



**WILMA QUAN-SCHECTER**  
City Manager

FEBRUARY 15, 2019

HONORABLE MAYOR LEE BRAND  
CITY COUNCIL FINANCE AND AUDIT COMMITTEE MEMBERS

SUBJECT: CITY OF FRESNO PARKING SERVICES DIVISION INTERNAL AUDIT

It is my pleasure to present to you the transitional review of the City's Parking Services Division, which was recently completed by the City's Internal Audit Unit. The City has taken measurable steps to maximize the City's parking program, including procuring a variety of parking facility assessments to plan for and maintain our assets and implementing the recommendations of a parking rate analysis to allow for reinvestment in the program. The Internal Audit Unit was tasked with the review of the Parking Services Division's policies, procedures, and internal controls, identifying any deficiencies and making recommendations to improve the overall parking program. The audit report would also provide an overall status of operations of the Parking Services Division for the incoming Parking Manager and serve as a guide for prioritizing opportunities.

As the transitional review report illustrates, the Internal Audit Unit conducted a thorough analysis of the City's Parking Services Division and identified areas of improvement, which have already been addressed or will soon be addressed as noted in the Department's Responses.

I am encouraged that the findings of the transitional review report will ensure that the City can continue to provide great customer service at affordable rates while enhancing revenues, which supports both the program and the General Fund. My office will be engaged in ensuring that the recommendations within the report are implemented and will be monitoring the parking services program as it moves forward to serve the citizens of Fresno.

Honorable Mayor Lee Brand  
City Council Audit Committee Members  
City of Fresno Parking Division Internal Audit  
February 15, 2019  
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I would like to thank the Department's management, including the staff from the Parking Services Division, for their assistance during the audit, and the Finance Department, particularly the Internal Audit Unit, for their comprehensive and professional analysis of the parking services program.

Sincerely,



Wilma Quan-Schechter  
City Manager

cc: Jane Sumpter, Assistant City Manager  
Jim Schaad, Assistant City Manager  
Michael Lima, Controller  
Mavet Mora, Assistant Controller  
Kriti Agriwal, Internal Auditor  
Karen Jenks, Internal Auditor  
Jennifer Clark, DARM Director  
Thomas Gaffery, Parking Manager

Attachment



**INTERNAL AUDIT UNIT**

# **Transitional Review of Parking Services**

Report No. 2019-01

February 2019

Honorable Mayor and Audit Committee Members  
City of Fresno, California

In accordance with Administrative Order 1-10 and in response to the request of the City Manager, the Internal Audit Unit undertook a limited scope transitional review of the City's Parking Services Division. Parking Services is currently a component of the Development and Resource Management (DARM) Department.

Internal Audit presents this transitional review report of the City's Parking Services Division for the assessment period of July 1, 2016 – March 31, 2018. The Results in Brief are presented on page 1, and the detailed Audit Results containing findings and recommendations to management for corrective action begin on page 3. Management's responses to our audit recommendations are presented immediately following the recommendations in the report.

The Internal Audit Unit will perform a follow-up review approximately 12 months after issuance of this report to verify that each recommendation has been implemented and/or that the findings documented have been resolved in a manner that addresses or mitigates the risk(s) identified.

We would like to thank DARM Management and the staff from the Parking Services Division for their assistance and cooperation during the course of our review.

Respectfully submitted,

*Kriti Chadha Agrawal*

KRITI AGRAWAL, CIA  
Principal Internal Auditor

CC: Wilma Quan-Schecter, City Manager  
Michael Lima, Controller  
Jennifer Clark, Director  
Daniel Zack, Assistant Director  
Thomas Gaffery, Division Manager

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## Introduction

The City of Fresno's (City) Parking Services Division (Parking Services) is organizationally structured under the Development and Resource Management (DARM) Department which is primarily funded by the General Fund. Parking Services is responsible for managing City owned parking facilities including garages and lots, special events at the Convention Center, Chukchansi Park, and the Fulton Corridor. In addition, Parking Services enforces California Vehicle and City Municipal codes, issues violation citations, and manages parking meter collections. Parking Services contracts with two third-party vendors to manage the City's parking program. SP Plus is contracted to manage daily parking operations at each of the downtown parking facilities, and Turbo Data Systems, Inc. (Turbo Data) manages most aspects of parking citation collection program.

