

Audit

Follow-up

As of March 31, 2013



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City Parking Contracts (Report #1213 issued July 10, 2012)

Report #1314

May 15, 2013

Summary

Ten of the 11 action plan steps established to address issues identified in audit report #1213 have been successfully completed or resolved. Actions have been initiated to complete the other remaining step.

In audit report #1213 we determined that, overall, City-owned (off-street) parking facilities were properly managed and administered by the City's contractor. We found parking fees were properly assessed and collected by Republic Parking System (RPS); operating expenses claimed by RPS were allowable, reasonable, and supported; and net proceeds were correctly reported and timely remitted by RPS to the City. Monitoring and oversight activities by the Aviation Department and Property Management Division (PMD) were generally proper and adequate. We also identified issues that were indicative of the need for further improvements and enhancements.

Eleven action plan steps were developed to address those issues. A summary of those action plan steps and their current status as determined by our follow-up engagement is as follows:

- PMD will ensure future contracts for parking services include provisions requiring (1) contractor operations to be audited by an independent third party during the contract term and (2) background checks on new contractor employees. **(Step Completed)**
- PMD will ensure future contracts for downtown parking services address all applicable City parking lots (e.g., Bronough and Duval Street lots). **(Step Completed)**
- PMD will obtain appropriate support justifying noted operating expenses (insurance and postage). **(Step Completed)**

- PMD will ensure the contractor properly and adequately accounts for special event parking tickets and related revenues. **(Step Completed)**
- PMD will ensure the contractor properly and adequately accounts for parking permits issued for the Bronough and Duval Street parking lots. **(Step Completed)**
- PMD will make arrangements for RPS to remit monthly payments of net parking receipts directly into the City's bank account through electronic fund transfers. **(Step Completed)**
- PMD will enhance its monitoring of contracted parking operations for downtown parking facilities to ensure adequate support is provided for all reported/claimed expenses, selected reported items are valid, and contractor cashing operations are appropriate. **(Step Completed)**
- PMD and the Aviation Department will request the contractor to provide monthly reports on ticket activity (issuances, collections, and related vehicle exits) sufficient to help determination of the reasonableness of reported/remitted parking revenues. **(Step Initiated but Not Completed)**
- The Aviation Department will require the contractor to specify on their monthly reports whether any customer comments and complaints were received; and, if any are received, to include copies (as well as the contractor's responses thereto) with the monthly report. **(Step Completed)**
- PMD will ensure active cards of former parkers identified in the audit are deactivated and procedures are implemented by the contractor to ensure cards are timely deactivated for former parkers. **(Step Completed)**

- PMD will work with the contractor to establish a schedule for monitoring the Bronough and Duval Street parking lots for unauthorized parking and to address towing of any identified unauthorized parked vehicles. **(Step Completed)**

In summary, 10 of those 11 action plan steps have been completed and actions are in progress to complete the remaining step. Table 1 in this report provides details on those 11 action plan steps and their status as determined by our follow-up process.

We appreciate the cooperation and assistance provided by PMD, Aviation Department, and RPS staff during this follow-up audit.

Scope, Objectives, and Methodology

We conducted this audit follow-up in accordance with the International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards. Those standards require we plan and perform the audit follow-up to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit follow-up objectives.

Original Report #1213

The scope of report #1213 included a review of the operation of City-owned (off-street) parking facilities by RPS (City's contractor), during the period January 2008 through December 2010, and certain related processes and activities occurring through the end of our audit fieldwork in February 2012. The objectives were to determine whether (1) City parking contracts were competitively awarded and properly executed, (2) parking operations and activities were in accordance with applicable contractual terms and conditions, and (3) parking revenues due the City were properly and timely paid by the contractor. We also determined whether adequate monitoring activities were performed by the City departments responsible for oversight of contracted parking operations.

Report #1314

This is our first follow-up on action plan steps identified in audit report #1213. The purpose of this

follow-up is to report on the progress and status of the efforts to complete action plan steps due for completion as of March 31, 2013. To determine the status of the action plan steps, we interviewed staff, made observations, and reviewed relevant documentation.

Background

Five City-owned (off-street) parking facilities for which fees are charged to users are managed by RPS under two separate contracts. The parking facilities include the Downtown Public Parking Facilities (four facilities consisting of Kleman Plaza, Eastside Garage, and the Duval and Bronough Street parking lots) and the Airport parking lot. The contracts require RPS to provide labor, supervision, systems, equipment, and other items necessary or incidental to operation of the parking facilities. Operating as a commercial entity, RPS collects parking receipts from customers. From those collected receipts, RPS deducts legitimate and authorized operating expenses, State sales taxes, and a guaranteed monthly management fee. RPS remits the net amount (gross receipts less expenses, sales taxes, and fees) to the City. Parking fee rates are charged in accordance with the fee schedules established and approved by the City.

