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HIGHLIGHTS

Highlights of City Auditor Report #1213, a report to the City Commission and City management

WHY THIS AUDIT WAS CONDUCTED

This audit was conducted to evaluate whether (1) City parking contracts were competitively awarded and properly executed, (2) parking operations were in accordance with contractual terms, (3) parking revenues due the City were properly and timely received, and (4) responsible City departments performed adequate monitoring and oversight of contracted parking operations.

The audit addressed the operation of parking facilities by the City's contractor, Republic Parking Systems, during the period January 2008 through December 2010, and certain related events through the end of our fieldwork in February 2012. The City's parking facilities consist of the City's Airport parking lots and the Downtown Public Parking Facilities (Kleman Plaza Garage, Eastside Garage, and the Duval and Bronough Street surface parking lots).

WHAT WE RECOMMENDED

To improve the City's parking operations, we recommended management enhance procedures such that:

- Future contracts provide for the review/audit of contractual operations by an independent third party.
- Contractual amendments are timely prepared and executed when the scope of contractual services is extended to cover additional parking lots.
- The contractor adequately tracks and accounts for supplies of tickets used for special events, parking permits, and related revenues.
- Net revenues payable to the City by the contractor are timely remitted directly to the City's bank account.
- The contractor submits additional monthly reports that better allow City management to ascertain the reasonableness of reported revenues and related parking activity.
- Access cards for monthly parking in City garages are timely deactivated when applicable customers discontinue monthly parking and are no longer billed for parking privileges.
- Unauthorized parking at the Duval and Bronough Parking lots is adequately and properly addressed.

Management established an action plan that addresses the identified issues.

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July 10, 2012

AUDIT OF CITY PARKING CONTRACTS

Overall, City parking contracts were properly and adequately managed and administered by the City's contractor; revenues were properly collected, accounted for, and paid by the contractor to the City; and the City's monitoring and oversight efforts over the contractual operations and activities were appropriate and adequate. Issues were identified that indicated the need for enhancements in processes to further improve contract administration and management.

WHAT WE CONCLUDED

Overall, contracts for the operation and administration of City parking facilities were competitively awarded and properly executed. For the most part, contracts contained appropriate and adequate terms and provisions to support the City's interest, and the contractor generally complied with those terms and provisions. Parking fees were properly assessed and collected by the contractor; operating expenses claimed by the contractor were allowable, reasonable, and generally supported; and net revenues were correctly reported and timely remitted to the City. The contractor, for the most part, implemented adequate procedures and controls relative to the administration and operation of City parking facilities. Additionally, monitoring and oversight by the City's Aviation Department and Property Management Division were generally proper and adequate. Several issues were identified where enhancements were needed. Some of the more significant issues included the following:

- Contracts for the Downtown Parking Facilities did not provide for an independent review or audit of contractor operations.
- A contract amendment was not executed when the scope of services was revised to include administration of two surface lots.
- Improvements were needed regarding the accounting for special event parking tickets and certain parking permits, as well as the related revenues.
- Net proceeds for the Downtown Parking Facilities were delivered to the City's Property Management Division and not sent directly (electronically) to the City's bank account.
- Additional monthly reports were needed to allow City management to better ascertain the reasonableness of monthly revenues paid by the contractor.
- Access cards for monthly parking were not always timely deactivated when applicable customers discontinued monthly parking and were no longer billed for parking privileges.
- Instances of unauthorized parking were noted at the Duval and Bronough parking lots.

We would like to thank the staff of Republic Parking Systems and applicable staff of the City's Aviation Department and Property Management Division for their full cooperation and support during this audit.

Office of the City Auditor

City Parking Contracts

AUDIT REPORT #1213

July 10, 2012



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City Parking Contracts



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Report #1213

July 10, 2012

Executive Summary

The purpose of this audit was to determine whether City parking facilities were properly managed and administered by the City's contractor; and whether revenues were properly collected and net proceeds properly remitted by the contractor to the City.

The audit covered parking operations and activities administered by the City's contractor (RPS) and City oversight of those operations and activities during the period January 2008 through December 2010, and certain related activities occurring through the end of audit fieldwork in February 2012.

OVERVIEW: *Overall, our audit showed the Airport parking lots and the Downtown Public Parking Facilities were properly and adequately managed and administered by the City's contractor; revenues were properly collected, accounted for, and paid by the contractor to the City; and the City's monitoring and oversight of contractual operations and activities were appropriate and adequate. We identified several issues where enhancements in processes and related controls are recommended to further improve contract administration and management.*

Audit Objectives: The objectives of this audit 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 City departments responsible for oversight of contracted parking operations.

Audit Scope: This audit covered the operation of City-owned (off-street) parking facilities by the City's contractor, Republic Parking Systems (RPS), 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. This audit addressed the contract award and execution process, operation of the parking facilities by the contractor, and the collection and remittance of parking receipts to the City by the contractor. Parking facilities covered in our review included Kleman Plaza, Eastside Garage, and the Duval and Bronough Street parking lots,

collectively referred to as “Downtown Public Parking Facilities,” as well as the City’s Airport parking lots. Use of and payment for these parking facilities by City employees in connection with their City employment was not included in the scope of this review. Similarly, this review did not address use of City airport parking facilities by rental car companies operating at the airport.

Audit Results: We found contracts for the operation and administration of City parking facilities were competitively awarded and properly executed. For the most part, we found those contracts contained appropriate and adequate terms and provisions to support the City’s interests, and we found RPS generally complied with those terms and provisions. Overall, we found parking fees were properly assessed and collected by RPS; operating expenses claimed by RPS were allowable, reasonable, and supported; and net revenues were correctly reported and timely remitted by RPS to the City. We also found that, for the most part, RPS implemented adequate procedures and controls relative to administration and operation of the City’s parking facilities. Additionally, monitoring and oversight activities by the Aviation Department and Property Management Division (PMD) were generally proper and adequate. However, we identified issues that indicate the need for further strengthening of controls and procedures to further mitigate identified risks. Recommendations were made within this report to address those issues to include:

Overall, our audit showed City parking facilities were properly managed and administered and parking receipts properly and timely remitted to the City; several issues were identified for which enhancements in processes and controls are needed.

Contract Award and Execution Processes

- Ensuring future contracts adequately address the review/audit of contractual operations and activities by an independent third party (Downtown Public Parking Facilities).
- Ensuring future contracts require background checks of contractor employees (Downtown Public Parking Facilities).
- Ensuring future contracts address requirements for handling and reporting customer complaints (Downtown Public Parking Facilities).

Recommendations were made to help address the identified issues.

- Ensuring contractual amendments are timely prepared and executed when the scope of contractual services is extended to additional parking lots (Downtown Public Parking Facilities; specifically for Bronough and Duval Street parking lots).

Contracted Revenues and Related Activities

- Ensuring adequate support is provided for all expenses reported and claimed by RPS (Downtown Public Parking Facilities).
- Enhancing procedures to track and account for supplies of tickets used for special events and related revenues (Downtown Public Parking Facilities; specifically Kleman Plaza Garage).
- Enhancing procedures to properly track and account for supply and sale of parking permits (Downtown Public Parking Facilities; specifically for Bronough and Duval Street parking lots).
- Enhancing procedures such that net revenues are properly and timely remitted directly by RPS to the City's Revenue Office (Downtown Public Parking Facilities).
- Enhancing existing oversight of cashiering operations through additional surveillance cameras (Airport parking operations and Downtown Public Parking Facilities; specifically Eastside Garage).

City Oversight and Monitoring Activities

- Enhancing City oversight and monitoring efforts to ensure appropriate amounts due the City are identified and remitted by RPS (Downtown Public Parking Facilities).
- Requesting RPS to provide reports that show, for each month, the total tickets issued, total tickets collected and processed by cashiers, and number of recorded vehicle exits as a means to ascertain the reasonableness of reported revenues and related

parking activity (Downtown Public Parking Facilities and Airport parking operations).

Other Contractual Activities

Applicable City departments have initiated actions to address several of the identified issues.

- Enhancing procedures to better demonstrate RPS is reporting all customer comments and complaints to appropriate Aviation Department staff (Airport parking operations).
- Enhancing procedures to ensure access cards for monthly parking are timely deactivated when applicable customers discontinue parking in City garages and are no longer billed for parking privileges (Downtown Public Parking Facilities; specifically Kleman Plaza and Eastside Garages).
- Enhancing procedures to address unauthorized parking at the Bronough and Duval Street parking lots.

Staff in the Aviation Department and PMD initiated actions to address several of these issues prior to the completion of our audit.

We would like to thank staff in the Aviation Department and the PMD as well as the staff of RPS for their professional demeanor and assistance during this audit.