At the request of the City Manager, the City's Internal Audit Unit performed a limited scope transitional review of the Parking Services. The overall purpose of the review was to determine the existence and adequacy of policies, procedures, accounting practices, and internal controls in the fiscal and operating environment of Parking Services. In addition, it was important to determine compliance with the terms of the various parking agreements and assess maximization of revenue. Parking Services' fiscal and operating environment, including established internal controls, policies, and procedures, should ensure that:

- Parking Services is operating efficiently and effectively,
- Cash and other resources are properly safeguarded
- Fiscal and Operating activities comply with applicable agreements, policies, procedures, and/or other regulatory requirements.

This transitional review focused specifically on the following selected areas within Parking Services for a 21-month period of July 1, 2016 to March 31, 2018:

1. Parking agreements with the following external entities:
  - Club One Casino
  - Fresno County Superintendent of Schools
  - County of Fresno
  - Fresno Housing Authority
  - Judicial Council of California
  - Baltara Enterprises (SBA Project)

2. Meter collection process
3. Citations process
4. Accounting and operating environment internal controls, policies, and procedures

During the initial review, Internal Audit determined that Parking Services lacked adequate accounting practices and financial documentation to conduct testing and had to instead rely on information/data obtained from SP Plus<sup>1</sup>. Internal Audit also found internal controls to be deficient to non-existent. As such, Internal Audit requests that Parking Services begin to remediate the deficiencies identified by implementing the recommendations outlined below. Internal Audit will conduct a follow-up review in approximately 12 months after the date of this report to assess progress and re-evaluate the overall control environment.

<sup>1</sup> Internal Audit did not test the reliability of the data.

## Results in Brief

Internal Audit's review of Parking Services identified a lack of standard monitoring procedures, financial management, and internal controls that led to a potential loss of \$242,845 in revenue during the audit period of July 1, 2016 to March 31, 2018. It was identified that Parking Services does not have effective procedures for monitoring parking usage in City owned facilities. As a result, Parking Services cannot ensure that entities which contract with the City for parking are only using the spaces for which they pay. Internal Audit found that two entities had been given more parking passes than what was allotted in their agreements and more than the number of passes for which they had paid.

Additionally, Parking Services has not established sufficient accounting procedures to properly monitor parking agreement revenue. Because Parking Services does not label monthly parking agreement payments by subject, entity or agreement in PeopleSoft, it cannot identify the payments made by each entity or agreement. As a result, the division is unable to perform reconciliations between the agreements and the monthly payments; verify that payments were submitted, timely, or accurate; or determine how much revenue is generated per agreement. A lack of such financial procedures prevents Parking Services from ensuring that the City receives appropriate revenues.

Internal Audit also found some instances in which the division did not ensure entities such as Fresno County and Club One Casino paid the appropriate fees in accordance with their parking agreements. During the audit period, the City could have collected an additional \$74,775 from Fresno County and \$98,025 from Club One Casino.

Furthermore, Parking Services does not have policies and procedures for dismissing citations. All of Parking Services' personnel had access to the citations system. The division's management could not demonstrate that it required personnel to receive management approval before dismissing or reducing a citation. Given that 5,271 citations were dismissed or reduced during the audit period, stronger controls are recommended to ensure the validity and justification of the dismissals and/or reductions.

Finally, a review of the procedures utilized by Parking Services for collection of meter revenue identified several areas of risk. Four Parking Services employees are responsible for meter collection and have designated routes throughout downtown that do not change. In addition, the staff does not utilize appropriate coin collection equipment to collect coins from the meters and a single individual prepares the coins for deposit. Given that the City received \$1.37 million in revenue from meters in Fiscal Year 2018, immediate remedies are needed to mitigate the risks of loss associated with the collection process.



## **Audit Results**

### **Finding 1:**

***Parking Services lacks standard operating procedures for monitoring of parking facility usage by entities with whom the City has entered into parking agreements.***

The City has entered into several parking agreements with various entities for the use of City owned parking facilities. Each agreement stipulates the number of parking spaces the entity is granted in specified facility and the monthly rate per space. During the audit period, there were seven active parking agreements that Parking Services was responsible for monitoring. Table 1 provides a summary of those active agreements.

