

I. EXECUTIVE SUMMARY

In this review the Office of Public Integrity (OPI) examined records and internal control procedures at the High Falls Parking Garage. We accounted for all reported cash receipts within the test period. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with City policy.

- ◆ Controls over monthly keycards are inadequate. As a result, there is no assurance of the accuracy of reported keycard sales and the possibility exists that patrons park in the garage using unauthorized keycards.
- ◆ OPI noted several instances in which the operator allowed vehicles to park in the garage without paying the standard rates. These include free parking to City enforcement officers, customer service personnel and security personnel.
- ◆ OPI noted that the Bureau of Parking did not bill businesses for validations in a timely manner. Additionally, they did not bill all companies that accrued validations during our test period.
- ◆ Validation tickets that Parking personnel provide to businesses are not pre-numbered.
- ◆ Validation invoices that Parking sent out to businesses only contained a monthly total of the amount due and no detail information. This resulted in reluctance from some businesses to pay non-detailed invoices.
- ◆ OPI noted several exceptions to the City's Cash Collection Policies including untimely deposits, not closing out credit card transactions on a daily basis, not restrictively endorsing all checks immediately upon receipt and one instance of not depositing cash receipts intact.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

OPI routinely examines parking garage operations and their related revenue in its annual work program. We examine the operations of at least one parking garage annually, however, rotate among the various garages.

B. Background

On October 1, 2010, the Bureau of Parking took over operation of six of the seven City-owned garages including the High Falls Parking Garage. Prior

to this, the City contracted with various parking vendors to operate these facilities. The City entered into a Professional Services Agreement with Allpro Parking, LLC to provide staffing for customer service and light maintenance for the garages. The Professional Services Agreement ran from October 1, 2010 to June 30, 2011 and the Finance Department is currently extending it on a month to month basis. Additionally, the City contracted with Acme Powerwashing Inc to provide cleaning and routine maintenance of the garages. Also, through an existing contract with the Rochester Police Department, the Bureau of Parking utilizes AP Safety and Security Corporation to provide security in the garages.

The Department of Finance, Bureau of Parking, Parking Facility Services Division, oversees the management and operation of parking garages including financial reporting.

C. Objective and Scope

The objectives of the review were to determine whether the Bureau of Parking could account for reported cash collections, to determine the adequacy of internal control procedures, and to determine compliance with City policy. This review examined current operations in detail, parking fees collected and reported for the month of January 2011, and the accuracy of the amount deposited with the City. For the month of January 2011, OPI verified gross revenues of \$32,613 including \$29,913 from monthly parking fees and \$2,700 in daily transient fees.

Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course

of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

OPI accounted for all reported cash collections for the test period. However, we noted significant deficiencies in administrative and internal control and compliance with City policies that require management attention.

A. Inadequate Keycard Controls

The majority of patrons who park at the High Falls Garage are monthly keycard holders. Parking sells keycards to individuals and also sells large blocks of keycards to various business organizations. OPI noted that as of January 31, 2011, Parking deposited \$29,913 for January keycards. However, as noted in 5. below, actual revenue related to January keycards is higher but we could not determine the amount of monthly parking revenue that Parking personnel invoiced for and collected after January 31.

The ScanNet system used at the High Falls Garage provides control over keycards. With this system, only keycard numbers that Parking activates can enter and exit the garage. Additionally, the system provides an anti-passback feature which tracks whether patrons last used their keycards to enter or exit the garage. This feature prevents more than one person from using a single keycard at the same time, eliminating the possibility of passing the card to other parkers who are then able to park free. When properly functioning and utilized, this system provides control over keycards and also provides assurance that only authorized and paid keycards allow access to the garage.

When analyzing the system we noted several factors that significantly hinder control over keycard usage including:

1. The operator was not able to provide an accurate list of active keycards for the month of January. Without an accurate list of active keycards, reconciliation of reported keycard revenue to keycards in use is impractical.
2. The operator does not know all of the keycard numbers that are held by companies that purchase large blocks of keycards. Consequently, an accurate list of keycard numbers assigned to the various companies is not available and there is no certainty as to how many cards the companies currently possess or the client for those companies who the keycards are issued to.

3. OPI noted that Parking personnel have all keycards on the ScanNet system activated (turned-on). As a result, any High Falls Garage keycard will allow the holder access into the garage regardless of whether or not the City has received payment for it.
4. Parking personnel did not perform a reconciliation of keycard payments to active keycards in use. Without a monthly keycard reconciliation, it is impossible to determine if unpaid keycards are being used in the garage.

