

Final Audit Follow-up

As of September 30, 2013



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

Report #1405

December 18, 2013

Summary

All 11 action plan steps established to address issues identified in audit report #1213 have been successfully completed or resolved. Ten steps were completed during the prior follow-up period and the remaining step was completed during this follow-up period.

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

Eleven action plan steps were developed to address those issues. In our prior follow-up period (Report #1314), we reported 10 of those 11 action plan steps were completed or resolved and actions were in progress to complete the remaining step. That remaining action step completed during this follow-up period was for PMD and the Aviation Department to request the contractor to provide monthly reports on

ticket activity (issuances, collections, and related vehicle exits) sufficient to help determination of the reasonableness of reported/remitted parking revenues.

In summary, as shown in Table 1 in this report, all of the 11 action plan steps have been successfully completed or resolved.

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

Scope, Objectives, and Methodology

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

Original Report #1213

The scope of report #1213 included a review of the operation of City-owned (off-street) parking facilities by RPS (City's contractor), during the period January 2008 through December 2010,

and certain related processes and activities occurring through the end of our audit fieldwork in February 2012. The objectives were to determine whether (1) City parking contracts were competitively awarded and properly executed, (2) parking operations and activities were in accordance with applicable contractual terms and conditions, and (3) parking revenues due the City were properly and timely paid by the contractor. We also determined whether adequate monitoring activities were performed by the City departments responsible for oversight of contracted parking operations.

Report #1405

This is our second and final follow-up on action plan steps identified in audit report #1213. The purpose of this follow-up is to report on the progress and status of the efforts to complete action plan steps due for completion as of September 30, 2013. To determine the status of the action plan steps, we interviewed staff, made observations, and reviewed relevant documentation.

Background

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

monthly management fee. RPS remits the net amount (gross receipts less expenses, sales taxes, and fees) to the City. Parking fee rates are charged in accordance with the fee schedules established and approved by the City.

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

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

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

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

The larger two facilities (Kleman Plaza and Eastside Garages) were operated by RPS on behalf of the City pursuant to a contractual agreement executed in 2001 (i.e., for a five-year initial term with multi-year renewal options). Although not initially covered by a contractual agreement, RPS operated and administered the two smaller parking lots (Bronough and Duval Streets) after the City acquired those properties from the State of Florida in connection with the

Gaines Street Revitalization Project. The City’s new contract with RPS, executed in February 2012, properly addresses operation of all four downtown parking facilities. Collectively, RPS paid net proceeds of \$3,421,150 to the City for the operation of the Downtown Public Parking Facilities.

were properly and timely paid by the contractor to the City. PMD and Aviation Department monitoring and oversight efforts over the contractual operations and activities were proper and adequate. However, several risks were identified that indicated the need for further improvement and enhancement of applicable processes and controls.

Previous Conditions and Current Status

In report #1213, we noted that, overall, contracts for the operation and administration of City parking lots were competitively awarded and properly executed and City parking facilities were properly and adequately managed by the City’s contractor (RPS). Revenues were properly collected and accounted for and net proceeds

Eleven action plan steps were developed to address the identified risks and audit recommendations. We reported 10 of those 11 action plan steps were completed and resolved in the prior follow-up audit. As shown below in Table 1, PMD and Aviation Department staff have now successfully completed or resolved all 11 action plan steps.

**Table 1
Action Plan Steps from Audit Report #1213
Due as of September 30, 2013, and Current Status**

Action Plan Steps Due as of September 30, 2013	Current Status
Ensure proper execution of contractual agreements	
<ul style="list-style-type: none"> • PMD will ensure future contracts for operation and administration of the Downtown Public Parking Facilities include provisions: <ul style="list-style-type: none"> - Requiring contracted services and operations be audited by RPS internal auditors at least once during the contract term. - Requiring RPS to conduct background checks on new employees. 	✓ Completed in a prior period
<ul style="list-style-type: none"> • PMD will ensure the subsequent contract for the Downtown Public Parking Facilities includes the Bronough and Duval Street parking lots. 	✓ Completed in a prior period