Table 1 – City’s Parking Agreements

Entity Name	Garage(s)/Lot(s)	Number of Stalls	Expiration Date
Club One Casino	8	100*	Month-to-month
Fresno County Superintendent of Schools	4 8 9 Convention Center	<300	6/30/2032
Fresno County	4 7 Convention Center	<150 <150 <300	12/31/2022
Fresno Housing Authority	7	<25	1/31/2019
Fresno Housing Authority	9	20	4/30/2018
Judicial Council of California	4 8 Convention Center	<240	3/31/2023
SBA Project	Promenade Lot	<110	12/31/2020

*Source: Internal Audits, based on a review of the City’s parking agreements.*

*\*Club One Casino’s agreement states that it pays a set monthly rate for 100 validations per day.*

Parking Services has not established adequate procedures to effectively determine the number of parking spaces being used by an entity that has a contract with the City for parking spaces. Most of the agreements state that the entity can use a maximum number of parking spaces but, must pay for a minimum of 50 spaces to receive the bulk rate. For example, Fresno County must pay for at least 50 parking spaces each month, but cannot purchase or use more than 600 spaces. Although reports exist and are

maintained by SP Plus, neither the former Parking Manager nor staff regularly review or even request such reports. As a result, Parking Services is unable to determine if the entities are paying the appropriate amount for their usage. Additionally, Parking Services was unable to demonstrate it ensured the entities only used the spaces for which they paid.

According to the former Parking Manager, several sweeps are performed at each garage and lot to ensure the entities are only using the allotted number of spaces. The sweeps are conducted daily by Parking Attendants, as well as conducted at random by County parking controllers and City Parking Services staff. However said sweeps are not done regularly and the results are not documented. Due to this lack of documentation, Internal Audit was unable to confirm that the entities used only the number of parking spaces that they were allotted.

While Internal Audit was unable to confirm that entities were only using the number of parking spaces for which they were contracted, Internal Audit did identify that Fresno County and Club One were given more parking passes or validations than what is allowed under their respective agreements with the City.

### ***Fresno County***

Based on the existing agreement, Fresno County can use a maximum of 600 parking spaces in the following three garages:

- Convention Center
- Garage 4
- Garage 7

Per documentation provided by SP Plus, the County has been given 467 active Convention Center access cards, 250 access cards for Garage 7, and 40 hanging tags for Garage 9 for a total of 757 spaces. Parking Services is unable to identify which of the access cards given to the County are being used. SP Plus has requested that the County provide them a report identifying the access cards and hanging tags in use by employee. However, SP Plus has not received a usable report and cannot effectively monitor the County's usage of the City's facilities.

### ***Club One Casino***

The City's contract with Club One Casino calls for the casino to pay a set monthly rate of \$6,000 for 100 validations of parking stalls and \$1 per vehicle per day for any validation exceeding 100. Validation reports provided by SP Plus reflected it collected over 100 validations per day during the audit period, Parking Services did not charge

Club One Casino for the additional validations, nor has it requested the daily validation reports from SP Plus to ensure that no more than 100 validations are being collected.

Table 2 – Excess Club One Casino Parking Validations

Month	Total Excess*
July 2016	4,145
August 2016	4,846
September 2016	4,619
October 2016	4,671
November 2016	4,157
December 2016	4,228
January 2017	4,836
February 2017	4,538
March 2017	5,274
April 2017	4,380
May 2017	4,769
June 2017	4,567
July 2017	4,221
August 2017	5,701
September 2017	4,723
October 2017	4,972
November 2017	4,723
December 2017	4,396
January 2018	4,851
February 2018	4,325
March 2018	5,083
<b>Total:</b>	<b>98,025</b>

*Source: Internal Audits, based on SP Plus reports of validations collected.*

*\*\$1 per excess validation.*

**Recommendation to Finding 1:**

***Parking Services should immediately establish written standard operating procedures that include adequate internal controls and monitoring of parking facility usage. Said procedures should at a minimum, include the following:***

- *Require each entity to submit a report of the number of parking spaces to be used along with its payment.*

