


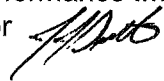


MIAMIBEACH

BUDGET AND PERFORMANCE IMPROVEMENT
Internal Audit Division

INTERNAL AUDIT REPORT

TO: Jimmy L. Morales, City Manager
VIA: John Woodruff, Budget and Performance Improvement Director
FROM: James J. Sutter, Internal Auditor

DATE: March 19, 2014
AUDIT: Metered Parking Space Rentals Audit
PERIOD: October 1, 2010 through June 30, 2013

This report reflects the results of a regularly scheduled audit of the processes followed and the fees charged and collected by the City's Parking Department for metered parking space rentals incurred due to valet parking, production and film, construction and special events.

INTRODUCTION

The City's Parking Department offers companies and individuals the opportunity to rent designated metered parking spaces for pre-determined times for valet parking, production and film, construction and special events. A designated Office Associate IV in the Parking Department is responsible for the administrative requirements associated with the valet parking operators (general ledger account 480-8000-344589) which tend to be fairly static each week. The Meter Rental Liaison is tasked with the same responsibilities but for production and film, construction and special events' rental requests (general ledger account 480-8000-344591) which are more dynamic and involve a multitude of renters.

The potential renter completes and signs the appropriate Parking Space Rental Form which indicates the applicable terms of the transaction and for the spaces they would like to rent. Upon receipt of this form and confirmation that the desired spaces are approved for rental at the specified times by designated Parking Department employees, a pre-numbered Space Rental Request form (SRR) is prepared by the Meter Rental Liaison which lists such pertinent facts as the customer's contact information, the day/date and location of the space rental and the purpose of the rental and the corresponding amounts owed by the customer.

Additionally, the renter is to provide the required documentation listed in City Code Sections 106-55 (g)(2 through 5) which for valet operators includes a copy of the valet business tax receipt for the location served, a notarized letter of authorization from the business owner and a certificate of insurance covering the location; production and film space rentals require the submittal of a valid City issued production/film permit; construction companies must provide a valid, City issued building permit; and special event promoters are to remit a valid City issued special event permit. Once all the required documentation and approvals are received, the Office Associate IV or the Meter Rental Liaison is to create a City Bill in the Eden System's Accounts Receivable Module of the total amount of administrative service and space rental fees due. Prior to March 2013, they would create an invoice in Microsoft Word and track the billings and payments in an Excel schedule with the Parking Department's cashiers responsible for processing the received payment. All current payments received are now processed by the Finance Department's Central Cashier's Office.

Internal Audit Report
 Metered Parking Space Rentals Audit
 March 19, 2014

Upon receipt of full payment, Meter Rental Liaison is to forward a copy of the completed SRR to the Parking Enforcement Division so that the corresponding meter head bags for single meters and gorilla poles (removable fiberglass poles) for multiple space master metered locations can be installed. Similarly, the Office Associate IV prepares a biweekly Valet Bag Detail Report listing the days that the designated meter numbers are to be rented for valet purposes only. The goal is to have these meter head bags and gorilla poles installed at least twelve hours in advance of the customer's requested rental time.

The license plates of any vehicles found parked in the rented spaces at the time of installation are recorded in the associated Vehicle Inventory Log. The renter has the sole responsibility to notify the Parking Department if there are any vehicles parked there at the rented time so that another acceptable available space may be assigned. Any new vehicles found parked in the spaces at the time of rental that were not present earlier may be towed immediately at the owner's expense.

Per City Code Section 106-55(g)(1), the Parking Department is to charge the following bulleted administrative service fees for all metered parking space rental requests:

- \$20.00 for any rental of five spaces or less
- \$25.00 for any rental of six to ten spaces
- \$30.00 for any rental of eleven or more spaces

In addition, the following summarized space rental fees are to be charged and collected in full by the listed due dates according to City Code Sections 106-55(f) and (g)(2 through 5):

- \$17.00 per valet ramp space rented per day payable two weeks in advance for regular users and 48 hours in advance for special events.
- \$14.00 per valet storage space rented per day to be paid in full within 24 hours of the special event.
- \$10.00 per production and film rented space per day payable 48 hours in advance.
- \$5.00 per space per week day for the first five construction spaces rented and \$10.00 per space per day for each additional space rented. Meanwhile, all weekend construction rentals are to be charged \$10.00 per space per day. All monies are due two weeks in advance unless the rental period is greater than two weeks for which it is due one month in advance.
- \$10.00 per special event space rented per day payable 48 hours in advance.