Without this reconciliation keycard holders could park in the garage indefinitely without paying or detection.

5. OPI obtained a Card Activity Report for January 2011. This report enabled us to determine what keycards patrons used at the High Falls Garage during January. We noted that patrons used 693 different keycards in the garage during January. We also noted 36 additional paid keycards that not appear on the Card Activity Report for January.

Of the 729 keycards related to January 2011 activity, Parking personnel received payment for 406 or 55.7% of them prior to January 31. Parking invoiced additional garage patrons for January key cards after the month ended, however, they were not able to provide us with the necessary detail to determine the amount of additional revenue that they received from these invoices and the related keycards that they received payment for. As a result, we cannot determine all revenue related to January keycards. Additionally, we cannot determine if patrons used unpaid keycards in January.

6. Parking did not send out some of the invoices for January monthly parking until June 2011.
7. Parking does not have the anti-passback feature of the ScanNet system activated. As a result more than one person could use a single keycard at the same time by passing the card to other parkers who are then able to park free.
8. Parking utilizes two independent systems to control keycards, The ScanNet system, located at the garage, controls keycard activation, deactivation and the lift gate mechanisms. Additionally, they maintain Parker Accounts Receivable Information System (Paris) which is an independent keycard billing and payment system located at their offices.

The cumulative effect of these factors is significantly reduced reliability and integrity of the keycard system. Additionally, as a result of these factors,

there is no assurance that the City is receiving the appropriate amount of keycard revenue and patrons with invalid keycards have the ability to park in the garage without paying the required fees.

◆ Recommendation

1. Parking should maintain an accurate monthly list of all active keycard numbers with names and addresses, including those assigned to organizations that purchase large blocks of keycards.
2. Parking should utilize the control features of the ScanNet system and only allow access to paid keycards holders. Additionally, they should de-activate any unpaid keycards.
3. Parking should periodically complete a monthly reconciliation of keycard payments to active keycards in use to verify the validity of keycards that are activated.
4. Parking should invoice monthly keycard holders on a timely basis and properly record all revenue that they receive.
5. Parking should activate the anti-passback feature of the ScanNet system.
6. Parking should determine if there is a possibility of interfacing the Paris system with the ScanNet system to eliminate duplicate input, ensure billing for all active cards and automatically deactivate unpaid keycard accounts.

B. Free Monthly and Daily Parking

OPI noted several instances in which vehicles parked in the premium or reserved area of the garage without paying the standard rates, including the following:

1. City enforcement officers utilize 13 parking spaces. This situation was implemented prior to the hiring of the current Parking Director. The Parking Director indicated that she would be working toward rectifying this arrangement.
2. Two free parking spaces allotted to Allpro Parking, LLC. The Parking Director is aware of this arrangement and indicated that there is no written agreement; and

3. One free space allotted to AP Safety & Security, Corp. The Parking Director is aware of this arrangement and indicated that there is no written agreement.

◆ Recommendation

Bureau of Parking personnel should establish written agreements with companies and individuals that are allowed to park for free or at a reduced rate.

C. Validations Not Billed Accurately or On a Timely Basis

Parking maintains a validation program that allows businesses to provide their customers free parking in City-owned garages while patronizing their businesses. Parking provides the businesses with specially coded validation tickets that they in-turn provide to their customers. Customers put this ticket and the spitter ticket that they pulled when they entered the garage into one of the automated pay devices and they can then exit the garage without paying. The ScanNet system used at High Fall Garage records the amount due and the related company. Parking personnel run a Lane Summary Report to obtain validation information and then manually input this information into their in-house Paris System in order to produce invoices for businesses that use the validation process.

OPI analyzed validations for January 2011 and noted several adverse findings and control weaknesses including:

1. Parking personnel did not bill businesses for January validations until June 9, 2011. This June billing covered the period from October 1, 2010 to May 21, 2011.
2. OPI noted 5 companies that accrued charges related to validations in January that Parking personnel did not include in their June billing.
3. The validation tickets that Parking personnel provide to businesses are not pre-numbered. Providing pre-numbered tickets would increase control over the tickets and quickly enable Parking personnel to identify what company a particular ticket came from.
4. The invoices that Parking sent out to businesses for validations did not include detail information by occurrence such as date, time in, time out and amount due. Rather, the invoices only included the monthly total due. This resulted in reluctance from some businesses to pay non-detailed invoices.