The City's Property Management Division (PMD) is responsible for the oversight and administration of the contract for the Downtown Public Parking Facilities, while the Aviation Department oversees and administers the contract for the airport parking lot. Monitoring and oversight include inspecting daily operations, receiving and reviewing RPS reports, ensuring gross receipts remitted to the City are properly and timely received and supported, and ensuring RPS complies with applicable non-financial contractual terms and conditions.

The Airport parking lot managed by RPS is comprised of 1,637 parking spaces (1,330 daily and 307 hourly). During the period covering our initial audit (August 2008 through December 2011), RPS paid net proceeds of \$8,200,917 to the City for operation of that parking lot.

The Downtown Public Parking Facilities located in the City downtown area included:

- Kleman Plaza Parking Garage – 945 spaces
- Eastside Parking Garage – 768 spaces
- Bronough Street parking lot – 155 spaces
- Duval Street parking lot – 120 spaces

The larger two facilities (Kleman Plaza and Eastside Garages) were operated by RPS on behalf of the City pursuant to a contractual agreement executed in 2001 (i.e., for a five-year initial term with multi-year renewal options). Although not initially covered by a contractual agreement, RPS operated and administered the two smaller parking lots (Bronough and Duval Streets) after the City acquired those properties from the State of Florida in connection with the Gaines Street Revitalization Project. The City’s new contract with RPS, executed in February 2012, properly addresses operation of all four downtown parking facilities. Collectively, RPS paid net proceeds of \$3,421,150 to the City for the operation of the Downtown Public Parking Facilities.

were competitively awarded and properly executed and City parking facilities were properly and adequately managed by the City’s contractor (RPS). Revenues were properly collected and accounted for and net proceeds were properly and timely paid by the contractor to the City. PMD and Aviation Department monitoring and oversight efforts over the contractual operations and activities were proper and adequate. However, several risks were identified that indicated the need for further improvement and enhancement of applicable processes and controls.

Eleven action plan steps were developed to address the identified risks and audit recommendations. As shown below in Table 1, PMD and Aviation Department staff have successfully completed or resolved 10 of those 11 action plan steps. Actions have been initiated to complete the other remaining step.

Previous Conditions and Current Status

In report #1213, we noted that, overall, contracts for the operation and administration of City parking lots

**Table 1
Action Plan Steps from Audit Report #1213
Due as of March 31, 2013, and Current Status**

Action Plan Steps Due as of March 31, 2013	Current Status
Ensure proper execution of contractual agreements	
<ul style="list-style-type: none"> • PMD will ensure future contracts for operation and administration of the Downtown Public Parking Facilities include provisions: <ul style="list-style-type: none"> - Requiring contracted services and operations be audited by RPS internal auditors at least once during the contract term. - Requiring RPS to conduct background checks on new employees. 	<p>✓ Completed – As indicated in audit report #1213, this step was completed prior to the completion of our initial audit. As explained in audit report #1213, PMD (in response to our recommendation) included a provision, in the recently executed contract with RPS for the Downtown Public Parking Facilities, that requires RPS to perform an internal audit of applicable operational and financial activities at least once during the initial term (five years) of the agreement. That contract also allows the City to request additional internal audits as deemed necessary.</p> <p>Also, in response to our recommendation, PMD included a provision in the recently executed contract with RPS for the Downtown Public Parking Facilities that requires RPS to conduct criminal background checks on all new employees.</p>
<ul style="list-style-type: none"> • PMD will ensure the subsequent contract for the Downtown Public Parking Facilities includes the Bronough and Duval Street parking lots. 	<p>✓ Completed – As indicated in audit report #1213, this step was completed prior to the completion of our initial audit. As indicated in report #1213, PMD (in response to our recommendation),</p>