Furthermore, City Code Section 18-361(b) states that any exceptions and lease cancellations not made within the prescribed periods for valet space rental requests are to be assessed a \$20.00 processing fee. The table below shows the total revenues recorded from the collection of these metered parking space rentals by the applicable general ledger account and fiscal year during the October 1, 2010 through June 30, 2013 audit period:

<i>Revenue Sources</i>	<i>General Ledger Account Number</i>	<i>10/01/2010 – 09/30/2011</i>	<i>10/01/2011 – 09/30/2012</i>	<i>10/01/2012 – 06/30/2013</i>	<i>TOTAL</i>
Valet Parking	480-8000-344589	\$810,440	\$915,303	\$717,668	\$2,443,411
All Other Metered Space Rentals	480-8000-344591	\$214,775	\$340,708	\$533,088	\$1,088,571
Total Revenues		\$1,025,215	\$1,256,011	\$1,250,756	\$3,531,982

OVERALL OPINION

The Parking Department has the challenging responsibility of renting and enforcing rented metered spaces to be used for valet, production and film, construction and special events without creating an adverse impact on the neighboring parking area. Efforts were made to satisfy customers despite difficulties encountered from the large volume of requests, frequent late documentation submittals and/or payments, last minute changes to initial rental requests, etc. Given these difficulties, Parking Department staff was found to have satisfactorily performed most of their responsibilities. However, the following shortcomings were identified that are in need of corrective action to help strengthen the department's operations and internal controls over the metered parking space rentals process:

- Identified wording deficiencies in City Code Sections 18-361 and 106-55 are in need of revision to help clarify noted omissions, uncertainties and inconsistencies.
- The Parking Department did not maintain sufficient inventory controls over meter head bags and gorilla poles which could lead to increased replacement costs and their unauthorized usage.
- 77.55% or 38 of the 49 tested metered parking space rental fee payments were not remitted by the City Code specified due dates.
- Noted inherent risks and internal control shortcomings existed (lack of automation, insufficient supervisory review, City Bills are not timely created, etc.) which helped result in incorrect customer billings going undetected.
- The City Code required supporting documentation for metered parking space rentals was not attached to the corresponding Space Rental Receipt forms for 16.00% of the tested payments thereby hindering the audit trail.
- The installation and removal of meter head bags and gorilla poles was not always documented by the Parking Enforcement Division on the completed Space Rental Receipt forms thereby not documenting whether the work was actually performed.
- Parking Enforcement Division personnel do not necessarily verify that the rented spaces are properly used by the customer once the meter head bags and gorilla poles have been installed.
- Maintained departmental standard operating procedures need to be updated to reflect the March 2013 payment processing changes and the Parking Enforcement Division's role in metered parking space rentals.

PURPOSE

The purpose of this audit is to ensure the Parking Department's compliance with the relevant City Code sections; were proper internal controls implemented and sufficient documentation maintained; were tested meter head bags and gorilla poles properly safeguarded and accounted for; were the correct administrative service fees and space rental rates charged and paid by the specified due dates; and were all tested transactions accurately recorded in the City's Financial System.

SCOPE

A total of fifty customer payments were randomly selected from the Parking Department's provided records which was stratified to include twenty valet, ten production and film, ten construction and ten special events rentals. Occasionally, these received payments were for multiple Space Rental Receipt forms which resulted in seventy of these forms being tested. The analysis performed on these randomly sampled payments and corresponding Space Rental Receipt forms was designed to satisfy the following audit scope:

1. Confirm that updated departmental policies and procedures exist that are complete, widely known and followed by staff.
2. Confirm that the internal control process implemented, including a proper segregation of duties, is adequate.
3. Confirm that maintained documentation is organized, complete and sufficient.
4. Confirm that meter head bags and gorilla poles are adequately safeguarded and accounted for.
5. Confirm that tested administrative service fees and space rental amounts charged were correct.
6. Confirm via site inspections that tested spaces are properly bagged by Parking Enforcement Division staff.
7. Confirm that all tested meter space rental transactions were fully paid in accordance with the timelines specified in the City Code.
8. Confirm that tested meter space rental collections are accurately recorded in the City's Financial System.

