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April 30, 2005

Honorable Mayor, City Council Members, and City Manager:

The Sacramento City Auditor has completed a limited scope follow-up audit of the Parking Division. This examination was conducted in accordance with generally accepted government auditing standards and the City's core values of accountability and fiscal responsibility.

This report provides the Mayor, City Council, and City Manager with an evaluation of the status of audit findings outlined in two previous audit reports, the *On-Street Parking Internal Audit Report*, dated January 16, 2004, and the *Off-Street Parking Internal Audit Report*, dated April 30, 2004.

In my opinion the Parking Division needs to implement unresolved audit recommendations, which include:

1. Completion of work-in-progress for establishing specific operational objectives, creating a strategic parking plan, and updating written policies and procedures for the Parking Division; and
2. Strengthen physical controls that safeguard cash and assets.

No instances of internal theft, fraud, or illegal activity were discovered during the course of this examination.

Audit findings were discussed in detail with the Parking Manager. The Parking Manager's response to this report is included in its entirety in the Appendix. I appreciate the high level of cooperation extended by all employees of the Parking Division.

A handwritten signature in black ink, appearing to read "Martin J. Kolkin".

Martin J. Kolkin  
City Auditor

**On-Street & Off-Street  
Follow-Up Audit  
Report Number 2005-03  
Executive Summary**

The City Auditor has completed a follow-up audit of the Parking Division. Due to the serious nature and number of internal control weaknesses noted in the *On-Street Parking Internal Audit Report*, dated January 16, 2004, and the *Off-Street Parking Internal Audit Report*, dated April 30, 2004, this follow-up examination evaluated if new procedures were implemented and if changes produced desired results. The current status of findings cited in the prior audit reports is included in Appendix Tables 1 and 2 of this report.

Areas identified by the City Auditor as unresolved from the previous audits or discovered while conducting follow-up procedures are noted as report findings, while action taken and estimated completion date are responses provided by the Parking Manager.

<b>City Auditor's Report Findings</b>	<b>Action Taken by the Parking Manager</b>	<b>Estimated Completion Date</b>
<b>1. Specific operational objectives, a strategic plan, and updated policies and procedures need to be completed</b> (refer to page 2).	The Parking Manager secured the services of a consultant to assist in addressing this concern. The estimated final completion date for the consultant is December 2005.	<u>December 2005</u> Final Report received from consultant.
	The Parking Manager stated that a series of City Council workshops is anticipated to begin in June 2005 that will include discussion of this matter.	<u>June 2005</u> City Council Workshops to Begin Discussions.
<b>2. Inadequate physical controls to safeguard cash and assets.</b>	The Parking Division's actions taken are listed by finding below.	Listed by Finding Below
2A-1. Locks on 1,770 mechanical parking meters, deemed susceptible to theft, were not replaced in over a year and 167 break-ins, with an estimated loss of \$12,600 occurred in January 2005. (refer to page 3).	Following a cost-benefit analysis, the Parking Manager concluded that the 1,770 mechanical parking meters would be replaced with new electronic parking meters.  The Parking Manager stated that approximately 1,800 new meters are estimated to be installed by June 1, 2005.	June 2005

<b>City Auditor's Report Findings</b>	<b>Action Taken by the Parking Manager</b>	<b>Estimated Completion Date</b>
2A-2. Only 500 of 5,000 authorized new electronic parking meters were purchased and installed through January 2005 (refer to page 5).	The Parking Manager stated that he would advise the Mayor, City Council, & City Manager of the status of parking meter replacement or proposed alternatives.	Will be addressed during the Transportation Budget Hearings
2A-3. Collection information retrieved from electronic parking meters was still in the field-testing stage (refer to page 6).	The Parking Manager noted that in January 2005, collection information was being retrieved from the new electronic parking meters.	Completed
2A-4. Insufficient oversight by the Parking Division of \$2.1M of financing for new parking meters (refer to page 6).	The Parking Manager stated that his division now reviews monthly receipts and disbursement records to ensure any divisional financing is accurately recorded and reflected in the City's financial system.	Completed
2B. Inaccurate inventory of parking meters on the streets, in the meter shop, and no physical inventory for meters to be disposed of or salvaged (refer to page 7).	The Parking Manager stated that additional control procedures for meter inventory were initiated to increase accuracy. He noted that the annual physical inventory had been completed. The Parking Manager added that the physical inventory of parking meters had originally been scheduled for July or August 2005.	Completed
2C-1. Inaccurate customer payment ledger for the monthly parking cardholder accounts (refer to page 8)	The Parking Manager stated that inaccuracies in the customer payment ledger were located prior to the audit. He noted that parking staff reviewed and corrected the customer payment ledger.	Completed
2C-2. Monthly parking cards were not validated against customer payments each month (refer to page 8).	<p>The Parking Manager explained that due to the volume of accounts and system incompatibilities, alternative procedures were used that relied on manual processes and exception reporting.</p> <p>The Parking Manager stated that the true resolution of this problem is the planned updated of system servers and the installation of a receivables management system module.</p>	<p>The first step of the new process, the install of the servers, began during 3/05 and is scheduled for completion in 9/05.</p> <p>The AR module is estimated to be completed during 10/05.</p>