	<p>addressed and included the administration and operational aspects of the two surface lots (Bronough and Duval lots) in the recently executed contract with RPS for administration and oversight of the Downtown Public Parking Facilities.</p>
<p>Ensure the City receives parking revenues to which it is entitled</p>	
<ul style="list-style-type: none"> • For future reporting activity, PMD will obtain appropriate support from RPS for noted operating expenses (e.g., insurance coverage and postage fees). 	<p>✓ Completed - In our initial audit, we identified instances where PMD did not obtain support from RPS for insurance coverage (e.g., liability, workers compensation, and employee healthcare benefit) and postage costs deducted as operating expenses from monthly collections. We recommended PMD obtain from RPS appropriate records (e.g., invoices or other appropriate support) as evidence of costs deducted for insurance coverage and postage. During our follow-up, we found that proper support (e.g., vendor invoices) is now being obtained from RPS by PMD for postage fees and insurance coverage costs. Accordingly, this issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD will ensure RPS properly accounts for special event parking tickets to ensure revenues are properly reported and paid to the City. 	<p>✓ Completed - In our initial audit we noted there were no independent comparisons/reconciliations by RPS to account for the purchase of special event tickets and related sale proceeds. To ensure all proceeds collected by RPS for special events are being properly and accurately reported/remitted to the City, we recommended PMD require RPS to provide independent accountings of special event tickets. During our follow-up review, we found RPS strengthened controls over special event tickets and related sales by (1) requiring initials of two RPS staff to document the removal and return of special event tickets from/to inventory, (2) requiring RPS staff (e.g., ticket auditors) independent of special event ticket functions (custody and sales) to account for the tickets and related sales, and (3) improving the method and records for tracking the purchase and sale of special event tickets. Accordingly, this issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD will ensure RPS properly accounts for parking permits for the Bronough and Duval Street parking lots to ensure related revenues are properly reported and paid to the City. 	<p>✓ Completed - We reported in our initial audit that there were no independent comparisons/reconciliations to account for purchased Bronough and Duval street parking lot permits and related sale proceeds. To ensure all proceeds are properly collected by RPS for sale of those parking permits and those proceeds are being properly and accurately reported/remitted to</p>

	<p>the City, we recommended that PMD require RPS to provide for independent accountings of those parking permits and related sale proceeds. During our follow-up review, we found (1) parking permit sales are now being reviewed by independent RPS ticket auditors (and occasionally by a RPS manager who is also independent of the parking permit sales), and (2) improvements have been made by RPS to the method and records used to track the supply and sale of those parking permits. Accordingly, this issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD will make arrangements for RPS to remit monthly payments of net parking receipts directly into the City’s bank account through electronic fund transfers. 	<ul style="list-style-type: none"> ✓ Completed – We reported in our initial audit that RPS sent checks (representing net proceeds from parking receipts) directly to PMD. PMD then forwarded the checks to the City’s Revenue Division for deposit into the City’s bank account. To ensure timely deposit of funds and to help reduce the risk of funds being stolen, lost, or diverted, we recommended PMD, with the assistance of the Revenue Division, establish a process allowing RPS to send monthly payments by electronic funds transfer (EFT), as was already being done by RPS for the Airport parking operations. Based on further discussions on this matter during our follow-up review, PMD implemented a process whereby RPS now sends monthly payments by EFT. Those EFT payments are deposited directly into the appropriate City bank account. Accordingly, this issue has been resolved.
<p>Ensure proper oversight of contracted parking operations</p>	
<ul style="list-style-type: none"> • PMD will enhance its current monitoring of contracted parking operations for the Downtown Public Parking Facilities to (1) ensure appropriate and adequate support is provided for all reported/claimed expenditures; (2) confirm the validity of selected invoices/support through appropriate procedures (e.g., observation of acquired items, confirmation with vendors, etc.); and (3) verify RPS cashiering activities are appropriate (e.g., ensure reported collections are reconciled to parking activity and reported collections are reconciled to deposited collections). 	<ul style="list-style-type: none"> ✓ Completed – We recommended in our initial audit that PMD should enhance its oversight and monitoring effort over RPS operations to provide additional assurance that correct and appropriate revenues are being remitted to the City. Specifically, we recommended that PMD, on at least an occasional basis, confirm (1) the validity of selected invoices/support and (2) periodically review RPS cashiering activities to ensure reported collections are reconciled to parking activity and deposited collections. During our follow-up, we found PMD has enhanced its oversight and monitoring efforts over RPS operations by (1) requiring RPS to provide additional detail with their summary reports of monthly operations, (2) reviewing the additional detail provided with the summary reports for reasonableness/accuracy/completeness, and (3)