FINDINGS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

1. Finding: *The Listed City Code Sections Concerning Metered Parking Space Rentals Needs to be Updated to help Clarify Noted Omissions, Uncertainties and Inconsistencies*
Review of City Code Sections 18-361 and 106-55 concerning metered parking space rentals identified the following terms in need of revision to help clarify noted omissions, uncertainties and inconsistencies:
 - a. City Code Section 18-361(b) states "All valet parking meter rental fees are codified in Ord. No. 2000-3267. All additions or changes to existing leased public on-street/curbside parking spaces for ramping, shall be paid upon request. All valet space lease requests shall be required in writing to the parking director or his/her designee, 24 hours in advance, and received no later than 3:00 p.m. daily. Exceptions and lease cancellations not made within the prescribed period will be assessed a \$20.00 processing fee." This section incorrectly mentions Ordinance No. 2000-3267 whose rental fees are no longer valid and contradict

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

those rates currently charged which are listed in City Code Section 106-55. Fortunately, the reviewed pertinent City Ordinances all contained a repealer provision stating *"That all Ordinances or parts of Ordinances in conflict herewith be and the same are repealed."* to help clarify as to which rates apply.

Also, the \$20.00 processing fee is only applicable to valet space lease requests as no other wording was found whereby it can be applied to the other rental purpose categories (production and film, construction and special events). However, the various Parking Space Rental Forms that must be completed by the rental customer for each of these rental purpose categories states *"All rentals must be requested 48 hours in advance. Exceptions will be assessed a \$20.00 processing fee."* in contradiction to the City Code. Regardless, inquiries found that these \$20.00 processing fees were not charged by the Parking Department during the audit period.

- b. No late charge provisions existed for metered parking space rental payments not received by the due dates specified in section 106-55(g)(2 through 5). The omission of any late fees does not serve as a deterrent to help discourage future late payments.
- c. Testing performed on the Original Miami Beach Antique Show 2013's payment found that it included an \$800.00 charge for the rental of 1/3 of the preferred lot, which is located directly west of the Miami Beach Convention Center, for June 29 and 30, 2013. When questioned, a Parking Operations Manager provided departmental policies and procedures concerning truck marshalling and the applicable charges which were properly followed above. Similarly, GT McDonald Enterprises Inc. was found to have been charged \$300.00 to have master meter # 64001556 removed from the 100 block of 40th Street in adherence to the wording in the Parking Space Rental Forms. Despite the Parking Department's charging of truck marshalling and master meter removal fees in adherence to provided departmental documents, neither rate has been approved by the City Commission.
- d. City Code Section 106-55(a)(1 and 2) summarized states that metered parking rates and enforcement times are currently \$1.75 per hour in the South Beach Parking Zone enforced daily from 9:00am till 3:00am and \$1.00 per hour elsewhere enforced daily from 8:00am till 6:00pm.

Conversely, metered parking space rental rates are consistently applied regardless of their location per City Code Section 106-55 (g)(2 through 5) at \$17.00 per day for valet; \$10.00 per day for production and film plus special events; and \$5.00 per weekday for the first five construction spaces rented and \$10.00 for all others including weekend days. Testing found that inconsistencies existed in staff's pricing calculations concerning what constitutes a day (is it a 24 hour period, is it a day of the week, can leeway be given for rentals that barely extend to another day or just exceed 24 hours, etc.) as the customer was usually given latitude in these calculations.

Additionally, these space rental rates do not necessarily cover the daily revenues

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

foregone. For example, a parking space could generate maximum daily revenues of \$31.50 in the South Beach Zone (\$1.75 per hour x 18 hours enforced daily) and \$10.00 elsewhere (\$1.00 per hour x 10 hours enforced). These figures don't include the twelve hours in advance of the rented time that the meter head bags and/or gorilla poles are typically installed for the customer.

