

I. EXECUTIVE SUMMARY

In this review, we examined accountability of reported cash collections, the adequacy of internal control procedures, and compliance with City cash handling policies at the Sister Cities Parking Garage. The Office of Public Integrity (OPI) accounted for all cash receipts reported within the scope 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 eGo tags are inadequate. As a result, there is no assurance of the accuracy of reported eGo tag sales and the possibility exists that patrons park in the garage using unauthorized tags.
- ◆ 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 inspectors, customer service personnel and security personnel.
- ◆ The Bureau of Parking does not always deposit cash in a timely manner in accordance with the City's Cash Collection Policies.
- ◆ OPI analyzed daily spitter tickets issued at the garage for two days during the test period and noted a significant amount of unaccounted tickets. Additionally, we noted that the customer service representatives do not always document the reason they provide patrons "Ok by Mgr" tickets that allow the user to exit the garage without paying any fee or the reason that they collected spitter tickets with no exit time on them.

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 Sister Cities 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 runs from January 1, 2012 to October 31, 2013. 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 Bureau of Parking oversees the management and operation of parking garages including financial reporting. The Bureau of Parking reports directly to the Deputy Mayor.

C. Objective and Scope

The objectives of this 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 the extent of compliance with City policy. This review examined current operations in detail, parking fees collected and reported for the month of March 2012, and the accuracy of the amount deposited with the City. For the month of March 2012, the Bureau of Parking reported gross revenue of \$86,861. This included \$72,772 from monthly parking fees and \$14,089 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 was able to account for all reported cash collections for the test period. However, we noted deficiencies in administrative and internal control and compliance with City policies that require management attention.

A. Monthly Key Card Access

The majority of patrons who park at the Sister Cities Garage are monthly eGo tag holders. Parking sells eGo tags to individuals and also sells large blocks of eGo tags to various business organizations. OPI noted that as of March 31, 2012, Parking deposited \$\$72,772 for March eGo tags.

The ScanNet system used at the Sister Cities Garage provides controls over eGo tag access to the garage. With this system, only eGo tag numbers that Parking activates can enter and exit the garage. When properly functioning and utilized, this system provides control over eGo tags and also provides assurance that only authorized and paid eGo tags allow users access to the garage.

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

1. Parking personnel were not able to provide an accurate list of active eGo tags for the month of March. Without an accurate list of active eGo tags, reconciliation of reported eGo tag revenue to eGo tags in use is impractical.
2. Parking personnel did not perform a reconciliation of eGo tag payments to active eGo tags in use. Without a monthly eGo tag reconciliation, it is impossible to determine if parkers are using unpaid eGo tags in the garage.

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

3. Parking utilizes two independent systems to control eGo tags. The ScanNet system, located at the garage, controls tag activation, deactivation and the lift gate mechanisms. The Parker Accounts Receivable Information System (Paris), located at the Parking offices, is an independent eGo tag billing and payment system.
4. OPI noted an account in the PARIS system titled "Unknown Patron". Parking personnel applied payments to this account when they did not know what individual accounts to apply them to. Not properly applying payments to the correct account causes an overstatement

of the amount due in these accounts. At the time of this review, the balance in the "Unknown Patron" account was \$3,361.

5. OPI obtained a Card Activity Report for March 2012. This report details what eGo tags patrons used at the Sister Cities Garage during March. We noted that patrons used 967 different eGo tags in the garage during March. Of the 967 eGo tags related to March 2012 activity, OPI noted the following:
 - a. As of April 30, 2012, Parking personnel received payment for 826 or 85.4% of the 967 eGo tags used in March.
 - b. Parking personnel issued, at no charge, 8 or 0.8% of the eGo tags to City inspectors. We noted an additional 16 eGo tags issued to City inspectors that inspectors did not use during March.
 - c. Parking personnel billed, but as of April 30, 2012, had not yet received payment for, 72 or 7.4% of the 967 eGo tags.
 - d. Parking personnel did not have billing accounts set up in the PARIS system for 61 or 6.3% of the 967 monthly tags. Fifty-one of these sixty-one tags were for tag numbers that were higher than any that Parking issued for the garage. It appears that these were not for Sister Cities parking tags but rather for another eGo tag system such as the Thruway E-ZPass. Parking personnel implemented the new eGo tag system in January 2012 and indicated that during the time of our test work they had not yet completely closed the system. They indicated that they have since corrected this situation and currently, these tag numbers will not allow the user access into the garage. We verified that none of these tag numbers entered the garage during September 2012 indicating that parking has effectively corrected this situation.