- *Immediately require Fresno County to provide the City with a report that lists the current employees by access card number. Parking Services should share the information with SP Plus to have all other outstanding access cards disabled. If Fresno County does not provide such a report within a month of the request, Parking Services should have SP Plus deactivate all access cards given to Fresno County and require each county employee request their access card be reactivated.*
- *Develop a process for monitoring each entity's actual parking usage and document the monitoring that occurs.*

**Management Response:**

*We concur. The Parking Division will establish written standard operating procedures to establish internal controls and monitoring of parking lot usage. The Parking Division has begun developing a master matrix of all parking lease agreements and other agreements with parking entitlements. The Division will also develop a business process and corresponding documentation for the monthly reconciliation of parking payments and access media. This will be completed by March 31, 2019.*

**Finding 2:**

***Parking Services has not followed standard accounting practices and thus, has been unable to have proper financial oversight of parking revenue.***

The Parking Services business office has not followed standard accounting practices in recording revenue and expense in a manner that allows for meaningful data to be extracted from the financial system. This has resulted in management not being able to review and assess the financial performance of the City's parking agreements or garages. Only three of the entities that contract with the City for parking (Club One Casino, Fresno County Superintendent of Schools, and the SBA Project) submit their payments to SP Plus. Parking Services enters those payments collected by SP Plus into PeopleSoft without consistently labeling the payments by entity. In fact, the only payments labeled by entity in PeopleSoft are those from Fresno County and the Judicial Council of California, which is identified as "Jurors". However, Parking Services receives payments directly from these entities. Additionally, Parking Services enters each credit card payment individually into PeopleSoft with the same label rather than breaking out payments based on material thresholds and creating unique labels. Without properly labeling all of the revenues, Parking Services is unable to do the following:

- Perform periodic reconciliations between the agreements and monthly revenue generated per contract.
- Verify payments were submitted or are accurate and timely.
- Determine how much revenue was generated per agreement or facility to adequately recognize revenue.

Parking Services was unable to identify all of the payments by agreement during the audit period in order for Internal Audit to conduct the appropriate testing. Instead, Internal Audit reviewed a random selection of nineteen transactions to reconcile the amounts posted in PeopleSoft to the supporting documentation and to determine the source of the payments. Internal Audit found nine instances in which the supporting documentation did not include sufficient detail to identify the source of the payments. For example, the supporting documentation for one transaction reflected that the revenue was for the Promenade Lot, but did not include any information indicating the source of the revenue. Without efficient accounting practices, Parking Services cannot monitor entities' compliance with the parking agreement requirements.

## **Recommendation to Finding 2:**

***Parking Services should follow standard accounting practices and immediately establish policies and procedure that will enable management to identify the profit and loss for each garage/lot and from each agreement. At a minimum, Parking Services should:***

- Require each entity with a parking agreement to submit its monthly payment directly to Parking Services.
- Create unique projects within PeopleSoft for each parking garage or lot and post the payments to those projects. As a result, this will enable Parking Services to monitor revenues and expenses generated for each parking lot/garage and determine their profit/loss.
- Develop a consistent method of labeling payments in PeopleSoft by specific agreement/entity, garage or lot, and month of payment.
- Periodically run a report to ensure the entities with parking agreements have made all appropriate payments in a timely manner.
- Limit the credit card payment line items entered into PeopleSoft to a material threshold, which is determined by the division, and label the payments by garage or lot.
- Build interface between PeopleSoft and parking systems to allow batch posting of credit card payments.

## ***Management Response:***

*We concur. The Parking Division will establish procedures to follow standard accounting practices, procedures so management can identify profit/loss in each parking facility, and procedures for management of bulk rate parking agreements, PeopleSoft project codes have already been created and have been implemented for coding expenses. With the onboarding of the Senior Management Analyst, a new position for the Division, scheduled to start October 15, 2018, there will be additional administrative capacity, expertise, and oversight of the accounting processing functions. A chart of accounts and revenue/expense processing manual will be developed by June 30, 2019.*

### **Finding 3:**

#### ***Parking Services could have collected more revenue than it did over the review period.***

As mentioned previously, SP Plus issued over 100 parking validations for Club One Casino each day during the audit period. Because Parking Services does not request validation reports from SP Plus, it was not aware of the number of validations being collected. Therefore, the City did not bill Club One Casino for the additional validations as per the agreement requirements. As a result, the City lost \$98,025 in revenue from July 2016 to March 2018.