<b>City Auditor's Report Findings</b>	<b>Action Taken by the Parking Manager</b>	<b>Estimated Completion Date</b>
<p>2D. Daily sales totals of parking debit cards were not reconciled to actual deposits.</p> <p>Additionally, revenue was not verified as deposited in the bank or posted in the general ledger (refer to page 9).</p>	<p>The Parking Manager stated that the parking debit card procedures have been revised to include both of the recommended control steps.</p>	<p>Completed</p>
<p>2E. Delays in installing security cameras in parking garage (refer to page 9).</p>	<p>The Parking Manager explained that environmental issues related to pulling fiber optic cable for the security cameras have delayed the process.</p>	<p>September 2005</p>

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**On-Street & Off-Street  
Follow-Up Audit  
Report Number 2005-03  
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**On-Street & Off-Street  
Follow-Up Audit  
Report Number 2005-03  
Preliminary Section**

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**INTRODUCTION**

In accordance with the approved Audit Workplan for fiscal year 2005, the City Auditor completed a follow-up examination of the City of Sacramento's Parking Division, including On-Street and Off-Street Parking.

**OBJECTIVE**

This report provides the Mayor, City Council, and City Manager with an evaluation of the status of audit findings outlined in two previous audit reports, the *On-Street Parking Internal Audit Report*, dated January 16, 2004, and the *Off-Street Parking Internal Audit Report*, dated April 30, 2004.

**AUDIT SCOPE**

This examination was conducted in accordance with Generally Accepted Government Auditing and the City's core values of accountability and fiscal responsibility. The audit report is intended for the information and use of the Mayor, City Council, City Manager, and City Management.

The scope of this examination was limited to determining if audit findings presented in previous audit reports were resolved. Additionally, this audit includes any findings discovered while conducting following-up procedures. The audit included, but was not limited to the following:

- Physical observations of operations and practices;
- Analytical examinations of financial data;
- Examination of internal audit files;
- Examination and verification of general ledger revenue data; and
- Interviews and discussions with personnel from the Transportation Department (including the Parking Division), the Finance Department, and the City Manager's Office.

**BACKGROUND & PURPOSE**

Due to the serious nature and number of internal control weaknesses noted in the previous internal audit reports, forty-four separate findings, this follow-up examination evaluated if new procedures were implemented and if changes were producing desired results.

Complete tables of audit findings for both audits can be found on Appendix Tables One and Two of this report. Each audit finding was verified as either completed or the Parking Manager provided an estimated completion date.

**ORGANIZATIONAL RESTRUCTURE**

On March 9, 2004, the City Council approved Resolution 2004-170 directing the formation of the Transportation Department and the implementation of strategies to enhance operational efficiency. The City Manager identified combining the City's Off-Street and On-Street Divisions into a single Division as one such efficiency.

**On-Street & Off-Street  
Follow-Up Audit  
Report Number 2005-03  
Conclusions**

The City Auditor observed clear improvement in the operations of both On-Street and Off-Street Parking. Previous reports cited 45 recommendations for improvement, the *On-Street Parking Internal Audit Report*, dated January 16, 2004, and the *Off-Street Parking Internal Audit Report*, dated April 30, 2004. Parking operational management, On-Street and Off-Street, worked diligently to resolve approximately 73% of the previous audit recommendations. **Although the overall operation of the Parking Division had improved, significant weaknesses in internal controls remained.** Operational management for On-Street Parking must take a more active role in the identification and resolution of on-going operational issues, such as those discussed in this report. Additionally, the Parking Manger has taken appropriate action to address these matters.