City Parking Contracts



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July 10, 2012

Objectives

The purpose of this audit was to review the administration and oversight of City parking contracts.

The objectives of this audit 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 City departments responsible for oversight of contracted parking operations.

Scope

Our audit addressed parking operations and activities during the periods January 2008 through December 2010, and certain related activities through the end of our audit fieldwork in February 2012.

This audit covered the operation of City-owned (off-street) parking facilities by the City's contractor, Republic Parking Systems (RPS), 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. This audit addressed the contract award and execution process, operation of the parking facilities by the contractor, and the collection and remittance of parking receipts to the City by the contractor. Parking facilities covered in our review included Kleman Plaza, Eastside Garage, and the Duval and Bronough Street parking lots, collectively referred to hereafter as "Downtown Public Parking Facilities," as well as the City's Airport parking lots. Use of and payment for these parking facilities by City employees in connection with their City employment was not included in the scope of this review. Similarly, this review did not address use of City airport parking facilities by rental car companies operating at the airport.

Methodology

Our audit procedures included observations, interviews, inspections, and testing sampled transactions and activities.

Similar audit methodologies and procedures were performed for the parking contracts administered for both the Downtown Public Parking Facilities and the Airport Parking Lot.

We conducted various audit procedures to address the stated objectives. Those procedures included making audit observations, conducting interviews with knowledgeable personnel, and inspecting and analyzing various records and reports. Similar audit methodologies and procedures were performed for both the contract administered for the Downtown Public Parking Facilities and the contract administered for the Airport parking lot. Those methodologies and procedures included the following:

- Reviewing the contract award and execution process.
- Reviewing applicable contract documents to determine the adequacy of terms and conditions contained therein.
- Determining the contractor's compliance with relevant contractual terms and conditions.
- Evaluating contractor records to identify parking revenues and to ensure those revenues were properly and accurately reported to the City.
- Evaluating contractor records to ensure expenses claimed and reported by the contractor were reasonable and supported.
- Determining if net revenues (parking receipts less allowable expenses) were properly remitted to the City by the contractor.
- Determining if the contractor established adequate and appropriate processes and controls relative to parking operations, as assurance the City was receiving revenues to which it was entitled.
- Reviewing the City's monitoring and oversight of contracted parking operations.

We conducted this audit 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 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 objectives.

Background

Operations of both the Downtown Public Parking Facilities and the Airport parking lot are administered by Republic Parking Systems (RPS), a contractor selected through competitive solicitation.

RPS has administered City downtown and airport parking operations for over 20 years.

The City of Tallahassee owns five (off-street) parking facilities for which fees are charged to users. As noted previously within this report, four of those five facilities comprise the Downtown Public Parking Facilities (Kleman Plaza, Eastside Garage, and the Duval and Bronough Street parking lots). The remaining facility is the Airport parking lot. The City elected to contract the operation and management of those parking facilities to an independent contractor. Through a competitive bidding process, Republic Parking Systems (RPS) was engaged under two separate contracts to operate and manage the Downtown Public Parking Facilities and the Airport parking lot on behalf of the City.

RPS is incorporated and headquartered in Chattanooga, Tennessee. The company's "Airport Division" manages the City's Airport parking lot while the "Urban Division" manages the City's Downtown Public Parking Facilities. Overall, RPS has been managing the City's parking facilities for over 20 years.

The current contract for the Airport parking lot was executed in August 2008 for a five-year term with an option for an additional five-year renewal period. The Downtown Public Parking Facilities contract in effect at the beginning of our audit expired prior to the end of our audit fieldwork. Pursuant to a competitive solicitation process, RPS was also awarded the subsequent contract which was finalized and executed in February 2012.

Airport Parking Lot – The Airport public parking facility consist of two separate lots, one for hourly parking (short-term lot) and the other for daily parking (long-term lot). There are a total of 1,637 spaces (1,330 daily and 307 hourly). Rental car and employee parking are located in separate lots that are not operated or administered by RPS. Parking customers enter the two public parking lots through controlled access points. To access a lot, a

The Airport public parking facility consists of two separate lots, one for daily parking and one for hourly parking.

customer must obtain a ticket from an automated ticket dispensing unit (i.e., push a button resulting in a ticket being dispensed) located at the lot entry point. Dispense of the ticket results in the automatic raising of a gate that allows the customer to drive the vehicle into the lot. The gate automatically lowers after the vehicle enters the lot. To exit the facility, customers drive their vehicles to a designated departure point, present the ticket, and pay a RPS cashier the applicable fee. The fee is automatically calculated based on the entry time recorded on the ticket. Upon payment, the exit gate raises to allow the customer (vehicle) to depart the parking lot. RPS also offers an “E-ticket Express” option, whereby parking customers can use a debit/credit card to access and exit the parking lot without a ticket. The RPS system calculates and charges the fee to the debit/credit card based on the entry and exit times.

Parking rates are based on an established fee schedule.

Parking fee rates are charged in accordance with the fee schedule established and approved by the City’s Aviation Department Director. Those rates vary based on time, as shown in Table 1:

TABLE 1 Airport Parking Rates (Note 1)					
<u>Hourly Parking Lot</u>		<u>Rates</u>	<u>Daily Parking Lot</u>		<u>Rates</u>
0 to 10 minutes		Free	0 to 10 minutes		Free
11 to 30 minutes		\$1	11 to 30 minutes		\$2
31 to 60 minutes		\$3	Each additional 30 minutes		\$2
Each additional 30 minutes		\$3	Daily maximum		\$11
Daily maximum		\$13			
Note 1: Rates effective October 1, 2011.					
Note 2: In addition, a valet parking service was implemented November 1, 2011. Fees are \$10 for up to 8 hours and \$20 for periods of 8 to 24 hours.					

RPS manages all aspects of public parking operations at the Airport.

The contract requires RPS to provide labor, supervision, systems, equipment, and other items necessary or incidental to operation of the two public parking lots. RPS is required to operate those lots 24 hours a day, seven days a week. RPS is responsible for keeping the lots in a neat, clean, and properly maintained condition. RPS uses an automated parking system (ScanNet) to manage and track daily parking and revenue activity. As a commercial entity, RPS collects parking receipts from customers, deducts legitimate and authorized operating expenses and State sales taxes, and remits the

Since the contract’s inception in August 2008, RPS has paid the City \$8,200,917.

net amount (gross receipts less expenses) to the City. One of the authorized expenses deducted from gross receipts is a guaranteed monthly management fee payable to RPS for their services. That guaranteed fee increases each year of the contract. Currently, that monthly fee is \$4,582.

As shown in Table 2 below, RPS paid approximately \$8,200,917 to the City for operation of the Airport parking lots during the period August 2008 through December 2011.

TABLE 2 - AIRPORT PARKING LOT Receipts, Expenses, and Net Proceeds			
<u>Calendar Year</u> (Note 1)	<u>Total Parking Receipts</u> (Note 2)	<u>RPS Expenses</u> (Note 3)	<u>Net Proceeds to the City</u> (Note 4)
2008 (Note 1)	\$1,380,355	\$176,917	\$1,203,438
2009	\$2,929,912	\$383,869	\$2,546,043
2010	\$2,616,105	\$368,032	\$2,248,073
2011	\$2,621,841	\$418,478	\$2,203,363
TOTAL	\$9,548,213	\$1,347,296	\$8,200,917
Note 1: Covers only 5 months as contract activity started in August 2008.			
Note 2: Excluding State sales taxes.			
Note 3: Includes RPS operating expenses, management fee paid RPS, and debit/credit card processing fees.			
Note 4: Decline in revenue due to less air traffic as a result of the economic down-turn.			

The Aviation Department oversees and administers the City’s contract with RPS for airport parking.

The City’s Aviation Department is responsible for the oversight and administration of the City’s contract with RPS for the airport parking lots. Monitoring and oversight activities include inspecting daily operations, receiving and reviewing RPS reports, and ensuring gross receipts remitted to the City are properly and timely received and supported by RPS records. The Aviation Department also ensures RPS complies with applicable non-financial contractual terms and conditions.

Downtown Public Parking Facilities – As noted previously, the Downtown Public Parking Facilities consist of four parking garages or lots located in the downtown area, including:

Downtown Public Parking Facilities operated by RPS on behalf of the City include Kleman Plaza Garage, Eastside Garage, Bronough Street lot, and Duval Street lot.

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

During the period covered by our review, RPS operated and administered those four parking facilities. 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.

Similar to the Airport, the City's contract for downtown parking requires RPS to provide labor, supervision, systems, equipment, and other items necessary or incidental to operation of the four parking facilities.