From July 2016 to December 2017, Fresno County did not pay the City for parking spaces in the Convention Center, yet the City continued to allow Fresno County employees to park for that period of time. Parking Services indicated that this was due to delayed negotiations for the contract renewal which spanned over 17 months. Fresno County eventually paid the City \$185,325 in January 2018 for the 17-month period, but only after the new agreement was finalized. We were unable to determine how Fresno County calculated the one-time payment amount and could not locate supporting documentation for the calculation. Fresno County provided an explanation of their calculation of the payment to Internal Audit, but the following issues in the calculation were identified:

- Fresno County made the payment for the 17-month period based on the expired agreement's rate of \$45 per space rather than the new rate of \$60 per space. Given that the Master Fee Schedule (MFS) effective July 2016 stated that the bulk rate for 50 stalls or more was \$60 per space per month, the City

should have charged the County accordingly for the 17-month period and received an additional \$65,025 in revenue.

- Fresno County subtracted \$9,750 from the 17-month payment because the City sold the Box Car Lot that was being used by Fresno County employees. However, this sale was within the City's rights and Fresno County's employees were still provided the same number of stalls in other City owned lots as were lost from the Box Car Lot. Therefore, such amount was inappropriately subtracted from the payment, and is still owed to the City.

Given that these issues were not identified or discussed when Fresno County submitted its payment, it appears that Parking Services did not question the payment calculation, and the check was deposited without further follow up. Consequently, the City lost \$74,775 in revenue during the 17-month period of contract negotiations.

The City entered into an agreement with the SBA Project for a parking rate that was below the bulk rate discount outlined in the MFS. According to the MFS, entities purchasing 50 stalls or more can receive a discounted bulk rate of \$60 per month per stall. However, the agreement states that the SBA Project can purchase up to 110 parking passes for the Promenade lot at the rate of \$30 per parking space. By entering into such an agreement the City loses \$30 per parking space per month. In total, the City lost \$67,350 in revenue during the audit period.

Parking Services is responsible for applying the applicable annual rate increase for parking agreements. Most of the agreements state that beginning on a specific date, the monthly rate will be adjusted by the lesser of 3percent or the percentage increase in the Consumer Price Index during the last calendar year. Parking Services has not increased the rates for the corresponding contracts with the stipulation. Specifically, the SBA Project and Fresno Housing Authority agreements had rate increases that should have been reflected in 2012 and 2014, respectively; but, Parking Services did not increase those parking rates. It should be noted that the increases over time were minimal; an increase of \$0.96 per space for the Fresno Housing Authority and an increase of \$2.02 per space for the SBA Project. The revenue lost as a result of not applying the rate increases totaled \$2,695 during the audit period.

### **Recommendations to Finding 3:**

***Parking Services should maximize revenue from contracts whenever possible.***

In order to maximize revenue, Parking services should at a minimum:

- Regularly monitor and manage its contracts with external entities ensuring compliance with the payment terms of each agreement.

- Begin the negotiation process for renewals of expiring agreements months before they expire, and when appropriate, charge the daily rates on expired agreements.
- Request and review weekly or monthly reports from SP Plus of Club One Casino's daily validations and for overages in accordance with the agreement.
- Establish procedures to ensure that charges for parking are in accordance with the MFS and that said rates/fees are adjusted for inflation annually as allowed under the contract.

***Management Response:***

*We concur. Contract compliance and controls will be addressed in Recommendations 1 & 2.*

**Finding 4:**

***Parking Services Does Not Require Manager Approval before Dismissing Citations***

Parking Services enforces the City's Municipal Code and California Vehicle Code by issuing and processing parking citations for vehicles violating laws. The citations include the violation code, the bail amount due, and the number of days until the fee is due. Citations can be paid online or at the Parking Services counter in City Hall.