**Table One  
Status of Audit Findings<sup>1</sup>  
Parking Follow-Up Audit**

Status of Prior Audit Findings	Number of Findings	Percentage
<b>Completed</b>	<b>33</b>	<b>73.3%</b>
<b>Unresolved</b>	<b>12</b>	<b>26.7%</b>
<b>Totals</b>	<b>45</b>	<b>100.0%</b>

Source: Audit Examination.

The City Auditor recommends that the Parking Manager implement all prior audit recommendations which include:

1. **Completion of work-in-progress for establishing specific operational objectives, creating a strategic parking plan, and updating written policies and procedures for the Parking Division; and**
  2. **Strengthen physical controls that safeguard cash and assets.**
1. **COMPLETE WORK ON ESTABLISHING SPECIFIC OPERATIONAL OBJECTIVES, A STRATEGIC PARKING PLAN, AND UPDATING POLICIES AND PROCEDURES.**

A consultant's study regarding specific operational objectives, creating a strategic plan, and updating policies and procedures was in-progress and scheduled for an estimated completion date of December 2005.

Status of Corrective Action

Based upon the results of a consultant's study, the Parking Manager explained that he would present the first in a series of City Council Parking workshops anticipated to begin in April 2005.

<sup>1</sup> Purchase and installation of parking meters was not previously cited and accordingly not included in this table.

The workshops will focus on the Parking Division’s long-term objectives, strategic plans for the future, and updated policies and procedures.

Recommendation

The City Auditor recommends that the Parking Manager or his representatives complete work-in-progress on establishing operational objectives, creating a strategic plan, and updating written policies and procedures.

**2. INADEQUATE PHYSICAL CONTROLS TO SAFEGUARD CASH AND ASSETS.**

**The purpose of physical controls is to prevent the misappropriation of cash or assets.**

**2A-1. LACK OF ACTION TO SAFEGUARD PARKING METERS FROM THEFT.**

**Following a long series of thefts outlined in the prior year *On-Street Parking Internal Audit Report*, the locks on 1,770<sup>2</sup> mechanical parking meters, identified as susceptible to theft, were not replaced with secure locks.** The prior year’s internal audit report noted 295 break-ins during fiscal year 2002, 325 break-ins during fiscal year 2003, and the Parking Division’s files documented 167 new break-ins during January 2005. Parking management attributed the break-ins to the less secure locks used on older, mechanical parking meters. The January 2005 thefts involved only mechanical parking meters with locks that were not replaced.

**Table Two  
Estimated Dollar  
Losses Attributable  
to Break-Ins**

<b>Date</b>	<b>No. of Break-Ins</b>	<b>Estimated Loss</b>
<b>August 2002 – September 2002</b>	<b>295</b>	<b>\$ 16,782</b>
<b>July 2003 – August 2003</b>	<b>325</b>	<b>10,000</b>
<b>January 2005</b>	<b>167</b>	<b>12,558</b>
<b>Totals</b>	<b>787</b>	<b>\$ 39,340</b>

Source: Parking Division Files

**During the previous audit, parking management stated their action plan was to replace the existing locks on approximately 3,000 mechanical parking meters<sup>3</sup> with secure locks.** At that time, parking management explained that this action was only a temporary solution, and that the long-term solution would be to replace the old mechanical meters with electronic parking meters that have a more theft-resistant lock.

Management Comments

Parking officials acknowledged their commitment to changing the locks on the mechanical parking meters. However, **Parking representatives stated that they could not locate a stronger lock to fit into approximately 2,200 of the older mechanical parking meters.**

<sup>2</sup> Parking representatives estimated that 2,200 of these mechanical parking meters had not been replaced with secure lock. However, 500 of these meters were replaced when the first shipment of 500 new electronic parking meters were received in November 2004.

<sup>3</sup> *On-Street Parking Internal Audit Report*, dated January 16, 2004, Additional Management Action, page 6.

No alternative action was taken because parking management stated that they believed that the receipt of the new electronic parking meters would occur in the very near future. The On-Street Parking Internal Audit was released January 16, 2004. Authorization to solicit bids for new parking meters was approved by the City Council on March 30, 2004. The bid was awarded to Mackay Meters, Inc. on August 10, 2004.

The first shipment of 500 new parking meters was received in November 2004. These electronic parking meters were used to replace 500 of the older mechanical parking meters. No additional meters were received during December 2004 or January 2005.