Pursuant to these contracts (former and current), RPS provides labor, supervision, and all necessary equipment and materials required for operation of the parking facilities. In addition, RPS is responsible for keeping the facilities in a neat and properly maintained condition. Pursuant to those contracts, RPS collects parking receipts (from monthly and daily parkers), deducts legitimate and authorized expenses and State sales taxes, and remits the net amount (gross receipts less expenses) to the City. One of the authorized expenses deducted from gross receipts is a guaranteed monthly management fee payable to RPS for their services. In addition, the contract provides for an incentive fee payable to RPS in the event annual net revenues exceed contractually-prescribed thresholds. That guaranteed fee and incentive payment provisions under the current contract are shown in Table 3 that follows:

TABLE 3		
Guaranteed Fees and Incentive Payment Provisions		
<u>Facility</u>	<u>Guaranteed Monthly Fee</u>	<u>Incentive Fee</u>
Kleman Plaza	\$1,250	10% of Net Revenues over \$140,000
Eastside	\$950	10% of Net Revenues over \$660,000
Bronough St.	\$50	10% of Net Revenues over \$1,000
Duval St.	\$50	10% of Net Revenues over \$1,000
Total	\$2,300	

The City’s Property Management Division (PMD) oversees and administers the City’s contract with RPS for downtown public parking.

The City’s Property Management Division (PMD) is responsible for the oversight and administration of the City’s contract with RPS for the Downtown Public Parking Facilities. Monitoring and oversight activities include inspecting daily operations, receiving and reviewing RPS reports, and ensuring gross receipts remitted to the City are properly and timely received and supported by RPS records. The PMD also ensures RPS complies with applicable non-financial contractual terms and conditions.

Additional characteristics of the four downtown parking facilities are addressed in the following paragraphs.

Kleman Plaza Garage is a multilevel underground garage that provides monthly parking to individuals and businesses and daily parking to the general public.

Kleman Plaza Garage. This facility is a multilevel underground parking garage located downtown in the block immediately west of City Hall. It provides parking spaces for City employees and individuals/businesses for a monthly fee. Regarding City employees, the fees are assessed and collected by the City with no direct involvement by RPS. Fees for monthly parking by individuals and commercial entities (e.g., downtown businesses such as restaurants, law firms, and associations) are assessed and collected directly by RPS on behalf of the City. In addition to the monthly parking provided to City employees and interested individuals/businesses, the general public is allowed to park in Kleman Plaza for a fee. The amount of the fee (parking rate) varies based on length of time parked and day of week. Those fees are assessed and collected directly by RPS on behalf of the City.

Parking customers enter the garage through controlled access points located on Bronough and Duval Streets. Monthly parkers have cards with computer chips that activate the entrance and exit gates allowing them access to and departure from the parking garage. Similar to the Airport parking lots, other customers generally must obtain a ticket from an automated ticket dispensing unit located at the facility entry point, which results in the automatic raising of a gate that allows the customer to drive the vehicle into the garage. The gate automatically lowers after the vehicle enters the garage. To exit the facility, those customers drive their vehicles to a designated departure point, present their ticket, and pay a RPS cashier the applicable fee. The fee is automatically calculated based on the entry time recorded on the ticket. Upon payment, the exit gate raises to allow the customers (vehicles) to depart the parking garage. (See the paragraph following Table 4 below that addresses exceptions to these described procedures.)

Daily parking rates vary by length of time parked; both daily parking and monthly rates are established and approved by the City.

Parking fees are charged in accordance with the fee schedule established and approved by the City. Other than monthly parking, those rates vary based on time, as shown below in Table 4:

TABLE 4	
Kleman Plaza Garage Parking Rates	
<u>Daily Parking</u>	<u>Rates</u>
0 to 2 hours	\$2.00
2 to 3 hours	\$2.50
3 to 4 hours	\$3.00
4 to 5 hours	\$3.50
5 to 6 hours	\$4.00
6 to 7 hours	\$4.50
7 to 8 hours	\$5.00
8 hours or more	\$6.00
Special events	\$5.00
After 6 p.m.	\$1.00
Weekends (all day)	\$1.00
<u>Monthly Parking</u>	<u>Rates</u>
General Public	\$80 per month
DMBA non-retail (Note 1)	\$72 per month
DMBA retail (Note 1)	\$35 per month
Note 1: DMBA is the Downtown Merchants and Business Association. Businesses and organizations that are members of the DMBA are eligible for these monthly parking rates.	

Kleman Parking Garage is open for parking 24 hours a day, seven days a week. On Monday through Friday of each week, RPS staff is on-site to operate the garage and collect fees from daily parkers from 7:30 a.m. to 11 p.m. On Saturdays, RPS staff is on-site from 8 a.m. to 10 p.m. For other periods (i.e., nighttime hours and Sundays), individuals must deposit the applicable fee (\$1) in a self-service unit in order to access the garage. No ticket is dispensed in that circumstance. Daily parkers that obtain a ticket and enter the garage during the day, but wait and depart the garage after RPS operating hours, are allowed to depart the garage without paying any fee. Monthly parkers can access and depart the garage anytime.

During the period 2008 through 2011, RPS paid the City \$653,984 for Kleman Plaza Parking Garage.

Revenue and expense activity for Kleman Plaza Parking Garage for calendar years 2008 through 2011 is presented below in Table 5.

TABLE 5 – KLEMAN PLAZA PARKING GARAGE Receipts, Expenses, and Net Proceeds			
<u>Calendar Year</u>	<u>Total Parking Receipts</u> (Note 1)	<u>RPS Expenses</u> (Note 2)	<u>Net Proceeds to the City</u>
2008	\$655,324	\$522,560	\$132,764
2009	\$667,162	\$516,793	\$150,369
2010	\$683,025	\$518,724	\$164,301
2011	\$703,097	\$496,547	\$206,550
TOTAL	\$2,708,608	\$2,054,624	\$653,984
Note 1: Excluding State sales taxes.			
Note 2: Includes RPS operating expenses, management fee paid RPS, and debit/credit card processing fees.			

The Eastside Parking Garage is another multilevel parking facility located in the City's downtown parking area that provides both monthly and daily parking.

Eastside Parking Garage. This facility is a multilevel garage located in the heart of the City's downtown area between Calhoun and Gadsden Streets. It provides monthly parking for individuals/entities, such as employees of businesses located in the downtown area, for a monthly fee. It also provides public parking for a fee. The fee (parking rate) for public parking varies based on length of time parked. All fees are assessed and collected directly by RPS on behalf of the City.

Similar to Kleman Plaza, parking customers enter and depart the garage at controlled access points. Both monthly and daily parking customers may enter and exit through an access point on Calhoun Street, while only monthly customers can access and depart the garage on Gadsden Street. Also similar to the Kleman Plaza Garage, monthly parkers are issued cards with computer chips that activate the entrance and exit gates, while other customers obtain tickets from a dispensing unit to gain access and pay a RPS cashier to exit the garage.

Similar to Kleman Plaza, daily parking rates for the Eastside Parking Garage vary by length of time parked; similarly, both daily parking and monthly rates are established and approved by the City.

Parking fees are charged in accordance with the fee schedule established and approved by the City. Other than monthly parking, those rates vary based on time parked, as shown below in Table 6:

TABLE 6	
Eastside Garage Parking Rates	
Daily Parking	Rates
0 to 1 hours	\$2
1 to 2 hours	\$3
2 to 3 hours	\$4
3 to 4 hours	\$5
4 to 5 hours	\$6
More than 5 hours	\$7
Special events	\$5
Night and Weekends (all day)	Free
Monthly Parking	Rates
General Public	\$95 per month

The Eastside Parking Garage is open for parking 24 hours a day, seven days a week. On Monday through Friday of each week, RPS staff is on-site to operate the garage and collect fees from daily parkers from 7:30 a.m. to 8 p.m. For other periods (i.e., nighttime hours and weekends), public parking is free. The Calhoun Street gate providing access to and departure from the facility for daily parkers is left open during those times. Similar to the Kleman Plaza Parking Garage, daily parkers that obtain a ticket and enter the garage during the day, but wait and depart the garage after RPS operating hours, are allowed to depart the garage without paying any fee.

Revenue and expense activity for the Eastside Parking Garage for calendar years 2008 through 2011 is presented below in Table 7.

During the period 2008 through 2011, RPS paid the City \$2,756,458 for Eastside Garage parking.