Individuals can request review of a citation if it is believed the citation was issued in error. The Parking Services Supervisor reviews the request and evidence submitted by the citation holder along with the evidence entered by parking enforcement or officers. Based on the evidence the Parking Services Supervisor can dismiss or, in some instances, reduce the bail amount. For example, if an individual who received a citation for failure to display a disabled placard but can show proof that they had been issued a valid placard at the time the citation was received, the City can reduce the fine to an administrative fee. If the citation is upheld by the Parking Services Supervisor and the citation holder would like further consideration there are two additional levels of review. The next review available is one conducted by an independent hearing officer and the final review, if upheld by the independent hearing officer, is that of a Judge. If an independent reviewer or judge dismiss a citation or reduce the bail amount, Turbo Data



is notified to process the reduction or dismissal. 5,271 citations with a total bail amount of \$384,009 were dismissed during the audit period.

When individuals challenged citations at the Parking Services counter in City Hall, Parking Services staff had the ability to dismiss or reduce the citations. According to the Parking Services Management Analyst, there were multiple instances in which citations could have been dismissed:

- (1) A Parking Attendant makes an error when issuing the citation on the handheld device; for example, entering the wrong violation code.
- (2) Management—such as the City Manager or Mayor—request a citation dismissal for individuals attending meetings at City Hall
- (3) City Council members request a citation dismissal for individuals attending meetings at City Hall
- (4) Employees petition a citation in accordance with the City's Administrative Order that states one parking citation can be waived per 12 months.
- 5) Any other person issued a citation that can prove that they should not have received the citation.

Parking Services personnel used their discretion to determine if there was sufficient evidence for dismissal. However, the division did not have documented policies or procedures to follow when making a determination. Additionally, all Parking Service personnel had access to the citations system. The division could not demonstrate that manager approval was required before dismissing a citation. A lack of such internal controls created a risk that citations are inappropriately dismissed or reduced. However, during the course of the audit field work, the Department Director issued a policy stating that only the Parking Manager or the Director may dismiss or reduce a citation.

#### **Recommendation to Finding 4:**

*Parking Services should develop policies and procedures for dismissing citations that include an approval form that must be signed by the Parking Manager or the Director for approval before a citation presented at City Hall can be dismissed or reduced.*

#### ***Management Response:***

*We concur, with clarifications. The Parking Division will establish procedures for dismissal of parking citations. In the Turbo Data Systems online interface, the*

*word “dismissal” is used to describe a number of dispositions, such as: officer error, dismissal at administrative review, administrative hearing, or court hearing, dismissal by the Division Manager in the interest of justice, and so on.*

*Expectations Memo 2018-1 was issued on July 23, 2018 to prescribe authority for the initial review process, dismissals, voids, and removal of late fees.*

*Dismissals as a part of the administrative review process will continue to be handled by the Parking Supervisor. Access levels were restricted in the Turbo Data Systems online interface to provide an added layer of control.*

*The paper administrative review form for City employees will be discontinued and City employees will be required to enter their appeal in the online portal. It will still be reviewed in accordance with the relevant Administrative Orders. This process will be in place by March 31, 2019.*

*Permissions in the Turbo Data Systems online interface allow for all users with “cashier” functions to enter reductions. This is necessary for day-to-day payment processing. This is not a City-configurable feature. Allowing only the Division Manager or a Parking Supervisor to enter reductions is not operationally feasible.*

*An additional expectations memo will be issued by January 31, 2019 to implement a monthly audit process of dismissals and reductions.*

## **Finding 5:**

### ***Parking Services lacks adequate internal controls surrounding the parking meter collection process***

Internal Audit had an opportunity to observe the processing of coin that had been collected from the meters. The process currently employed, which occurs each business day, involves Parking Services staff collecting the coin from each meter throughout downtown Fresno, processing and bagging the coin, and preparing the deposit for armored car pickup. During the review, Internal Audit found that the coin—which accounted for \$1.37 million in revenue in Fiscal Year 2018—is exposed to an unacceptable level of risk due to the following factors:

- Each of the four Parking Services employees responsible for meter collection has a designated route each day that does not rotate or change.
- The current meters do not provide accounting for all of the coin that is accepted.
- Coffee cans are utilized to empty the coin from the meter into a lock box.
- The location for which the coin is counted, sorted, and bagged is in an area that does not have security cameras and is closed off by a chain linked fence.