- e. City Code Section 106-55(g)(1) authorizes the Parking Department to charge an administrative service fee for all space rental requests of \$20.00 for five or less spaces, \$25.00 for six to ten spaces and \$30.00 for eleven or more spaces. No documentation was provided indicating which space rentals are to be included on a Space Rental Receipt form or SRR (multiple locations, multiple dates, etc.). Testing found that separate SRRs submitted concurrently for production and film, construction and special event customers were only charged one administrative service fee based on the total number of spaces rented by the Meter Rental Liaison. Conversely, the Office Associate IV charged valet operators an administrative service fee for each SRR prepared.

Inquiries found that the purpose of administrative service fees is to reimburse the City for the time spent by the assigned Parking Enforcement Division employee to install and remove the associated meter head bags and/or gorilla poles. If true, separate SRRs need to be created for each different time and location that meter head bags or gorilla poles are installed and removed so that administrative service fees can be charged to help offset the City's associated costs.

- f. SRRs contain a rental purpose category labeled "Other" which was used when the rental did not satisfy any of the City Commission approved categories of valet, production and film, construction and special events. However, no provisions allowing these "other" rentals, what rates are to be charged, what due dates are to be enforced, etc. is currently stipulated in the City Code. In its absence, these tested "other" SRRs were charged \$10.00 per rented space per day by the Meter Rental Liaison.

Included in this audit's random sample were two "other" SRR (#s 26403 and 29486) involving space rentals for the usage of cranes at construction sites which may have been better suited to be treated as construction instead. This difference in rental purpose categories results in each customer being charged \$10.00 per rented space per day instead of \$5.00 for the first five spaces for week days in accordance with City Code Section 106-55(g)(3).

- g. City Code Section 106-55 (g)(3) states "*Construction rented spaces can be purchased for up to 12 months at a time. At no time shall such permit parking be sold for a period of greater than 12 months unless by action of the mayor and city commission.*" No other reviewed sections contained wording establishing a maximum rental period for valet, production and film or special events rentals. Review of the Parking Enforcement Division files identified more than thirty SRRs whose rental removal dates were listed as "Until Further Notice" for valet operators, production and film companies, the City's CIP Department, construction companies, etc. Closer inspection found that some of these reviewed SRRs dated back to 2011 and still have apparently not been removed.

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

Parking Enforcement Dispatchers stated that they will periodically review these files (time permitting) in which they typically find that some space rentals were completed but they were never notified to remove the corresponding meter head bags and gorilla poles.

Recommendation(s):

The City Administration should consider presenting the City Commission with the following revisions to help clarify perceived uncertainties and inconsistencies in the current City Code:

- a. City Code Section 18-361(b) should be revised to exclude the statement that "*All valet parking meter rental fees are codified in Ord. No. 2000-3267.*" The Parking Department should revise their Parking Space Rental forms to be in agreement with the City Code. Lastly, the \$20.00 processing fee should be charged where applicable and with City Commission approval it should also apply to the other rental purpose categories of production and film, construction and special events.
- b. There should be late charges levied against a renter that does not timely remit full payment in adherence to the current City Code provisions.
- c. The City Commission should establish the fees to charge Miami Beach Convention Center renters for truck marshalling in the preferred lot and for the removal of master meters. Once set, these fees should be consistently charged by the Parking Department.
- d. Metered parking space rental customers should be charged at least the current price based upon the meter's time needed.
- e. The Administration should define what parking meter space rentals are to be included on a SRR. Once determined, Parking Department personnel should consistently charge the appropriate administrative fees for each form completed.
- f. The Administration should consider adding an "other" rental purpose category which would include the corresponding fees to be charged, the supporting documentation needed, the due dates, etc. and would require approval of the Parking Director or his designee. Going forward, the Parking Department's Meter Rental Liaison should better ensure that the proper rental purpose category is selected as it may result in the customer being incorrectly charged.
- g. The Administration should clarify as to whether the one year maximum is to be applied to the remaining rental purpose categories. Either way, completed SRRs should not be open ended as they should include the date that the meter head bags and/or gorilla poles are to be removed. The latest removal date should be one year from installation unless approved by action of the Administration. The supporting documentation for any permitted extensions should be attached to the SRR to provide a better audit trail.