The cumulative effect of these factors is significantly reduced reliability and integrity of the eGo tag system. Additionally, as a result of these factors, there is no assurance that the City is receiving the appropriate amount of eGo tag revenue and patrons with invalid tags 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 eGo tag numbers with names and addresses.

2. Parking should utilize the control features of the ScanNet system and only allow access to paid eGo tag holders. Additionally, they should de-activate any unpaid eGo tags.
3. Parking should periodically complete a monthly reconciliation of eGo tag payments to active eGo tags in use to verify the validity of tags that they have activated on the ScanNet system.
4. 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 tags and automatically deactivate unpaid eGo tag accounts.
5. For payments that Parking personnel applied to the "Unknown Patron" account, they should attempt to determine what individual accounts that they should have applied them to and, correctly apply them to those accounts. Additionally, they should not apply any future payments to this account.

B. Free Parking to Contractors and City Employees

OPI noted that Parking personnel issued 24 eGo tags to City Inspectors at no charge. Parking personnel are aware of this arrangement however, there is no written agreement. Bureau of Parking indicated that this arrangement was in effect prior to the City taking over management of the garage.

Additionally, we noted that Parking issued, at no charge, two eGo tags to Allpro Parking, LLC, who provides customer service at the garage and one tag to AP Safety and Security Corp.

◆ **Recommendation**

Parking personnel should establish written agreements with companies and individuals that they allow to park for free or at a reduced rate. Additionally, if City management decides to continue to provide City inspectors free parking, they should consider alternative locations such as the City Hall parking lot. There is a waiting list for monthly parking at Sister Cities and the City could generate additional revenue by issuing these monthly tags to paying customers.

C. Untimely Deposits

City Cash Collection Policies require that Bureau personnel deposit all cash within five days of receipt or immediately upon the accumulation of \$100, whichever occurs first. OPI noted that Parking personnel do not deposit monthly parking revenue in accordance with these policies.

Unless requested by the customer, Parking personnel do not provide a receipt for monthly payments that they receive. Additionally, they do not maintain a log of payments received. As a result, OPI could only analyze the timeliness of deposits for monthly payments in which Parking provided a receipt to a customer.

Parking provided receipts for 46 or 16% of the 286 monthly parking payments for March 2012. These receipts totaled \$6,616 or 9% of the \$72,772 that Parking personnel collected for March monthly parking.

OPI noted that Parking delinquently deposited \$6,428 or 97% of the cash and checks that we tested during this period. The following table summarizes these late deposits.

**Bureau of Parking
Analysis of Delinquent Deposits
For March 2012 Monthly Parking**

<u>Days Deposited Late</u>	<u>Frequency of Occurrence</u>		<u>Amount</u>	<u>Percent</u>
	<u>Number</u>	<u>Percent</u>		
Timely Deposits	3	6.7%	\$ 188	2.8%
Deposited 1 day late	11	24.5	1,310	19.8
Deposited 2 days late	17	37.8	2,243	33.9
Deposited 3 days late	10	22.2	2,559	38.7
Deposited 4 days late	2	4.4	158	2.4
Deposited 6 days late	2	4.4	158	2.4
Totals	<u>45</u>	<u>100.0%</u>	<u>\$6,616</u>	<u>100.0%</u>

Timely deposits of cash are important because delays in deposits result in greater risk of theft or diversion. Additionally, checks received in payment may be good upon receipt, but not at a later point in time. Finally, undeposited cash is idle cash and is not contributing to the best possible utilization of City resources.

◆ Recommendation

The Bureau of Parking personnel should deposit all cash collections in accordance with City policy.

D. Missing and Incomplete Spitter Tickets

OPI examined spitter tickets for two days during the test period. During this test work we noted the following:

1. OPI attempted to account for the numeric sequence of daily spitter tickets issued for the two days tested. We could not account for 47 or 8.6% of the 545 spitter tickets issued on March 8, 2012 and, 63 or 14.5% of the 434 spitter tickets issued on March 19, 2012. In total, we could not account for 110 or 11.2% of the 979 spitter tickets issued for these two days.

The number of missing spitter tickets is significant and the City is not realizing the revenue from these tickets. Possible causes for missing tickets include patrons exiting the facility after customer service representatives leave at 7:00 P.M. and raise the gates for the night; monthly eGo tag holders taking a ticket when entering the garage and using their eGo tag to exit the garage or; customer service representatives keeping the gates open during business hours when there is an equipment malfunction.