Parking officials explained that a record of the mechanical parking meter lock replacement was not maintained. The dates in the following table were based upon information estimated by parking management at the City Auditor’s request. An accurate count of parking meters was not available, as cited in the prior audit report. Therefore, parking representatives provided the following estimates of mechanical parking meters:

**Table Three  
Estimated Mechanical Meter  
Lock Replacement**

Date	Number of Mechanical Parking Meters Needing New Locks	Description
January 2004	3,039	Estimate provided by parking management
January 2004	300	Secure locks installed.
January 2004	469	Mechanical meters identified as already having secure locks.
Subtotal	2,270	Mechanical meters with locks that were not replaced.
November 2004	500	New electronic meters received and installed.
January 2005	1,770	Total number of mechanical meters with locks that were not replaced.

Source: Estimated dates and parking meter numbers as provided by parking representatives.

City Auditor’s Comments

**It is the responsibility of management to identify alternatives to protect municipal assets and revenues.** A number of mitigating actions were not taken, including, but not limited to: use of video surveillance; additional security watches; notifying the Police Department of the risk; moving the mechanical parking meters to parking routes that collect less revenue; or increasing the number of times a parking meter is collected during the week.

**One thousand seven hundred and seventy mechanical parking meters, susceptible to theft, remained on City-streets over a year after the issuance of the prior internal audit report.**

Suspect Apprehension

The Police Department apprehended two suspects during January 2005.

Recommendation

The City Auditor recommends that the Parking Manager or his representatives take immediate action to protect City assets and revenues.

Status of Corrective Action

The Parking Manager concurred with this recommendation. Following a cost-benefit analysis, performed by parking staff, the Parking Manager estimated that approximately 1,800 replacement meters would be installed by June 1, 2005.

**2A-2 STATUS OF NEW ELECTRONIC PARKING METERS PURCHASES**

**Only 500 of approximately 5,000 authorized new electronic parking meters were purchased and installed through January 2005. The planned, systematic route-by-route replacement of all parking meters did not occur**

**The Parking Manager explained that Parking Division personnel were exploring new parking technology, Pay and Display machines, which might replace electronic parking meters.** The Parking Manager pointed out that a new City Hall Pay and Display pilot project was scheduled for July 2005.

**Table Four  
Significant Events Regarding  
Parking Meter Purchases**

Date	Description
<b>03-30-04</b>	Resolution 2004-217 authorized solicitation for parking meters bids, at a cost not to exceed \$2.1 million.
<b>04-09-04</b>	Financing for \$2.1 million is obtained with a 2.51% interest rate, for 5 years, and with an annual debt service of \$449,553.
<b>08-10-04</b>	Bid awarded to Mackay Meters, Inc. for \$1,800,503
<b>10-23-04</b>	500 parking meters ordered.

Source: Parking Division Files

Management Comments

**The Parking Manager expressed concern over purchasing \$2 million of equipment that might quickly become dated technology.** However, he readily acknowledged that the electronic parking meters were much more cost-effective and secure than the mechanical meters.

During the audit, parking management performed a cost-benefit analysis of replacing the previously discussed 1,770 mechanical meters with new electronic meters. **The Parking Manager stated that, based upon the cost-benefit analysis results, 1,770 mechanical parking meters would be replaced as soon as possible.** He added that an order for 650 new electronic meters had been placed at the end of January 2005 and an additional 1,150 meters were ordered during March 2005

The Parking Manager further stated that a cost-benefit analysis would be performed, for all parking meters, to determine if replacement would make economic sense.

Recommendation

The City Auditor recommends that the Parking Manager advise the Mayor, City Council, and the City Manager of the status of parking meter replacement or proposed alternatives.

Status of Corrective Action

The Parking Manager concurred with this recommendation. He stated that the status of parking meter replacement or proposed alternatives would be presented to the Mayor and City Council during the Budget Hearings

**2A-3 STATUS OF HAND-HELD UNITS THAT EXTRACT COLLECTION DATA FROM THE NEW ELECTRONIC PARKING METERS.**

**During January 2005, parking representatives were field-testing hand held-units designed to extract collection data from the new electronic parking meters.** The prior audit report noted that collection data by parking meter or parking meter debit cards was not possible because of system limitations.

Management Comments

Parking management noted that the hand-held units were only for use with the 500 new electronic parking meters delivered in November 2004. Parking management added that a learning curve and minor system “glitches” had delayed progress in this area.