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

Management Response(s):

- a. Agreed. The Space Rental Form will be revised accordingly. The processing fee was not codified (applied) to other rental categories in order to provide incentives for these uses.
 - b. Agreed. Late fees will be charged.
 - c. Agreed. Marshalling fees will be discussed with Global Spectrum and City Staff in order to develop a recommendation to the Mayor and Commission.
 - d. Similar to the processing fee referenced above, space rental fees were developed for each rental category to promote and facilitate production, film/print, special events, and construction. The increasing of these fees is part of a broader policy decision for each of these respective industries.
 - e. All space rentals, with the exception of valet parking ramps, are issued through the Space Rental Request (SRR). Each SRR triggers the application of the applicable administrative fee. In the case of valet parking space rentals, the administrative fee is assessed bi-weekly for either new rentals or renewals.
 - f. The establishment of an "Others" category may have merit. The Parking Department will review this recommendation.
 - g. Agreed. Space rentals requiring one year or more are mostly construction related. Supporting documentation will be attached to space rentals that may exceed a one year time year.
2. Finding: *The Parking Department Did Not Maintain Sufficient Inventory Controls over Meter Head Bags and Gorilla Poles which could Lead to Increased Replacement Costs and their Unauthorized Usage*

Meter head bags and gorilla poles are used for reserving single and master meter spaces respectively for paying customers. Not only do these meter head bags cost approximately \$30 for each bag and lock while gorilla poles cost about \$125 each; but they also could provide unauthorized users with free parking until detected.

A site visit found that unused meter head bags and gorilla poles are stored in an unlocked room in the secured Parking Enforcement Division's offices where they may be accessed by anyone permitted to enter the building during their 24 hour a day, 7 days a week operation. Additional unused meter head bags and gorilla poles are stored in an unlocked area at the Sign Shop's offices.

Another noted shortcoming is that many of the gorilla poles are not labeled as belonging to the City of Miami Beach. Consequently, any of these unlabeled gorilla poles can be improperly used in cities using the same equipment (ex. Miami) and potentially vice versa.

Furthermore, meter head bags and gorilla poles are occasionally misappropriated as the master lock on the meter head bags can be cut and replaced, while the gorilla poles can be separated by physical force from their magnetic base. Questioned Parking

Enforcement Division staff said that they receive phone calls from customers complaining that there are no meter head bags or gorilla poles present at their rented spaces despite being able to confirm that they were previously installed. These phone calls are recorded in the CAD system but Parking Enforcement Division management was unable to easily extract this requested information to help determine the frequency of these complaints and their outcome (equipment found or replaced). Finally, a Parking Enforcement Supervisor estimated that he is aware of staff's confiscation of an average of five unauthorized gorilla poles per month despite being unable to devote much attention to checking their legitimacy due to other assigned duties.

The Parking Department did not maintain adequate internal controls regarding the inventory of these meter head bags and gorilla poles as there was no easy means to determine how many have been purchased, how many are currently being used, how many are available for use, how many are missing, how many were damaged and disposed of, etc. Additionally, the location of installed meter head bags and gorilla poles is not automated where it can be accessed by all authorized users inquiring about their location or legitimacy. Instead, they must contact either the Office Associate IV and Meter Rental Liaison or the Parking Enforcement Division's Dispatcher so that they can review their manually maintained files to determine their approved locations.

Recommendation(s):

The Parking Department should consider implementing an effective inventory control system to help improve accountability over their supply of meter head bags and gorilla poles due to the associated risks and costs involved. The implementation of the following procedures should be part of the process of achieving that goal:

- The meter head bags and gorilla poles should be stored in one secured location with access restricted to only designated key personnel.
- All meter head bags and gorilla poles should be clearly labeled as belonging to the City of Miami Beach to help prevent usage in other cities and vice versa.
- Designated Parking Enforcement Division management should be tasked with keeping an inventory log to record those meter head bags and gorilla poles issued to Enforcement Division personnel, misappropriated, disposed of, etc.
- The amount of meter head bags or gorilla poles released by Parking Enforcement Division management to staff should equal the number reflected on the corresponding SRR(s) and the Valet Bag Detail Reports.
- Parking Enforcement Division staff should inquire about the legitimacy of any observed meter head bags and gorilla poles observed during the completion of their daily duties. Periodic inspections may be done by assigned personnel searching for unauthorized space rentals with any found meter head bags and gorilla poles confiscated. If economically feasible, the Parking Department should consider affixing programmable bar codes on the rented single meter or gorilla poles with Parking Enforcement Division staff given readers to facilitate identifying improper usage.
- All approved space rental requests' installations and removals should be timely and accurately entered into an automated system such as the City's Geographic Information System (GIS).