TABLE 7– EASTSIDE PARKING GARAGE Receipts, Expenses, and Net Proceeds			
<u>Calendar Year</u>	<u>Total Parking Receipts</u> (Note 1)	<u>RPS Expenses</u> (Note 2)	<u>Net Proceeds to the City</u> (Note 3)
2008	\$953,904	\$232,846	\$721,058
2009	\$904,159	\$253,247	\$650,912
2010	\$1,000,417	\$259,970	\$740,447
2011	\$924,852	\$280,811	\$644,041
TOTAL	\$3,783,332	\$1,026,874	\$2,756,458
Note 1: Excluding State sales taxes.			
Note 2: Includes RPS operating expenses, management fee paid RPS, and debit/credit card processing fees.			
Note 3: Fluctuation in revenues attributable to increase in parking rates (in June 2010), the economic down-turn, and normal variations in parking.			

Bronough and Duval Streets Parking Lots. – These two downtown parking facilities located adjacent to Gaines Street are surface lots. The Bronough Street lot is gravel and unpaved. It provides individuals monthly parking for \$20 a month. The Duval Street lot is paved and provides monthly parking for \$30 a month. Most monthly parkers at these two lots are State employees that work in nearby buildings. The monthly parking fees at these two parking lots are assessed and collected directly by RPS on behalf of the City.

RPS started administering parking operations at the Bronough and Duval Street lots in August 2009, after the City acquired those properties in connection with the Gaines Street Revitalization.

Daily parking is also available at the Duval Street lot at spaces not designated for monthly parkers. Those daily parking spaces have City parking meters into which customers deposit the applicable fees. RPS is not involved in that operation as the City’s Revenue Office collects the coins deposited into those parking meters.

Revenue and expense activity for monthly parking at these two surface lots, since RPS started administering and operating those lots in August 2009, is reflected in Table 8.

**TABLE 8 – BRONOUGH AND DUVAL STREET PARKING LOTS
Receipts, Expenses, and Net Proceeds**

<u>Calendar Year</u>	<u>Total Parking Receipts</u> (Note 2)	<u>RPS Expenses</u> (Note 3)	<u>Net Proceeds to the City</u>
2009 (Note 1)	\$3,591	\$3,752	\$(162) (Note 4)
2010	\$11,580	\$4,589	\$6,991
2011	\$8,281	\$4,402	\$3,879
TOTAL	\$23,452	\$12,743	\$10,708
Note 1: Covers only 5 months as contract activity started in October 2009.			
Note 2: Excluding State sales taxes.			
Note 3: Includes RPS operating expenses, management fee paid RPS, and debit/credit card processing fees.			
Note 4: Start-up costs during the first few months resulted in expenses exceeding receipts.			

Revenues remitted by RPS to the City for the Bronough and Duval Street lots since August 2009 total \$10,709.

Overall Summary

Overall, we found (1) contracts for parking operations were properly awarded and executed and contained appropriate and adequate terms and provisions; (2) RPS generally complied with contractual terms and conditions; and (3) net parking receipts were properly paid to the City. Areas for improvement were also noted.

We found contracts for the operation and administration of City parking facilities were competitively awarded and properly executed. For the most part, we found those contracts contained appropriate and adequate terms and provisions to support the City’s interests, and we found RPS generally complied with those terms and provisions. Overall, we found parking fees were properly assessed and collected by RPS; operating expenses claimed by RPS were allowable, reasonable, and supported; and net revenues were correctly reported and timely remitted by RPS to the City. We also found that, for the most part, RPS implemented adequate procedures and controls relative to administration and operation of the City’s parking facilities. Additionally, monitoring and oversight activities by the Aviation Department and PMD were generally proper and adequate. However, we identified issues that indicate the need for further strengthening of controls and procedures to further mitigate identified risks. Recommendations were made within this report to address those issues to include:

- Ensuring future contracts adequately address the review/audit of contractual operations and activities by an independent third party (Downtown Public Parking Facilities).

Several recommendations were made to improve and enhance City parking facility operations.

- Ensuring future contracts require background checks of contractor employees (Downtown Public Parking Facilities).
- Ensuring future contracts address requirements for handling and reporting customer complaints (Downtown Public Parking Facilities).
- Ensuring contractual amendments are timely prepared and executed when the scope of contractual services is extended to additional parking lots (Downtown Public Parking Facilities; specifically for Bronough and Duval Street parking lots).
- Ensuring adequate support is provided for all expenses reported and claimed by RPS (Downtown Public Parking Facilities).
- Enhancing procedures to track and account for supplies of tickets used for special events and related revenues (Downtown Public Parking Facilities; specifically Kleman Plaza Garage).
- Enhancing procedures to properly track and account for the supply and sale of parking permits (Downtown Public Parking Facilities; specifically for Bronough and Duval Street parking lots).
- Enhancing procedures such that net revenues are properly and timely remitted directly by RPS to the City's Revenue Office (Downtown Public Parking Facilities).
- Enhancing existing oversight of cashiering operations through additional surveillance cameras (Airport parking operations and Downtown Public Parking Facilities; specifically Eastside Garage).
- Enhancing City oversight and monitoring efforts to ensure appropriate amounts due the City are identified and remitted by RPS (Downtown Public Parking Facilities).
- Requesting RPS to provide reports that show, for each month, the total tickets issued, total tickets collected and processed by cashiers, and number of recorded vehicle exits as a means to ascertain the reasonableness of reported revenues and related

parking activity (Downtown Public Parking Facilities and Airport parking operations).

- Enhancing procedures to better demonstrate RPS is reporting all customer comments and complaints to appropriate Aviation Department staff (Airport parking operations).
- Enhancing procedures to ensure access cards for monthly parking are timely deactivated when applicable customers discontinue parking in City garages and are no longer billed for parking privileges (Downtown Public Parking Facilities; specifically Kleman Plaza and Eastside Garages).
- Enhancing procedures to address unauthorized parking at the Bronough and Duval Street parking lots.

Those issues, related processes and procedures, and recommendations are described in the following sections of this report.

Contract Award and Execution

We determined whether the contracts for operation and administration of City parking facilities were properly awarded and executed.

Good business practices and City procurement guidelines require that contracting for services should be conducted in a manner that ensures responsiveness, competition, fairness, and results providing the best value to the City. Good business practices also provide that contractual agreements should be executed by appropriate and authorized staff/officials only after it has been determined that the agreement contains appropriate terms and conditions that adequately describe the desired services and protect the City's interests.

We reviewed the vendor selection and contract award process for parking services at both the Airport and Downtown Public Parking Facilities. We also reviewed the resulting executed agreements (contracts) to ascertain whether they contained adequate and appropriate terms and conditions, and whether they were executed by authorized City staff and officials. Contracts reviewed in connection with those efforts included:

- Contract awarded to RPS in 2008 for the Airport parking lots (still in effect as of the end of our audit).

- Contract awarded to RPS in 2001 for the Downtown Public Parking Facilities (in effect for most of our audit fieldwork).
- Subsequent contract awarded to RPS in February 2012 for the Downtown Public Parking Facilities.

We found the contracts were properly awarded and executed and generally contained adequate terms and conditions.

The results of our review are addressed in the subsequent report sections.

Contract Award Process. For each of the three contracts reviewed, we found the applicable services were publicly and appropriately solicited by the City through the Request for Proposal process. We found the submitted proposals were properly reviewed, evaluated, and approved by appropriate City staff. We also found the contracts were awarded to the vendor (RPS) that provided the best proposal and most value to the City. No reportable issues were identified.

Contract Execution. Our review showed that each of the contractual agreements were properly reviewed by the City Attorney's Office as to form and content and reviewed by the City Treasurer-Clerk's Risk Division as to the adequacy and sufficiency of various insurance coverages. Each of the contracts were properly signed and executed by appropriate and authorized City and RPS officials/staff. No reportable issues were identified.

Contract Terms and Conditions. Contract terms and conditions were reviewed, primarily to ensure they adequately and completely described required services and performance requirements and expectations, and otherwise protected the City's interest. For the most part, we found contractual terms and conditions were complete and adequate for each of the contracts reviewed. However, several areas were identified where improvements and enhancements to future contracts are/were warranted. In regard to the Downtown Public Parking Facilities, several of those recommended improvements were addressed in the subsequent contract executed in February 2012. These areas are described below.

Several areas were identified indicating the need for improvements and enhancements to future contracts.

Contractual provisions for the City's Downtown Public Parking Facilities did not include provisions requiring that the contracted services and operations be audited by an independent entity (CPA or RPS Internal Auditor).