2. Customer service representatives maintain a supply of preprinted "Ok by Mgr" spitter tickets. These tickets allow the user to exit the garage without paying any parking fee. Customer service representatives provide these tickets to monthly parkers who drive a vehicle other than the vehicle that they have attached their monthly parking tag to. Parking personnel have instructed the customer service representatives to have the monthly parker sign these tickets.

OPI noted 15 "OK by Mgr" spitter tickets for the 2 days tested. Eight of these tickets had a name or explanation on them, three were illegible, and four had nothing written on them at all. The potential for misuse of these tickets is increased when the customer service representatives do not clearly document why they issued each ticket. Additionally, the customer service representatives do not have a list of monthly tag holders to verify that patrons requesting these tickets are valid monthly parkers.

3. OPI noted 11 spitter tickets for the 2 test days that did not have any exit time stamped on them. Garage patrons did not insert these spitter tickets into a pay device and therefore, the City did not receive any payment for them. Without an exit time, it is not possible to determine the amount due for these tickets. Possible causes for this situation to occur include customer service representatives keeping the gate open because of a malfunction in the equipment; manually opening the gate to allow a patron to exit without paying or; a defective ticket that is unreadable by the automated pay equipment. Parking does not allow customer service representatives to handle any cash and, as a result, they cannot accept payment in these situations.

None of these tickets had any explanation written on them. Control is diminished when the customer service representatives do not document why they collected a ticket without an exit time.

◆ Recommendation

The Bureau of Parking should investigate the causes of the excessive missing spitter tickets and determine if they could reduce them. Additionally, the Bureau should investigate collection strategies for vehicles remaining in the garage after the customer service representatives leave for the day. Also, Parking should require that customer service representatives clearly document, on the ticket, the reason for each "Ok by Mgr" ticket issued and for each spitter ticket collected that has no exit time on it. Parking should provide the customer service representatives with a list of paid monthly tag holders so they can verify patrons who request "Ok by Mgr" tickets.

IV. DEPARTMENTAL RESPONSE

The response of the Bureau of Parking to this report begins on the next page.



Inter-Departmental Correspondence

To: Dan Mastrella, Office of Public Integrity
From: Molly Clifford, Interim Director of Parking *MClifford*
Date: November 21, 2012
Subject: Response to Sister Cities Garage Audit



Thank you for meeting with Bureau of Parking staff and offering us the opportunity to respond to the March 2012 audit of the Sister Cities Garage. We offer the following:

- **Controls over monthly eGo tags.** As noted in the findings, the Bureau of Parking implemented the eGo tag system at Sister Cities in January of 2012, and did encounter some problems with the transition, most of which have been resolved. Specifically:
 - Parking does maintain an accurate monthly list of all eGo tag numbers with names and addresses;
 - Parking has established a 45-day cut-off for unpaid tags;
 - Parking has done a reconciliation of the October Paris billing & Element revenue control (ScanNet/eGo) systems and corrected identified problems;
 - Parking has been actively advocating with the vendors for an electronic interface between Paris & ScanNet/Element. It appears that market conditions do not support an immediate resolution; other electronic options may require a change in vendor for one or both systems.
 - The \$3,361 in the "unknown patron" account consists of two years of payments that come in as cash with no contact information. Parking has installed signage near the lockboxes at each garage asking customers to make sure that their contact information is included with all payments, in hopes of addressing this issue.

- **Free parking to contractors and City employees.** Parking included language acknowledging the parking arrangements in the recent Acme and AP Security contract extensions and will recommend that it be more fully addressed in the upcoming Allpro contract negotiations. Parking has also reached out to the leaders of the Office of Management and Budget and Neighborhood and Business Development to determine if alternate parking can be found for the NBD inspectors who currently park at Sister Cities.

- **Untimely deposits.** The Bureau of Parking has changed its cash collection procedures and deposits all cash collections in accordance with City policies.

- **Missing and incomplete spitter tickets.** Parking is providing a monthly list of paid customers to Allpro Parking, the customer service provider, and has instructed their

staff to write the reason for the "OK by Manager" on each generated spitter ticket. In addition, Allpro now keeps a log of equipment malfunction that would cause the gates to be lifted and spitter tickets to be missing. Parking is considering extending the time the garage is open, weighing the cost of additional staffing with the number of daily parkers who remain after 7PM.

Thanks again for the opportunity to discuss these issues. Please do not hesitate to contact me should you have any questions or concerns.