- The coin is not processed in the presence of more than one individual. Staff explained that the responsibility of counting and preparing the coin for deposit on a given day rotates between the four employees daily or weekly depending on various factors.

### **Recommendation to Finding 5:**

***It is recommended that Parking Services review the following recommendations and applies those that are applicable***

Generally speaking, internal controls over the meter collection process could be strengthened by having two individuals perform meter collection activities. However, we acknowledge that would result in increased personnel costs associated with the collection process. As an alternative, controls can be enhanced over this process by rotating the collection routes and installing security cameras in the area where the coin is counted and bagged.

#### ***Short-term Solution***

As a short-term solution, Parking Services could mitigate the risks associated with meter coin collection, Parking Services should:

- Install security cameras in the area coin is counted and bagged.
- Rotate the routes staff take when collecting coin from the parking meters each day.
- Document the assignment of the responsibility for processing the coin and preparing the deposit. These records should be given to the Parking Services Manager each week and maintained in accordance with the department's record retention policy.

#### ***Long-term Solution – Smart Meters***

The City could significantly reduce the risks identified by upgrading its meters to Smart Meters. Smart Meters create the ability to:

- Control and track access to meter vaults through the use of individualized digital keys.
- Add accountability with time-stamped data and report reconciliation.
- Reduce potential loss with a secure and tamper resistant meter vault and collection device.
- Provide additional payment options including credit card and phone payments.

Those improvements would create the necessary auditing capabilities to add assurance to the process of collecting, counting, and reconciling meter revenue. The Smart Meters contain a tamper proof canister that holds the coin. During collection, the canister is inserted directly into the top of the secure collection device. The canister is rotated to release the coin into the collection device; eliminating the direct handling of the coin. Additionally, the meter and coin canister register information that is transmitted to a web based data management system. Staff can log into the data management system and run reports of the revenues registered by the meter and the collection device for reconciliation against the deposits.

In order to create a more efficient, secure, user-friendly process for meter use and collection the City should consider funding an upgrade of its meters to Smart Meters in the next budget cycle.

***Management Response:***

*We concur. The Parking Division will establish internal controls to reduce the risks associated with parking meter coin collection.*

*The long-term solution of electronic, credit card enabled meters will resolve many of these findings.*

*In the short term, the Division is currently working with Finance to evaluate discontinuing all coin counting and send unsorted, uncounted, coin directly to the bank. Sending unsorted coins to the bank will reduce risk as the coin will have fewer touch points and a shorter amount of time between when coin is collected and when it is placed in sealed deposit bags. After this is evaluated and changes are made to the coin count process, the physical area will be evaluated and security cameras will be installed, if necessary.*

*We are evaluating collection beats to determine if a rotation is possible. It is the Division's preference that, in the absence of a secure "sealed" collection process, that meters be emptied in dual custody. Any changes to the collection routes will be implemented by June 30, 2019.*

*An Expectations Memo outlining the coin collection process, counting process, internal controls, and records retention will be issued by June 30, 2019.*

## **Appendix A**

### **Scope and Methodology**

The City Manager directed the Internal Audit Unit to conduct a transitional review of the Parking Services Division. The table below outlines the audit objectives and Internal Audit's methods for addressing them.

Table 3 - Audit Objectives and the Methods Used to Address Them

<b>Audit Objective</b>	<b>Procedures</b>
Review the Parking Services Division's internal controls for the following: <ol style="list-style-type: none"> <li>1. Management of agreements for parking in City owned facilities in the downtown area</li> <li>2. Issuance of and collection on parking citations</li> <li>3. Collection of coin from downtown parking meters</li> </ol>	A. Interviewed Parking Services staff to understand its policies and procedures related to the management and enforcement of parking agreements.
	B. Reviewed the active parking agreements and other documentation to determine if Parking Services has ensured compliance.
	C. Verified that selected revenues were accurately entered into PeopleSoft.
	D. Interviewed Parking Services staff to understand its procedures related to citation collection and dismissals.
	E. Observed Parking Services staff counting, sorting, and bagging meter coin for deposit to assess any potential risks and associated controls.

*Source: Internal Audits*