In response to our recommendation, the contract executed in February 2012 for the Downtown Public Parking Facilities includes a requirement that the contracted services and operations be audited by RPS internal auditors at least once during the contract term. The contract in place for the Downtown Public Parking Facilities during most of our audit fieldwork did not include provisions requiring independent reviews or audits of RPS operations. We acknowledge that the referenced contract contained provisions that required RPS to maintain records relating to parking operations and events for the Downtown Public Parking Facilities and to make those records available for inspection, review, and/or audit by the City or the City's authorized representative. We also acknowledge that provision is what provided the authority for much of our audit. However, other than our audit, no independent reviews of RPS's administration and operation of the Downtown Public Parking Facilities have been conducted. While PMD staff obtains monthly reports of parking activity and related revenues and expenses, and review those reports and records for reasonableness, PMD staff does not perform in depth reviews of those reports and the underlying records/activities to periodically validate the accuracy and completeness of the reported information and submitted revenues. This is in contrast to the contract for the Airport parking lots, which requires RPS to undergo annual audits, by an independent certified public accountant (CPA), of its reported financial activity relative to gross receipts and related expenses as reported to the City. Those reported gross receipts and related expenses are the basis for revenues submitted to the City. The required independent audits provide the City assurance that net revenues submitted by RPS are in the correct and appropriate amounts.

In addition to the required audits by an independent CPA of revenues and expenses, we found that RPS internal auditors conducted an audit of RPS financial activities and operating procedures at the Airport. That internal audit, although not contractually required, was conducted during the period August through October 2010. Our review of the resulting audit report

In response to our recommendation, PMD included a requirement for the contractor to undergo an internal audit at least once during the subsequent contract term.

showed the audit was comprehensive in that it addressed (1) cash handling and balances, (2) equipment, (3) revenue controls, (4) customer service, (5) human resource areas, and (6) safety. The performance of that internal audit also provided the City assurance as to the appropriateness of the operation of the Airport parking lots by RPS and correct submission of revenues due the City.

To obtain assurances that contractors properly operate the Downtown Public Parking Facilities and submit contractually-required net revenues to the City, we recommended that subsequent contracts for operation of the Downtown Public Parking Facilities contain audit requirements similar to that contained in the contract for the Airport parking lots. In response to our recommendation the PMD included a provision, in the recently executed contract with RPS for the Downtown Public Parking Facilities, requiring RPS to perform an internal audit of applicable operational and financial activities at least once during the initial term (five years) of the agreement. In addition, the recently executed contract allows the City to request additional internal audits as deemed necessary.

In response to our recommendation, the contract executed in February 2012 for the Downtown Public Parking Facilities includes a requirement for RPS to conduct background checks on new employees.

Background checks on individuals being considered for employment are performed to identify any criminal history or other circumstances that could impact the hiring decision. For example, an individual with prior convictions pertaining to theft or diversions of assets from an employer probably should not be hired as a cashier at a parking facility. In our review of the City's contracts with RPS for parking services, we found the contract for the Airport parking lots contained provisions requiring RPS to conduct background checks on newly-hired employees before they were allowed to work at the City's Airport. However, we found the contract for the Downtown Public Parking Facilities did not contain such provisions. Notwithstanding the lack of a contractual provision, we found that RPS was conducting background checks on individuals hired to work at the Downtown Public Parking Facilities. To better ensure that such background checks are always

In response to our recommendation, the subsequent contract for the Downtown Public Parking Facilities contains a provision requiring background checks on prospective employees.

conducted, we recommended subsequent contracts for operation of the Downtown Public Parking Facilities contain requirements similar to that contained in the contract for the Airport parking lots. In response to our recommendation, the PMD included a provision in the recently executed contract with RPS for the Downtown Public Parking Facilities requiring RPS to conduct criminal background checks on all new employees.

Although appropriate provisions were contained in the contract for services at the Airport parking lots, the contract for services at the Downtown Public Parking Facilities did not contain a provision for processing and reporting customer comments and complaints to the City.

A program for soliciting customer comments and addressing customer complaints provides a means of ensuring quality service is provided to parking customers and ensuring contractor operations are in accordance with contract performance requirements and standards. A customer comment/complaint program also provides a means to evaluate the strengths and weaknesses of parking operations for the purpose of identifying areas of needed improvement. Our review showed the City's contract with RPS for administration and operation of the Airport parking lots included provisions requiring RPS to (1) timely respond to all written customer complaints in writing and to make a good faith effort to explain, resolve, or rectify the applicable problem/issue and (2) implement a customer comment system. Those provisions also require RPS to provide the City with copies of any complaints received and their response to the complaints, as well as any customer comments received and their actions/summary reports addressing those comments. We did not find similar provisions in the (former or recently executed) contracts with RPS for the Downtown Public Parking Facilities.

Contractual provisions for the City's Downtown Public Parking Facilities did not require processing and reporting customer comments and complaints to the City.

In response to our inquiry, RPS indicated customer comments were not routinely solicited for the Downtown Public Parking Facilities and that no written comments or complaints had been received and, as a result, no responses necessary. They did, however, indicate minor verbal complaints were occasionally received and those complaints had always been timely addressed and resolved.

Furthermore, PMD indicated it is their belief that most customers would contact the City directly (instead of RPS) to complain and/or offer comments. Accordingly, PMD decided to not require RPS to solicit and report customer comments and complaints to the City.

Notwithstanding those explanations, a contractual requirement to solicit customer comments and to timely and appropriately address customer complaints serves to (1) help ensure concerns and issues confronting City parking customers are properly addressed and resolved and to (2) enhance parking operations as previously stated. Accordingly, we recommend PMD reconsider including, in subsequent contracts for parking services, provisions requiring a customer comment system and addressing the contractor's handling of and reporting on customer complaints, as well as resolution of those complaints.

A contract amendment should have been executed when the scope of services was revised to include administration and oversight of the Bronough and Duval Street parking lots.

As previously noted in the background section of this report, at the request of PMD, RPS began administration and operation of the Bronough and Duval Street parking lots in August 2009. Those activities included assessing and collecting fees for monthly parking and special events. PMD reimbursed RPS for expenses (e.g., liability insurance) incurred in connection with the administration and operation of those two surface lots. Contrary to good business practices, we found an amendment to the existing contract (initially executed in 2001) was not executed to address these additional services. Contract amendments are appropriate in such circumstances to clearly document expectations of both parties in connection with the additional services. Such amendments lessen the risk of litigation in the event of misunderstandings as to expected behaviors and services. We found the administration and operational aspects of the two surface lots has subsequently been properly addressed and included in the recently executed (February 2012) contract with RPS for administration and oversight of the Downtown Public Parking Facilities. In future similar

The initial contract for the City's Downtown Public Parking Facilities was not amended to include administration and oversight of the Bronough and Duval Street parking lots.

circumstances, we recommend PMD execute timely contract amendments addressing the change in services.

Contractual Revenues and Other Related Activities

In the background section of this report, we noted the applicable contracts required RPS to provide parking services to customers and to collect revenues for those services on behalf of the City. As also noted, in determining net proceeds due the City, RPS is to deduct all authorized operating expenses, State sales taxes, and applicable management fees from gross revenues. The net proceeds from parking revenues are to be calculated and paid to the City on a monthly basis.

Overall, our review showed revenues were properly collected and processed; operating expenditures, State sales taxes, and management fees were reasonable, authorized, and properly deducted; and net proceeds were properly and timely paid to the City. Key internal controls, procedures, and systems identified and found to be in place during our audit included:

Overall, our review showed revenues were properly collected and processed; operating and management fees were reasonable and authorized; and net proceeds were properly and timely paid to the City.

- For the Downtown Public Parking Facilities and the Airport parking lots, RPS uses a software program and related equipment (ScanNet System) to issue tickets, track vehicles entering and exiting the parking facilities, calculate amounts due from customers for hourly and daily parking, and account for and report all parking receipts and related expenses.
- For the Downtown Public Parking Facilities and the Airport parking lots, RPS staff are required to reconcile and balance collections to recorded activity at the end of each shift. RPS supervisory staff oversees and verifies those reconciliations.
- For the Downtown Public Parking Facilities and the Airport parking lots, RPS supervisory staff compares tickets issued to tickets collected/processed by cashiers and to the number of vehicles (excluding monthly parkers) exiting the parking facilities.
- For the Downtown Public Parking Facilities, RPS invoices and collects applicable fees from monthly parkers.