Ensure the City receives parking revenues to which it is entitled	
<ul style="list-style-type: none"> For future reporting activity, PMD will obtain appropriate support from RPS for noted operating expenses (e.g., insurance coverage and postage fees). 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD will ensure RPS properly accounts for special event parking tickets to ensure revenues are properly reported and paid to the City. 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD will ensure RPS properly accounts for parking permits for the Bronough and Duval Street parking lots to ensure related revenues are properly reported and paid to the City. 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD will make arrangements for RPS to remit monthly payments of net parking receipts directly into the City’s bank account through electronic fund transfers. 	<p>✓ <u>Completed</u> in a prior period</p>
Ensure proper oversight of contracted parking operations	
<ul style="list-style-type: none"> PMD will enhance its current monitoring of contracted parking operations for the Downtown Public Parking Facilities to (1) ensure appropriate and adequate support is provided for all reported/claimed expenditures; (2) confirm the validity of selected invoices/support through appropriate procedures (e.g., observation of acquired items, confirmation with vendors, etc.); and (3) verify RPS cashiering activities are appropriate (e.g., ensure reported collections are reconciled to parking activity and reported collections are reconciled to deposited collections). 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD and the Aviation Department will request RPS to provide monthly reports showing total tickets issued through the ScanNet system, total tickets collected and processed by cashiers, and total vehicle exits as counted by the ScanNet system. PMD and Aviation Department staff will use those reports to help determine the reasonableness of reported/remitted parking revenues. 	<p>✓ <u>Completed</u> - In our initial audit, we recommended that PMD and the Aviation Department require RPS to commence providing monthly information on total tickets issued, total tickets collected/processed by RPS cashiers, and total vehicle exits (excluding exits by monthly cardholders). We also recommended Aviation Department and PMD staff use that</p>

	<p>information to help determine the reasonableness of reported/remitted parking revenues by RPS. In the previous follow-up period, we reported PMD had commenced obtaining a monthly report from RPS that showed total tickets issued and total tickets collected/processed by cashiers. We reported, however, that the monthly report did not provide information on total vehicle exits. In response to our inquiry, PMD indicated that RPS would be adding a column on the monthly report to show total vehicle exits (excluding exits by monthly cardholders). We also reported the Aviation Department initiated efforts to obtain monthly reports from RPS showing total tickets issued, total tickets collected/processed by RPS staff, and total vehicle exits (excluding exits by monthly cardholders).</p> <p>During this follow-up, we found:</p> <p>PMD now obtains a monthly report from RPS that includes the additional column showing total vehicle exits (adjusted for certain exit categories). PMD uses the report to determine the reasonableness of the reported/remitted revenue or loss. In addition, PMD verifies the reported parking information to the information reported on RPS's monthly income statement. Accordingly, this step is considered completed.</p> <p>Aviation Department staff now obtains a monthly ticket and exit reconciliation report from RPS that shows total tickets issued, total tickets collected/processed, and total vehicle exit counts (excluding exits by cardholders). Aviation Department uses the report to determine the reasonableness of reported/remitted revenue. In response to our inquiry, Aviation Department staff indicated that the department will commence verifying the information provided on the ticket and exit reconciliation report to the information reported on the RPS monthly income statement. Accordingly, this step is considered completed.</p>
--	---

Ensure contracted operations and activities are appropriate	
<ul style="list-style-type: none"> Aviation Department staff will require RPS to specify on their monthly report whether any customer comments and complaints were received; and, if any are received, to include copies (as well as RPS responses thereto) with the monthly report. 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD will ensure that cards of former parkers identified in the audit are deactivated, and that actions are instituted by RPS to ensure in the future circumstances cards are timely deactivated when appropriate. 	<p>✓ <u>Completed</u> in a prior period</p>
<ul style="list-style-type: none"> PMD will work with RPS to establish a schedule for monitoring the Bronough and Duval Street parking lots for unauthorized parking and to specify the circumstances under which unauthorized vehicles will be towed. 	<p>✓ <u>Completed</u> in a prior period</p>

Table Legend:

- Issue to be addressed from the original audit.
- ✓ Issues addressed and resolved.

Conclusion

As described in Table 1 above, PMD and Aviation Department management have successfully completed or resolved all 11 action plan steps established to address issues identified in audit report #1213.

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

Appointed Official's Response

City Manager:

We appreciate the City Auditor's assistance in reviewing parking management operations at the Airport and downtown parking garages. Because of this review, we have been able to implement new processes to increase accountability. As this is a significant revenue generator and customer service operation, we need to ensure the operations are run as efficiently as possible. Thanks to the Auditors and Airport and Property Management staff for the attention to detail which assists the City in improving the productivity of its operations and delivered customer service.

Copies of this audit follow-up #1405 or audit report #1213 may be obtained from the City Auditor's website (<http://talgov.com/auditing>) or via request by telephone (850 / 891-8397), by FAX (850 / 891-0912), by mail or in person (Office of the City Auditor, 300 S. Adams Street, Mail Box A-22, Tallahassee, FL 32301-1731), or by e-mail (auditors@talgov.com).

Audit follow-up conducted by:

Reuben Iyamu, Senior Auditor
Beth Breier, CPA, CIA, CISA, Senior Audit Manager
T. Bert Fletcher, CPA, CGMA, City Auditor