Going forward, the Parking Department should also continue to contact other cities, professional organizations, etc. to determine their recommended best practices in preventing meter head bags and gorilla poles from being misappropriated and misused.

Management Response

Agreed, the Parking Department will pursue the implementation of these recommendations; however, it is important to note that some recommendations may require additional resources to implement.

3. Finding: 77.55% or 38 of the 49 Tested Metered Parking Space Rental Fees were not Fully Paid by the City Code Specified Due Dates
Section 106-55 (g)(2) of the City Code requires that rental fees charge for valet ramp spaces be paid two weeks in advance for regular users, and 24 hours in advance for special events. Furthermore, Sec. 106-55 (g)(3) requires that fees for construction use rentals be paid two weeks in advance for rentals not exceeding a two week period, however; they must be paid one month in advance if the rental is greater than two weeks. Finally, Sections 106-55 (g)(4) and (5) requires that fees for metered parking space rentals used for production and film or for special events be paid 24 hours in advance.

A total of fifty customer payments and their corresponding supporting documentation were randomly sampled which was stratified to include twenty valet, ten production and film, ten construction, and ten special events rentals. Assuming that all monies were promptly processed upon receipt, it was determined that 38 space rentals, separated by rental purpose category below, were paid after the aforementioned due dates:

- Although twenty valet operators' payments were randomly selected from the received Valet Bag Detail Report, one was excluded from analysis since they had authorization for permanently removed valet parking spaces. Testing determined that all nineteen of the remaining sampled valet operators' payments or 100% were not received timely (within two weeks in advance for regular users and 24 hours in advance for special events). Furthermore, twelve payments were received after the initial date that the parking spaces were rented ranging from a low of 2 calendar days to a high of 43 calendar days.
- Seven of the ten sampled production and film companies' payments or 70% were not received timely with all monies remitted prior to the initial date that the metered parking spaces were rented.
- All ten of the sampled construction companies or 100% were not received timely with two being remitted after the initial date that the parking spaces were rented by seven and eight calendar days respectively.
- Two of the ten sampled special events payments or 20% were not received timely with all monies remitted prior to the initial date that the metered parking spaces were rented.

Recommendation(s):

Going forward, all metered parking space rentals should be completed prior to the due dates imposed in the pertinent sections of the City Code with no spaces allowed to be rented until full payment is received to help prevent the possibility of nonpayment.

Management Response:

Agreed, all space rental payments must be made prior to the service being provided. Additionally, the Parking Department will seek amendments to the City Code that will more accurately reflect space rental transactions timelines.

4. Finding: *Inherent Risks and Internal Control Deficiencies Existed which Helped Result in Incorrect Tested Customer Billings Going Undetected*

A designated Office Associate IV in the Parking Department is responsible for the administrative requirements associated with the valet companies. Meanwhile, the Meter Rental Liaison is tasked with similar responsibilities but for production and film, construction and special events rental requests. Based upon the receipt of the customer completed applicable Parking Space Rental Form, they will prepare the corresponding Valet Bag Detail Reports or SRRs which summarize the date and location of the rented meters for each customer.

SRRs are manually placed in accordion files by the date that they have to be installed and then subsequently the date that they are to be removed. If these forms are misplaced, filed incorrectly, etc. then the risk exists that the corresponding meter head bags and/or gorilla poles may not be removed timely.