- For the Downtown Public Parking Facilities and the Airport parking lots, RPS adequately and properly safeguards collections (e.g., locked cashier booths, locked safes, and armored couriers to transport prepared deposits to the bank).
- For the Downtown Public Parking Facilities, RPS secures ticket supplies for special events and permits for monthly parking at the Bronough and Duval Street parking lots in locked cabinets.
- For the Airport parking lots, RPS remits net monthly revenues directly to the City's bank account via electronic funds transfers.
- For the Downtown Public Parking Facilities and the Airport parking lots, surveillance cameras are used by RPS (for Kleman Plaza) and Aviation Department staff to monitor parking operations.
- For the Downtown Public Parking Facilities and the Airport parking lots, RPS conducts background checks on new employees.
- For the Airport parking lots, RPS hires an independent CPA firm to audit and certify the gross receipts and expenditures deducted by RPS in determining the net revenues remitted to the City. RPS internal auditors also review financial and other operations at the Airport parking lots. The results of those audits are reviewed by Aviation Department staff.
- For the Downtown Public Parking Facilities, PMD staff review reported collections and related expenses (including the monthly management fees) for reasonableness, authorization, and compliance with contractual provisions.

Some issues were identified for which improvements and enhancements are needed.

However, we noted areas where improvements and enhancements should be made to improve controls over revenue and expenditure activities and over related contract operations and activities. Those areas and our recommended improvements are addressed below.

Additional support should be obtained by PMD to substantiate certain operating expenses reported and deducted by RPS in determining net parking proceeds remitted to the City for the Downtown Public Parking Facilities. RPS sends monthly activity

reports that support and substantiate collected parking receipts and related operating expenses paid and deducted by RPS in the determination of the net parking proceeds sent to the City. For many of the reported/claimed operating expenses, RPS submits supporting documentation such as copies of vendor invoices or employee payroll records. Those supporting records are used by PMD to verify those expenses are reasonable, authorized, and in accordance with contractual provisions. Our review of selected monthly activity showed, for the most part, supporting records submitted by RPS were adequate and appropriate. However, we noted the following instances where better support was warranted:

Additional support should be obtained by PMD to support certain operating expenses reported by RPS for the Downtown Public Parking Facilities.

- Kleman Plaza and Eastside Parking Garages - As allowed by contractual provisions, RPS reports and deducts from collections the costs incurred for insurance coverage (e.g., liability, workers compensation, employee health). Those costs are shown on monthly activity reports submitted to PMD. The costs reported for those insurance coverages for the six monthly reports (three for Kleman and three for Eastside) reviewed in our audit ranged from \$1,507 to \$2,237. Annual insurance certifications were obtained by PMD showing those insurance coverages were in place. The costs paid for those coverages did not appear unreasonable. However, no support (e.g., invoices from insurance companies) was provided by RPS to PMD to substantiate those were the actual insurance costs incurred by RPS for the Eastside and Kleman Plaza Parking Garages. To better ensure the reasonableness and appropriateness of costs reported/claimed by RPS, we recommend PMD have RPS submit evidence of the policy costs along with other support submitted for its monthly reports. PMD staff should review that support to verify the reported insurance costs are correct, reasonable, and appropriate.
- Bronough and Duval Street parking lots - As previously noted within this report, RPS began operating monthly parking services at the Bronough and Duval Street parking lots on behalf of the City in August 2009. As allowed by contractual provisions, RPS deducted applicable insurance costs (for

liability coverage) from gross parking receipts in determining amounts to remit to the City. Total insurance costs reported and deducted for the period September 2009 through June 2011 for those two lots totaled \$2,062. Those costs appeared allowable and reasonable. However, similar to the previous issue, no support (e.g., invoices from insurance companies) was provided by RPS to PMD to substantiate those were the actual insurance costs incurred by RPS for those facilities. Also, PMD did not request and RPS did not provide evidence of the applicable insurance coverage. In response to our request, RPS provided insurance certificates showing the coverages were in place. As also recommended above, PMD should have RPS submit evidence of the policy costs along with other support submitted for its monthly reports, and review that support to verify the reported insurance costs are correct, reasonable, and appropriate. We also recommend, in future similar circumstances, PMD obtain appropriate evidence in a timely manner to substantiate coverage was actually provided.

- Kleman Plaza Parking Garage - Monthly postage costs reported and deducted from gross parking receipts for the Kleman Plaza Parking Garage were not substantiated (e.g., by vendor invoices or paid receipts from the U.S. Post Office). For the months reviewed those costs ranged from \$36 to \$109. We recommend that PMD require RPS to submit appropriate evidence to substantiate all postage costs.

As noted above, recommendations were made to address the described circumstances.

Special event parking tickets should be better accounted for by RPS staff to ensure parking receipts collected from issuance of those tickets are properly reported and submitted to the City.

RPS sells parking tickets separate from the ScanNet system for certain special events held in the downtown area. Those tickets are sold to the public by RPS staff posted at the entrance to the Kleman Plaza and/or Eastside Garages. Individuals that pay the applicable fee (currently \$5) are granted parking access in the garages. They

There were no independent accountings to ensure receipts from the sale of special events tickets are properly reported and remitted to the City.

can exit the garages at the designated exit points any time after purchasing the ticket and entering the garages. As these tickets are not tracked by the RPS ScanNet system, it is important that appropriate controls be established to ensure that parking receipts collected from the sale of the tickets are properly accounted for and reported and remitted to the City. Specifically, the supply of tickets should be pre-numbered and stored in a secured location with access restricted to authorized supervisory staff. Additionally, an RPS employee not having access to the related collections should periodically account for all tickets purchased by ensuring, for each ticket, there is either a record of a sale or the ticket is still in inventory (unsold and still available for sale). Without such independent accountings (comparisons/reconciliations), it is possible for tickets to be sold and the related proceeds not reported (and diverted for unauthorized uses) without timely detection.

Our review showed the special event tickets are pre-numbered, stored in a secured place, and accessible only by the RPS bookkeeper and the two RPS supervisory staff working at the City's Downtown Public Parking Facilities. However, we found there were no independent comparisons/reconciliations to account for the purchased ticket supplies and related sale proceeds. Accordingly, PMD could not be assured that all proceeds collected by RPS for special events were properly and accurately reported/remitted to the City. We recommend PMD require RPS to provide for independent accountings of special event tickets as described herein. As part of their oversight process, PMD should ensure those reviews are timely and appropriately conducted. PMD staff should also use those reviews to ensure applicable sale proceeds are accurately and properly reported/remitted to the City.

Accountability over parking permits for the Bronough and Duval Street parking lots needs to be enhanced to provide assurance parking revenues collected from the issuance (sale) of those permits are properly reported and remitted to the City.

As noted previously within this report, RPS assesses and collects fees from State employees and other individuals for parking privileges in the Bronough and Duval Street parking lots. To obtain

PMD should ensure parking permits for Bronough and Duval parking lots are properly accounted for by RPS.

parking privileges, an individual must pay RPS the applicable fee. Upon payment of the fee, RPS provides the individual a parking permit. The parking permit is displayed on the individual's vehicle as evidence of his/her parking privilege and that the fee was paid. As noted previously within this report, fees for the Bronough Street lot are \$20 a month and fees for the Duval Street lot are \$30 a month. Additionally, State employees are allowed to obtain annual parking permits at the rate of \$10 a month.

Similar to the special event tickets sold by RPS for the various downtown parking facilities, the permits are sold separately from the RPS ScanNet system. Accordingly, it is important that appropriate controls be established to ensure receipts collected from sale of the permits are properly accounted for and reported and remitted to the City. Specifically, the supply of permits should be pre-numbered and stored in a secured location with access restricted to authorized staff. Additionally, an RPS employee not having access to the related collections should periodically account for all permits purchased by ensuring, for each permit, there is either a record of a sale or the permit is still in inventory (unsold and still available for sale). Without such procedures, it is possible for permits to be sold and the related proceeds not reported (and diverted for unauthorized uses) without timely detection.

RPS did not account for 56 permits having a total value between \$1,120 and \$1,680.

Our review showed the parking permits are pre-numbered, stored in a secured place, and accessible only by authorized RPS staff (bookkeeper and two supervisory staff). However, we found there were no independent comparisons/reconciliations to account for the purchased permits and related sale proceeds. Accordingly, PMD could not be assured that all proceeds collected by RPS for sale of parking permits were properly and accurately reported/remitted to the City. Our review and reconciliation of the purchased permits to related sale proceeds showed that 56 (3.1%) of 1,800 permits purchased for sale were not accounted for by RPS. The 56 missing permits had a value between \$1,120 and \$1,680 (depending on which lot they would be used for).

We recommend PMD require RPS to provide for independent accountings of parking permits used for the Bronough and Duval Street parking lots. As part of their oversight process, PMD should ensure those reviews are timely and appropriately conducted. PMD staff should also use those reviews to ensure applicable sale proceeds are accurately and properly reported/remitted to the City.

PMD should make arrangements for RPS to remit monthly payments of net parking receipts for Downtown parking operations directly into the City's bank account through electronic fund transfers.