	<p>meeting with and obtaining (as necessary and appropriate) explanation from RPS on any noted concerns/questions/discrepancies. We observed one of these meetings during the follow-up process. Accordingly, this issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD and the Aviation Department will request RPS to provide monthly reports showing total tickets issued through the ScanNet system, total tickets collected and processed by cashiers, and total vehicle exits as counted by the ScanNet system. PMD and Aviation Department staff will use those reports to help determine the reasonableness of reported/remitted parking revenues. 	<ul style="list-style-type: none"> ➤ Action step initiated but not completed - In our initial audit, we recommended that PMD and the Aviation Department require RPS to commence providing monthly information on total tickets issued, total tickets collected/processed by RPS cashiers, and total vehicle exits (excluding exits by monthly cardholders). We also recommended Aviation Department and PMD staff use that information to help determine the reasonableness of reported/remitted parking revenues by RPS. During our follow-up, we found: PMD now obtains from RPS a monthly report that shows total tickets issued and total tickets collected and processed by cashiers. We noted, however, that the monthly report did not provide a count of total vehicle exits. In response to our inquiry, PMD indicated that RPS is in the process of adding a column to the monthly report that will show total vehicle exits (excluding exits by cardholders). Aviation Department staff has initiated efforts to obtain monthly reports from RPS showing total tickets issued, total tickets collected/processed by RPS staff, and total vehicle exits (excluding exits by cardholders). We recommended PMD and the Aviation Department continue their efforts to obtain monthly reports sufficient to enhance their monitoring and oversight of RPS operations. We will follow up and report on this step in our subsequent follow-up engagement.
<p>Ensure contracted operations and activities are appropriate</p>	
<ul style="list-style-type: none"> • Aviation Department staff will require RPS to specify on their monthly report whether any customer comments and complaints were received; and, if any are received, to include copies (as well as RPS responses thereto) with the monthly report. 	<ul style="list-style-type: none"> ✓ Completed - During our initial audit, we determined that documentation was not readily available to clearly demonstrate the number or nature of customer comments received by RPS and forwarded to the Aviation Department. In response to this determination, the Aviation Department now requires RPS to include on their monthly reports whether any customer comments/complaints were received (or not received), and if received, to provide copies (as well as RPS's responses thereto) with the monthly report. Recent reports received from RPS show

	<p>that no customer comments/complaints were received by RPS during the period covering our follow-up review. This issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD will ensure that cards of former parkers identified in the audit are deactivated, and that actions are instituted by RPS to ensure in the future circumstances cards are timely deactivated when appropriate. 	<p>✓ Completed - In our initial audit we reported that certain monthly access cards (for customers that discontinued parking in the City’s parking garages and are no longer billed for those services) were not being timely deactivated. We recommended that PMD ensure that RPS deactivates the applicable cards and takes action to ensure cards are timely and completely deactivated when appropriate. During our follow-up review, we found RPS has now deactivated the applicable cards. We also found that RPS staff now conducts monthly reviews of access cards to identify active cards for which the applicable customers are no longer being billed by RPS and thus no longer paying for the parking privileges. Such cards, when identified, are to be timely and completely deactivated. Accordingly, this issue is considered resolved.</p>
<ul style="list-style-type: none"> • PMD will work with RPS to establish a schedule for monitoring the Bronough and Duval Street parking lots for unauthorized parking and to specify the circumstances under which unauthorized vehicles will be towed. 	<p>✓ Completed - In our initial audit we noted that the Duval and Bronough parking lots were not being properly monitored by RPS to preclude unauthorized parking. We recommended PMD work with RPS to establish a schedule to check for unauthorized parking and specify circumstances under which an unauthorized vehicle will be towed. During our follow-up review we found that RPS has, with the consent of PMD, (1) established a weekly schedule for checking the lots for unauthorized vehicles and (2) commenced the towing of unauthorized vehicles after the issuance of a one-time warning to the parking violator. Accordingly, this issue is considered resolved.</p>

Table Legend:

- Issue to be addressed from the original audit.
- ✓ Issues addressed and resolved.
- Action step initiated but not completed.

Conclusion

This is the first follow-up on action steps identified in audit report #1213. As described above, 11 action plan steps were established to address issues identified in the audit report. Two of those 11 action plan steps were completed and resolved during the period of our initial audit. As noted in Table 1 above, PMD and Aviation Department management subsequently completed and resolved eight of the nine remaining action plan steps due. Actions have been initiated and are being taken to complete the one remaining action plan step. That action plan step includes obtaining enhanced monthly reports from RPS that show total tickets issued, total tickets collected and processed by RPS staff, and total vehicle exits. (Aviation Department and PMD)

We will follow up and report on PMD and the Aviation Department's efforts to complete that remaining action plan step in our subsequent follow-up engagement.

We appreciate the cooperation and assistance provided by Aviation Department, PMD, and RPS staff during this follow-up engagement.

Appointed Official's Response**City Manager:**

We appreciate the efforts of the City Auditor in reviewing City parking operations and the contractual requirements of Republic Parking Systems. As a result of this audit, we have identified a number of process improvements that were implemented in a timely manner. Our goal is to be accountable, efficient and provide outstanding customer service and the professional assistance of the City Auditor in these recommendations support this effort.

Copies of this audit follow-up #1314 or audit report #1213 may be obtained from the City Auditor's website (<http://talgov.com/auditing/index.cfm>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

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