction records consistently include the meter card number for accountability purposes up to the time of this audit. This lack of inventory control and accountability of the \$30 meter cards purchased, sold and on-hand created a very high risk of loss or possible misuse of these cards prior to their sale.

This finding was immediately reported to the Parking Division Supervisor by Internal Audit and he was instructed to establish an inventory control log for the remaining/unsold meter cards as of the time of the audit.

Although immaterial, it was also noted during the audit that the \$1 meter/smartcard “activation fee” assessed to the public is not included in the City’s Master Fee Schedule.

Audit Recommendations

2. The Parking Manager should ensure that an inventory control and accountability log/schedule has been established and is being maintained by the Parking Supervisor to ensure proper internal controls and minimized risk of loss or possible misuse of meter/smartcards. All meter/smartcard sales transactions should also include the card number for an adequate audit trail.
3. The current meter/smartcard \$1 activation fee being assessed to the public for the initial sale of these cards should be formally approved by City Management and the City Council through the City’s Master Fee Schedule process as soon as possible.

Original Management Response to Recommendations 2 & 3

An accountability log is established and is being maintained by the parking supervisor. All meter cards numbers are logged into the log. For all transactions will henceforth include the card number to ensure audit tracking. Regarding the activation fee it will be added to the Master Fee Schedule by August 1, 2011, at the true cost recovery amount of \$3.00.

Current Status of Recommendation 2 – Implemented

The accountability log is functioning effectively tracking meter cards.

Current Status of Recommendation 3 – Not Implemented

The \$3.00 activation fee has not been implemented as part of the master fee schedule increase for the current year. It will instead be included on the Master Fee Increases April 1, 2012 as part of the annual budget process.

III. Parking Meter Hood Rentals/Permits

For individuals who are performing construction or conducting a special event in the downtown area and need to pre-purchase parking meters for short periods of time (1-3 days usually), Parking Services will “bag” the meters to take them out of service for the public. This must be approved and paid for in advance.

The current Master Fee Schedule (MFS) indicates the following fees required for these type transactions:

Deposit per Application	\$52
Meter Rental Per Day	\$ 5
Administrative Fee	\$25

For the period July 2010 through May 2011, there were fourteen (14) “Permits for Temporary Parking Meter Removal” issued by the Parking Division. All permits were obtained and tested during this audit and the following was noted:

- ▶ The \$52 deposit per the MFS was not assessed nor collected for any of the 14 Permits issued.
- ▶ Meter rental or administrative fees were “waived” for 3 of the 14 Permits. Although immaterial, this was not in accordance with the MFS nor was there any documentation of such “waiver of fees” from the Parking Division Manager or his designee, i.e. authorized signature or initial on the actual Permit.

Audit Recommendations

4. The Parking Division should immediately implement the assessment and collection of the \$52 deposit as stipulated in the MFS or, if it is decided by the Department and Parking Management that this fee will not be assessed at all, it should be omitted from the MFS through the normal MFS process.
5. All parking meter hood rental fees should be consistently assessed and collected by the Parking Division as per the MFS. For any fees considered appropriate to be “waived” by an authorized Department or Parking Division employee, this should be adequately documented on the Parking Meter Removal Permits for audit trail purposes, e.g. signature or initial and the reason for the “waiver”.

Original Management Response to Recommendations 4 & 5

By August 1, 2011, the \$52 deposit fee will be removed from the MFS. Fees will be charged for hood rental fees. Only the Parking Manager will be authorized to issue a waiver. If any fees are waived the Parking Manager will sign the form and explain the waiver.

Current Status of Recommendation 4 – Not Implemented

The removal of deposit fee from the Master Fee Schedule will be part of the annual budget process master fee schedule changes that should be evaluated April 1, 2012.

Current Status of Recommendation 5 – Partially Implemented

Until the fee is removed from the Master Fee Schedule, the Parking Manager is solely responsible for issuing any waiver. This waiver must be signed for approval by the Parking Manager. To date, the Parking Manager has not signed off on any waiver.