RPS sends monthly payments of net parking receipts to the City. RPS sends payments for the Airport parking lots operation by electronic fund transfers (EFT) directly into the City's bank account. Aviation Department staff receives notification of the payments through the monthly reports submitted by RPS and are able to verify receipt of the payments through inquiry of the City's accounting and cashing systems. When compared to payment through issuance of a physical instrument (e.g., check), this electronic payment of funds directly into the City's bank account (1) results in more timely deposit of the funds and (2) reduces the risk of the funds being stolen, lost, or diverted.

PMD should require RPS to remit net parking collections for Downtown parking operations directly into the City's bank account by electronic funds transfer (EFT).

Conversely, for net parking receipts due the City for Downtown parking operations, we found RPS sends checks directly to PMD. PMD then forwards the checks to the City's Revenue Office for deposit into the City's bank account. As stated above, in comparison to payment by EFT, this process delays deposit of the funds into the City's bank account. Additionally, there is a risk the checks could be lost or diverted before deposit. Furthermore, when practicable and efficient it is preferable from an internal control perspective that revenues generated through City departments, such as net parking proceeds generated through PMD and the Airport, be collected directly by the City's Revenue Office rather than by the applicable City departments. Accordingly, we recommend PMD, with assistance from the Revenue Office, establish a process allowing RPS to send monthly payments for Downtown parking operations by EFT, as is already done for Airport parking operations. To ensure the required monthly payments are received

and properly recorded, PMD should make periodic inquiries of the City's accounting and/or cashiering systems.

Additional surveillance cameras monitoring cashiering activities at the Airport parking lots and the Eastside Parking Garage would enhance existing controls.

As prescribed by internal control concepts and sound business practices, physical locations where revenues (cash) are collected such as parking lot cashier booths should be properly secured and safeguarded to reduce the risk of theft and loss. Similarly, collection activities within those locations should be reviewed and monitored to help preclude, detect, and/or review instances of theft or mishandling of collected revenues by staff. In regard to the Airport parking lot and Downtown Public Parking Facility operations, we noted that RPS had implemented several measures and practices to help safeguard and prevent/detect instances of lost or diverted collections. Specifically, the following measures were in place:

Consideration should be given to installing additional surveillance cameras.

- Cashier booths were locked.
- Lockable safes were used to safeguard collected revenues prior to deposit.
- RPS supervisors balanced collected funds to records of those collected funds.
- RPS Airport parking lot activities, including the revenue/collection function, undergo periodic audits by RPS internal auditors and an independent CPA firm hired by RPS.
- City Airport surveillance cameras monitor activity within the airport parking lots (surveillance is conducted by Aviation Department Operations staff); and, at Kleman Plaza, surveillance cameras are installed and used to monitor parking and some cashiering activities within the cashier booths at that parking garage (surveillance is monitored by RPS).

While these control measures are generally appropriate and adequate, they can be further enhanced through installation of additional surveillance cameras to allow RPS supervisory and/or Aviation Department Operations and PMD staffs to monitor and

record cashiering activities within the cashier booths at the Airport parking lots and at the Eastside Parking Garage. In response to our discussions on this matter, applicable City staff indicated the costs of installing the cameras were perceived to outweigh the anticipated benefits; especially as efforts are toward reducing cash collections through increased use and acceptance of debit and credit cards. Accordingly, the Aviation Department and PMD indicated our recommendation (to install additional cameras) would not be implemented. Notwithstanding this management decision to not install additional cameras at this time, we recommend that consideration continue to be given to installing additional cameras as cashiering operations and circumstances evolve.

City Oversight and Monitoring Activities

As noted in the background section of this report, the City's Aviation Department and PMD are responsible for administering and overseeing the respective parking contracts with RPS. Monitoring activities are necessary to ensure RPS complies with essential contractual terms and provisions, including, for example:

- Providing public parking services in an appropriate, professional, and courteous manner.
- Charging correct and fair rates for parking.
- Proper maintenance and upkeep of the parking facilities.
- Collection of applicable parking fees and remitting those fees, net of allowed operating expenses, to the City on a monthly basis.
- Preparation and submission of timely reports on collection and parking activities.

Overall, we found the Aviation Department and PMD's monitoring and oversight efforts were adequate and appropriate. Some of the specific monitoring activities conducted included:

- Reviewing for reasonableness monthly reports submitted by RPS reflecting parking activities at individual facilities and related collections.

- Reviewing operating expenses reported and claimed as deductions against parking receipts for reasonableness, authorization, and support (e.g., vendor invoices when submitted by RPS).
- Monitoring activity through site visits or surveillance cameras.
- Periodic discussions with applicable RPS management and staff to address concerns or questions regarding reported information or observed operations.
- Receipt and review of periodic audits of RPS operations (*Airport only*).

However, we noted certain enhancements to that process were warranted, as explained below.

Enhanced monitoring and oversight by PMD of RPS's administration and operation of the Downtown Public Parking Facilities is warranted.

As described above, PMD conducts oversight and monitoring of RPS activities in regard to the Downtown Public Parking Facilities. The oversight and monitoring which is performed helps ensure proper administration and operation of those facilities and helps ensure the City receives the parking revenues to which it is entitled. However, as previously noted on pages 20 and 21 of this report, RPS's operation of the Downtown Public Parking Facilities has not undergone periodic audits by RPS internal auditors or independent CPAs hired by RPS (unlike the Airport where audits are conducted annually).

As also noted on page 21, at our recommendation PMD included a requirement in the recently executed contract for RPS to undergo at least one audit by RPS internal auditors during the initial contract term (five years). Those audits, when performed, will help ensure the City receives the correct and appropriate amounts of parking receipts collected by RPS. We commend PMD for that action. However, as such audits may not be conducted for each year's activity, we recommend PMD consider enhancing their current review procedures to obtain further assurance correct and appropriate revenues are submitted by RPS. Specifically, we

PMD should enhance its monitoring and oversight of RPS operations and activities.

recommend PMD ensure appropriate and adequate support (e.g., vendor invoices) is provided to substantiate all expenditures reported and deducted from gross parking receipts in RPS's determination of net parking receipts payable to the City. In connection with that process PMD should, at least on an occasional or sampling basis, confirm the validity of selected invoices/support through procedures such as observation of purchased items or services or independent confirmation with the applicable vendor. Other enhancements that should be considered include periodic reviews by PMD staff of RPS cashiering activities to ensure reported collections are reconciled to parking activity and to ensure reported collections are reconciled to deposited collections.

Additional reports from RPS reflecting for each month the total tickets issued, total tickets collected and processed by cashiers, and total vehicle exits would enhance City staff's ability to ensure monthly revenues are reasonable.

Our review showed that RPS prepares daily activity reports that reflect, for each day, the total tickets issued, the total tickets collected and processed by RPS cashiers, and the total vehicle exits (i.e., available software counts vehicles as they depart the parking facilities during operating hours). There are generally differences between (1) total tickets collected and processed by cashiers and (2) total tickets issued and total vehicle exits on any given day due to various events (e.g., individual obtains a ticket at the entrance but elects not to enter the facility; departure gates are raised without a vehicle actually exiting; vehicles depart after hours when cashiers are not on-site and are not required to pay a fee; etc.). Notwithstanding, the aforementioned information allows RPS supervisory staff to ascertain the reasonableness of parking collections in relation to recorded parking activity for that day (i.e., tickets issued and vehicles exiting the facilities).

We found information on tickets collected and processed by RPS cashiers, tickets issued, and vehicle exits is not accumulated and made available to applicable City staff (i.e., Aviation Department or PMD) for their review and consideration. In connection with our audit, we requested RPS to provide cumulative totals of tickets

City staff should request additional monthly reports from RPS to help verify the reasonableness of reported/remitted parking revenues.

collected and processed by RPS cashiers, tickets issued, and vehicle exits for the Downtown Public Parking Facilities for selected months. RPS representatives indicated the requested information was not readily available. As of the end of our audit, this information had not been accumulated and provided. Notwithstanding this response and explanation, we recommend both the Aviation Department and PMD staffs request RPS to commence providing monthly information on total tickets issued, total tickets collected and processed by RPS cashiers, and the total vehicle exits. That monthly information should be used by both the Aviation Department and PMD staffs as part of their reviews and determinations as to the reasonableness of reported/remitted parking revenues.

Other Contractual Activities

During our review we became aware of other areas where improvements and enhancements were needed in regard to contracted parking operations. Those areas and our recommendations are addressed below.

Better evidence is needed to clearly demonstrate RPS was reporting all customer comments and complaints to the Airport on a monthly basis.