All pricing calculations are done manually as there are no current automated templates used. In addition, the prices in City Code Section 106-55(g)(2 through 5) can vary depending on the rental purpose, the number of meters rented, the day of the week, etc. which increases the likelihood that mistakes occur, especially given the large volume of transactions. Despite these inherent risks, no one is tasked with reviewing the preparer's work and pricing calculations to determine their accuracy. Consequently, it was not necessarily unexpected to find pricing errors in our random sample as shown below:

- One valet operator was overcharged by \$5.00 in administrative service fees as they were incorrectly billed \$30.00 for the rental of eight spaces between June 24, 2013 and July 7, 2013.
- SRR #29491 inadvertently undercharged the customer by \$5.00 in administrative service fees as they rented six spaces but were charged \$20.00 instead of the required \$25.00.
- The customer was overcharged by a total of \$60.00 on SRR #29223 as they were incorrectly charged for two days when they only rented the designated six spaces for one day.
- A customer was incorrectly charged \$150.00 for the temporary removal of two meters for construction when City Code Section 106-55(h) states that space removal and replacement shall be paid in advance at a rate of \$100.00 per space which would result in \$200.00 being owed. Additionally, this same customer was overcharged by \$30.00 for the associated space rentals covering April 15, 2013 to May 31, 2013. The net result is that the customer was undercharged a total of \$20.00 for the two transactions.
- A customer was charged for 19 weekend days on SRR #29396 when they actually only rented the five spaces for 18 weekend days resulting in an overpayment of \$50.00 (5 spaces x \$10.00 per day).

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

Further inquiries found that the designated Office Associate IV and Meter Rental Liaison do not create City Bills in the Eden System's Accounts Receivable Module until after the payments are received to help prevent the need for future adjustments as customers may ultimately rent more or less spaces than initially approved. Instead they prepare an invoice in Microsoft Word which is mailed to the customer requesting payment. Created City Bills are strictly controlled and once created by the department can only be adjusted by designated Finance Department employees upon the completion of a form with the proper approvals stating the reasons for the adjustment.

However, the Parking Department staff's actions create additional work and counteract one of the primary benefits of creating City Bills which is to record the invoices in the City's Financial System so that all users can subsequently determine and track the amounts owed and paid for specific customers. Delaying its entry increases the possibility that spaces may be rented with no monies received, especially since no one independent of the rental process is confirming that full payment was received before the Valet Bag Detail Reports or SRRs are sent to the Parking Enforcement Division for installation.

Recommendation(s):

The Parking Department should automate the SRR process to better ensure the accuracy of the pricing calculations. Pricing should only be assigned by programmable rates on the system. In the interim, a designated Parking Department employee should confirm their accuracy before a City Bill is created immediately thereafter in the Eden System's Accounts Receivable Module thereby eliminating the need to create invoices in Microsoft Word. Furthermore, the installation and removal dates should be electronically stored and sent to the Parking Enforcement Division to help guard against the inadvertent misplaced or misfiled SRRs. Lastly, a Parking Department employee, independent of metered parking space rental process, should confirm that full payment has been received before the Valet Bag Detail Report or the SRR is sent to the Enforcement Division for action to help minimize the risk of nonpayment.

Management Response:

Agreed, the ACCELA program addresses all of the recommendations referenced above.

5. Finding: *The City Code Required Supporting Documentation for Metered Parking Space Rentals was not Attached to the Space Rental Receipt for 16% of the Tested Payments*
City Code Sections 102-55(g)(2 through 5) specifies the required documentation to be furnished by the rental customer to the Parking Department before the space is to be rented. For example, valet operators must provide a copy of the valet occupational license/business tax receipt for the location to be served, a notarized letter of authorization from the business owner and a certificate of insurance covering the valet service location when submitting for the first space rental request; production and film companies must provide a copy of a valid City issued production/film permit; construction companies must provide a copy of a valid, City issued building permit; and special events promoters are to submit a copy of a valid, City issued special events permit. This documentation should be attached to the corresponding SRR with any other received paperwork to provide a proper audit trail. Testing performed found that the required documentation was not attached to the SRR for 16% or for eight of the fifty sampled payments as shown below (separated by rental purpose category):

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

- One of the twenty sampled valet payments or 5% contained the operator's 2011/12 fiscal year business tax receipt as they have not yet obtained one for the current fiscal year and have not received any citations to date.
- Three of the ten sampled production and film companies' payments supporting documentation received or 30% did not contain a valid production/film permit.
- Two of the ten sampled construction companies' payments supporting documentation received or 20% did not contain a valid construction permit.
- Two of the ten sampled special events promoters' payments supporting documentation received or 20% did not contain a valid special events permit.