◆ Recommendation

1. The Bureau of Parking should bill businesses for validations on a monthly basis.
2. The Bureau of Parking should investigate why they did not invoice the five unbilled companies and take steps to ensure that they bill all companies that incur validations.
3. The Bureau of Parking should provide pre-numbered validation tickets to businesses that participate in the program.
4. The Bureau of Parking should provide detailed invoices to all businesses. These invoices should include date, time in, time out and amount due. Additionally providing the pre-numbered ticket number would further support the validity of the charge.

D. Non Compliance with City Cash Collection Policies

The Director of Finance issued the latest revision of the City's Cash Collection Policies in June 2009. The policies give direction on the appropriate methods and controls for collecting and reporting cash received by the City. All City departments and bureaus are required to comply with these policies.

During this review, OPI noted the following exceptions to the City's Cash Collection Policies:

1. City policies require that City personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. There is one automated pay station located in High Falls Garage that accepts cash. OPI noted that Parking personnel did not collect and deposit any cash from this pay station during January 2011. Parking personnel collected \$2,642 in cash from this pay station on March 31, 2011 and, this included cash accumulated from December 1, 2010 to March 31, 2011. Additionally, parking personnel did not deposit this cash with the City Treasurer until April 12, 2011.

Timely deposits of cash are important because a delay in deposit results in a greater risk of loss, theft or diversion. Additionally, undeposited cash is idle cash and does not contribute to the best possible utilization of City resources.

2. City Cash Collection Policies require that, on a daily basis, City units that accept credit card transactions balance transactions and settle their sales electronically with the merchant services provider. OPI noted that Parking personnel did not close out credit card transactions on a daily basis for 9 of the 24 days in January in which they incurred credit card transactions.
3. Cash Collection Policies require that all checks be restrictively endorsed immediately upon receipt and that the restrictive endorsement must state that the check is for deposit only in a City of Rochester account. Restrictively endorsing checks upon receipt lessens the likelihood that checks can be stolen and improperly cashed.

Garage patrons often bring their monthly keycard payment to the office at High Falls Garage. A customer service representative gives the customer a receipt and the customer then places the check in a locked drop box. However, the customer service representatives do not restrictively endorse these checks when they receive them. Rather, Parking personnel will endorse the checks after they pick them up from the garage office and bring them to the Parking Office.

4. Cash Collection Policies require City units to deposit all cash intact. Failure to do this significantly decreases the accountability over cash collections. OPI noted that in October 2010, Parking personnel did not deposit \$200 of daily transient cash receipts with the City Treasurer but rather, co-mingled it with the High Falls Garage petty cash fund (start bank) to replenish the fund. Although this occurred outside of our test period, it came to our attention during the course of our field work.

◆ Recommendation

The Bureau of Parking personnel should adhere to the City's Cash Collection Policies including making timely deposits, balancing and settling credit card payments daily, restrictively endorsing checks immediately upon receipt and depositing all cash receipts intact.

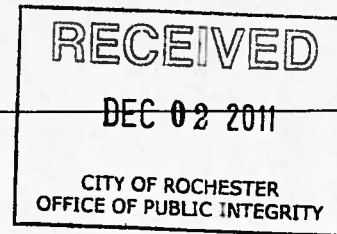
IV. DEPARTMENTAL RESPONSE

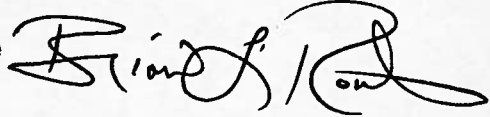
The response of the Department of Finance to this report begins on the next page.



City of Rochester

Inter-Departmental Correspondence



To: George E. Markert, Director of the Office of Public Integrity
From: Brian L. Roulin, CPA, Director of Finance 
Date: December 1, 2011
Subject: High Falls Parking Garage Review - Response to Findings

The City of Rochester, Bureau of Parking, took over the management of six garages on October 1, 2010 from three separate operators. This was done in an effort to economize expenses and improve revenues in order to close a \$3 million budget gap in the Enterprise Fund. The transition was much more challenging than originally anticipated, for a number of reasons.

Once the transition was approved by Council in May, 2010, the Parking Bureau purchased software, with IT's approval, to integrate the account and payment data (PARIS System) with the gate systems (Scannet and IParc). Early in the process, it became apparent to Parking and IT personnel that the individual servers in each garage would not be able to communicate, nor handle, the integration of these systems. City Administration made the decision that we would move forward with the transition since the existing individual systems did allow the gates to go up and down and to continue to provide access for our 10,000 monthly and up to 2,000 daily customers, system wide. At that time, it was determined that migration to a virtual server environment was imperative in the near future.