As described previously within this report, a program for soliciting customer comments and addressing customer complaints provides a means of ensuring quality service is provided to parking customers and ensuring contractor operations are in accordance with contract performance requirements and standards. A customer comment/complaint program also provides a means to evaluate the strengths and weaknesses of parking operations for the purpose of identifying areas of needed improvement. Our review showed the City's contract with RPS for administration and operation of the Airport parking lots included provisions requiring RPS to (1) timely respond to all written customer complaints in writing and to make a good faith effort to explain, resolve, or rectify the applicable problem/issue and (2) implement a customer comment system. Those provisions also require RPS to provide the City with copies of any complaints received and their response to the complaints, as well as any customer comments received and

In response to our audit inquiry, Aviation Department oversight staff started requiring the contractor to specifically address customer comments and complaints as part of the monthly reporting process.

their actions/summary reports addressing those comments on the 10th calendar day of every month.

During our audit, Aviation Department and RPS staffs indicated few comments or complaints had been received to date. Additionally, Aviation Department management indicated it was their perception that most parking customers directed their comments and complaints directly to Aviation Department or other City staff (instead of to RPS). Notwithstanding those explanations, documentation was not readily available to clearly demonstrate the number or nature of comments or complaints which had been received by RPS and forwarded to the Aviation Department.

In response to our inquiry, Aviation Department staff indicated changes will be made to the monthly reporting process such that RPS will now be expected to report whether any such comments/complaints were received (or not received), and if received, to provide copies (as well as RPS's responses thereto) along with the monthly report. When implemented, that process should clearly demonstrate compliance with noted contractual provisions.

Cards used by monthly parkers to access the City's Downtown Public Parking Facilities (i.e., Eastside and Kleman Plaza Garages) were not always timely deactivated when applicable customers discontinued parking in those facilities and were no longer billed for parking privileges.

As previously stated within this report, monthly parking in the Kleman Plaza and Eastside Garages is available to businesses and individuals for a monthly fee. RPS issues access cards to customers purchasing monthly parking privileges. Those cards provide unrestricted entry into and exit from the garages. Specifically, the access cards contain computer chips that can be read by the ScanNet system to raise the entry and departure gate. Customers purchasing monthly parking are billed by RPS monthly. The collected fees are reported and remitted to the City along with other receipts (after deduction of allowed expenses). In the event a monthly parking customer discontinues parking in the City's downtown parking facilities, RPS stops the

Access cards used by monthly parkers to access City Downtown Public Parking Facilities were not always promptly deactivated when the applicable customers discontinued parking in those facilities and were no longer billed for parking privileges.

monthly billing and should deactivate the customer's access card. Deactivation of the card precludes the customer (or other individual that may have access to the card) from using the card to subsequently gain unauthorized access to the parking facilities.

In our review of RPS's ScanNet system, we identified over 180 access cards that were "active" (activated to allow unrestricted access to and departure from the garages) but for which the applicable customers were no longer being billed by RPS and thus no longer paying for parking privileges. For those cards, we reviewed the ScanNet system records and found the cards had not been used (to access or exit City parking garages) in the last six months. (Usage records are only retained for the past six months). Accordingly, it appears that although still activated, those cards have not been improperly used to gain unauthorized access to City parking garages. However not timely deactivating cards for customers, that discontinue parking in the City's parking garages and are no longer billed for those services, increases the risks those cards will subsequently be used for unauthorized parking. In response to our inquiry on this matter, RPS acknowledged staff did not always promptly deactivate access cards when appropriate, but also indicated there was a system error that precluded some of the identified cards from being "completely" deactivated (i.e., some of the cards still allowed entrance but not departure from the garage). Regardless of the reasons and circumstances, we recommend PMD ensure that RPS (1) deactivates the applicable cards and (2) takes action in the future to ensure cards are timely and completely deactivated when appropriate.

Efforts should be enhanced to preclude unauthorized parking in the Duval and Bronough Street parking lots.

As described previously within this report, individuals may purchase monthly permits (or annual permits for State employees) to obtain parking privileges for the Duval and Bronough Street parking lots. Individuals purchasing those permits are instructed to place the permits on the windshield of their vehicles as evidence of their authority to park in those lots. Signs are placed at the lot entrances stating that unauthorized parkers will be towed.

Efforts should be enhanced to address unauthorized parking at the Bronough and Duval Street parking lots.

In response to our inquiry as to how they monitor those lots for unauthorized parking, RPS indicated they make periodic site visits to the lots and check vehicle windshields for authorized permits. For those vehicles that do not have an authorized permit, RPS staff prepare and place violation notifications on the vehicles. Those notifications inform the parkers that their vehicles are improperly parked and that failure to conform (i.e., cease parking in the lots or purchase a permit) may result in towing of the vehicle at the expense of the driver. At our request in late April 2012, RPS provided evidence that 62 notification violations had been prepared and issued during the previous nine months. Of those 62 violations, only three had been issued since the end of January 2012 (approximately 3-month period). They acknowledged that as of our inquiry, they had not had any vehicles towed.

On April 26, 2012, we made an on-site visit to the Duval and Bronough Street parking lots. We informed RPS the morning of our visit and a RPS employee accompanied us to the lots. At that time, there were eight vehicles parked in the Duval Street lot and ten vehicles parked in the Bronough Street lot. Of the eight vehicles in the Duval Street lot six did not have a permit; of the ten vehicles in the Bronough Street lot one did not have a permit. In total, seven of the 18 vehicles were not authorized to park in the lots. RPS staff prepared and issued notification violations for those seven vehicles. Subsequent to our site visit, RPS staff also indicated they had four of the seven vehicles towed at the drivers' expense (the other three vehicles were moved by the owners before they could be towed).

These circumstances and actions by RPS indicated that their enforcement of unauthorized parking should be enhanced. We recommend PMD work with RPS to establish a schedule to check for unauthorized parking (e.g., how frequently the lots should be checked) and to specify the circumstances under which an unauthorized vehicle will be towed (e.g., number of notification violations that must be issued before the vehicle is towed).

Conclusion

City parking facilities were generally properly managed and administered. Several issues were identified; recommendations were made to address those issues.

Overall, our audit showed the City's Downtown Public Parking Facilities and Airport parking lots were properly and adequately administered and operated by RPS, and PMD and Aviation Department staffs properly and adequately oversaw and monitored those contracted operations. Several issues were identified that indicated the need for further improvements and enhancements to existing controls and processes. Recommendations were made within this report to address those issues. The Aviation Department, PMD, and RPS management have been receptive of and are taking actions to address our recommendations.

We would like to thank staff in the Aviation Department, PMD, and RPS for their assistance during this audit.

Appointed Official's Response

City Manager: I want to thank the City Auditor for reviewing our parking operations at the Airport and Downtown Parking Facilities. These operations bring in significant revenues to the City and it is critical that they are managed with accountability and excellent customer service. I am pleased that the Auditor found that the facilities were "properly managed" and that suggested process improvements are already being undertaken.

We look forward to continuing to improve and appreciate the efforts of City staff and the Auditor to do so!

Appendix A – Action Plan

Action Steps	Responsible Employee	Target Date
A. Objective: Ensure proper execution of contractual agreements.		
1. 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. 	Mark Beaudoin	2-3-2012 (Completed)
2. PMD will ensure the subsequent contract for the Downtown Public Parking Facilities includes the Bronough and Duval Street parking lots.	Mark Beaudoin	2-3-2012 (Completed)
B. Objective: Ensure the City receives parking revenues to which it is entitled.		
1. For future reported activity, PMD will obtain appropriate support from RPS for noted operating expenses (e.g., insurance coverage and postage fees).	Mark Beaudoin & RPS	8-31-2012
2. PMD will ensure RPS properly accounts for special event parking tickets to ensure related revenues are properly reported and paid to the City.	Mark Beaudoin & RPS	8-31-2012
3. PMD will ensure RPS properly accounts for permits issued for the Bronough and Duval Street Parking lots to ensure related revenues are properly reported and paid to the City.	Mark Beaudoin & RPS	8-31-2012
4. 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.	Mark Beaudoin & RPS	9-30-2012

C. Objective: Ensure proper oversight of contracted parking operations.		
1. 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).	Mark Beaudoin	12-31-2012
2. 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 staffs will use those reports to help determine the reasonableness of reported/remitted parking revenues.	Patsy Capps (Aviation) Mark Beaudoin (PMD)	7-31-2012
D. Objective: Ensure contracted operations and activities are appropriate.		
1. 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.	Patsy Capps	7-31-2012
2. PMD will ensure that cards of former parkers identified in the audit are deactivated, and that actions are instituted by RPS to ensure in future circumstances cards are timely deactivated when appropriate.	Mark Beaudoin & RPS	8-31-2012
3. 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.	Mark Beaudoin & RPS	8-31-2012