Recommendation(s):

The Parking Department's Office Associate IV and Meter Rental Liaison should always attach all the required supporting documentation including emails confirming the spaces' availability to each SRR to provide a better audit trail.

Management Response:

Agreed, all supporting documentation is to be attached to each SRR.

6. Finding: *The Installation and Removal of Meter Head Bags and/or Gorilla Poles were not always Documented by the Parking Enforcement Division on the Completed Space Rental Receipt Forms thereby not Confirming that the Work was Actually Performed*

The Meter Rental Liaison ultimately sends a copy of the SRR to the Parking Enforcement Division so that the meter head bags and/or gorilla poles can be installed and removed. The corresponding officers assigned to perform these tasks are to list the relevant information (time and date completed plus their name and identification number) in the designated section at the bottom of the SRR. Subsequent testing found that the Parking Enforcement officers did not complete the required removal information for six of the 100 sampled SRRs or 6% thereby not documenting whether the work was actually performed.

Recommendation(s):

Documenting the installation and removal of meter head bags and/or gorilla poles on the SRR helps in the inventory control system and in helping verify that they were installed and removed timely. Therefore, Parking Enforcement Division supervisors should not return the SRR to the Meter Rental Liaison for storage unless the bottom section is properly completed confirming installation and removal.

Management Response:

Agreed, the Space Rental Receipt Forms will be fully completed by the Parking Enforcement Division to better document the work being performed.

7. Finding: *Parking Enforcement Division Personnel do not Verify that the Rented Spaces are Properly Used by the Customer*

Once a SRR is submitted to the Parking Enforcement Division, it is assigned to an officer for installation depending on the specified rental time and date. However, enforcement officers do not typically subsequently verify that the rented spaces are being used for the purposes stated on the SRR, that only essential vehicles are parked at these rented spaces, etc. during the inspection of their assigned areas. For example, a July 22, 2013

Internal Audit Report
Metered Parking Space Rentals Audit
March 19, 2014

site visit found that non-essential vehicles were parked at two construction rented spaces and that valet reserved spaces were being used to store vehicles which is not permitted in City Code Section 106-55 (g)(3) and (2) respectively but no citations were issued.

Recommendation(s):

Until sufficient automation is achieved, Parking Enforcement personnel should make inquiries to the Office Associate IV, Meter Rental Liaison or the Parking Enforcement Dispatcher as to the purpose and validity of meter head bags and gorilla poles observed during their daily routes with the proper enforcement steps taken against those not complying with the stated terms.

Management Response:

Agreed, Parking Operations Supervisors have been assigned this task.

8. Finding: *Maintained Departmental Procedures Need to be Updated to Reflect March 2013 Payment Process Changes and the Parking Enforcement Division's Role*
Standard operating procedures are beneficial as they serve as a benchmark to measure individuals' performance and as an instruction manual in the event employees' are out of the office for whatever reason. Although it was subsequently found that the Parking Department maintained simplistic standard operating procedures concerning the administrative functions, they have not yet been updated to reflect the March 2013 change in the method by which customer payments are processed. Lastly, standard operating procedures were not provided concerning the Parking Enforcement Division's role in processing the received SRRs, installing/removing the meter head bags and/or gorilla poles, etc.

Recommendations:

The Parking Department's space rental standard operating procedures should be updated to adequately reflect all aspects of current operations ranging from receipt of the customer's initial request to the Parking Enforcement Division's removal of the rented meter head bag and/or gorilla pole.

Management Response:

Agreed, procedures for these operations will be updated.

EXIT CONFERENCE

An exit meeting was held to discuss the audit report and to solicit management responses noted above. Attendees included Assistant Parking Director Rocio Alba, Office Associate IV Nelida Correa, Internal Auditor James Sutter and Senior Auditor Mark Coolidge. Management responses were received thereafter and included in this report. All parties were in agreement with the contents of this report.

(Audit performed by Mark Coolidge, Senior Auditor)

F:\OBPI\SAUD\INTERNAL AUDIT FILES\DOC12-13\REPORTS - DRAFT\METERED PARKING SPACE RENTAL RPT.docx

cc: Patricia Walker, Chief Financial Officer
Saul Frances, Parking Director