Along with the general software issues, High Falls Garage had its own challenges. The first day of the management change, Scannet, the parking revenue control software at High Falls, crashed and the data could not be recovered. Our choices at that time were to take the gates off and allow any vehicle entry into the garage or to open the system and allow any card access. The decision was made to open the system and allow any card to access the gate. If that had not been done, none of our existing customers would have been able to enter the garage. With the gates down, there was a perception of restricted access as well.

Using older data primarily from the former operator, card and driver information were entered into the Scannet system. We attempted to close the system in February again, but the volume of incorrect data in Scannet created long vehicle backups and we were forced to reopen the system in order to give our customers access. The virtual server environment became even more imperative. In March, City of Rochester Parking and IT staff, along with Scannet IT experts, met to develop the virtual server environment. The server was installed at IT, but has not been integrated with the Scannet and Paris systems as of this time.

III.A.

The Office of Public Integrity decided to start the High Falls audit in January, 2011. At that time, OPI was informed that the data was still corrupt in Scannet and that the Paris (billing system) was not yet functional. There was no accurate list of active keycards at that time, nor was there a way to accurately identify the cards held by businesses. Billing had not yet been done and accounts had not been fully created. The integration between the account receivable software and the gate software had not yet been done. Therefore, there was no way to reconcile the cards with the accounts.

At this time, all billing is being done monthly and accounts with past due balances are being contacted by staff for resolution. Past due corporate accounts have been resolved. In November, we manually compared the two parker databases from the gate system and the billing system and are reconciling them. Once complete, we will attempt to close the system again and lock out any unpaid parkers.

The automatic interface of the two systems is essential. The IT project to migrate and integrate the two systems is currently underway and High Falls Garage will be the first garage to undergo that integration in the Spring of 2012.

III.B

1. When the Parking Bureau was consolidated, two groups of parking personnel were moved from areas where parking has always been free to the High Falls garage office area. The Bureau of Human Resources, Labor Relations, was contacted about charging them to park. At that time, and confirmed just recently, we were informed that the free parking for these groups would fall under past practices and we would not be able to charge them.
2. & 3. The current contracts with AP Security and Allpro do not specify that they will be charged. Additionally, the staff for both companies is rotated throughout all garages and there is not a universal permit available.

Moving forward, any new contracts will specifically address the issue of parking for contract staff.

III.C.

1. Due to the various data issues in the main Scannet and Paris systems, Parking Administration concentrated the first six months on monthly billings, in order to clear up the corrupt data, instead of the lesser validation billings. Currently billing for all validations is done on a monthly basis.
2. A review of the bills which were sent for January validations matched the Lane Summary reports. Currently Parking staff match the actual validation tickets with the Lane Summary reports so that the numbers and amounts match what is shown and bills are sent to the corresponding companies.

3. All future validation tickets will be ordered and received with ticket numbers pre-printed on them. That purchase is due sometime in this fiscal year.
4. Due to the fact that the integration has not taken place, summary information is available in report form from Scannet which is used to bill the businesses. Physical validated tickets are also collected daily and balanced with the summary reports. Only one company requested to see the actual tickets, which were provided to them.

III.D.

1. The High Falls Garage generates very little cash revenue. As such, early in the transition, we were not collecting regularly. This has been changed to collecting when there is \$100 or more in the machine or at least once per week. On average, the High Falls machine is usually collected twice per week. Additionally, a Loomis pickup for garage daily money has begun. This will allow for a direct deposit of the cash into the bank instead of staff from Parking counting the money, then Treasury staff counting the same money, and then the bank staff counting it again. This new process will make the time between collection and actual bank deposit much more timely.
2. Credit cards are settled nightly unless there is a problem with the internet connection, in which case they are batched until communication can be established. Internet connection enabling communication by Scannet was intermittent during the month of January. Currently, unless there is a communication problem, settlement occurs each evening. The credit card payments are then entered each week into Munis showing the daily settlements, and the amounts are reconciled with the bank when they send the report. Again, the virtual server should eliminate all but the most catastrophic communication issues.
3. The stamps are being used to endorse the payment checks each month. Again, once the virtual server is in place we can work with IT to accept on-line payments for monthly parking, which will reduce the number of checks that we process.
4. The first week of the garage transition, the pay on foot and pay in lane change banks ran out of change. We did use petty cash change to replenish the machines. If the machines run out of change, the entire cash payment system at that machine shuts down. Since then, we have worked with Treasury and the Office of Public Integrity to develop a process whereby the Parking Office has ample change to replenish these machines and to record and document the change and deposit protocol.