Recommendation

The City Auditor recommends that the Parking Manager or his representatives complete field-testing the new hand-held units and begin gathering collection data for analysis from the new electronic parking meters.

**2A-4 INSUFFICIENT OVERSIGHT OF FINANCING PROCEEDS BY THE PARKING DIVISION.**

The Mayor and City Council approved \$ 2.1M for financing to purchase 5,000 new, electronic parking meters. The City Treasurer, Finance Department, and the Parking Division jointly maintained responsibility for the financing proceeds. The City Treasurer’s Department provided the administrative responsibility for the proceeds deposited in an interest bearing bank account, the Finance Department provided responsible for oversight and accuracy of the City’s financial system, and the Parking Division provided the disbursement approval for these funds.

Prudent business practices dictate that parking representatives review all receipts and disbursements records for the purchase of the new meters, in this case the monthly bank statements, to ensure the existence, validity, and accuracy of the reserved cash balance. **Parking representatives did not review monthly bank statements or alternative records to ensure the existence, validity, and accuracy of funds reserved for the purchase of new parking meters, for the period April 2004 to January 2005.** This review noted no unauthorized purchases, errors, or irregularities in this cash account.

**Additionally, the \$2.1M cash proceeds and corresponding debt was not recorded within the City’s financial system.** The Finance Director stated that this oversight had been corrected.

Recommendation

The City Auditor recommends that the Parking Manager or representatives provide appropriate oversight for the financing proceeds to purchase new parking meters, including examining the monthly bank statements and validating general ledger account balances.

Status of Corrective Action

The Parking Manager concurred with this recommendation. He stated that procedures had been established to oversee the financing proceeds, which include a monthly review of the bank statement and general ledger account balances.

**2B. INACCURATE PHYSICAL INVENTORY OF PARKING METERS**

Lack of a physical inventory of parking meters was cited in the previous audit. The Parking Division did have a physical inventory of parking meters. However, the Parking Division’s inventory lacked an accurate count of the number, type, and location of parking meters on municipal streets and in the meter repair shop. Additionally, no inventory existed for parking meters to be disposed of or salvaged.

**The Parking Manager acknowledged the numerous inaccuracies in the inventory report.**

City Auditor’s Comments

The City Auditor noted the increased need for of an accurate inventory count when the inventory will be the basis for ordering replacement parking meters or Pay and Display machines.

Recommendations

The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the parking meter inventory listing.

Status of Corrective Action

The Parking Manager concurred with this recommendation. He stated that the entire physical inventory of parking meters on the streets, parking meters in the meter shop, and the parking meters to be disposed of would be inventoried immediately, instead of the annual July or August physical inventory. The Parking Manager then requested that the City Auditor test the inventory upon completion. The City Auditor verified the accuracy of the new physical inventory.

**2C. CONTROL WEAKNESSES WITH MONTHLY GARAGE<sup>4</sup> PARKING CARDS.**

**The Parking Division’s internal control system relied heavily on critical reconciliations to ensure that only paying customers have active garage parking cards.**

**Two significant control weaknesses in the reconciliation process were identified; 1) the monthly payment ledger was not accurate; and 2) active parking cards were not validated against the payment ledger each month (refer to Table Five). Each of these controls was necessary to ensure that only customers that paid for monthly parking received monthly parking.**

**Table Five  
Monthly Garage Parking Cards  
Critical Reconciliations**

<u>General Ledger</u>		<u>Payment Ledger</u>		<u>Card Reader/Parking System</u>
Revenues	=	Customer Payments	→	Active Account Status
				=
				Number of Cards Active

= - Reconciliation required.

<sup>4</sup> Surface parking lots are included within the term Monthly Garage Parking.

Source: Parking Management.

### **2C-1. INACCURACIES IN THE CUSTOMER PAYMENT LEDGER.**

**Parking officials stated that, prior to this follow-up audit, they located inaccuracies in customer payment files and were performing a review of the ledger to resolve these errors.**

#### Recommendations

The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the customer payment history information.

#### Status of Corrective Action

The Parking Manager concurred with this recommendation. He stated that steps were being taken to increase the accuracy of the customer payment history information. However, the Parking Manager added that the true resolution of this problem is the planned updated of system servers and the installation of a receivables management system module.

### **2C-2. PARKING CARDS WERE NOT VALIDATED AGAINST THE CUSTOMER PAYMENT LEDGER EACH MONTH.**

**Monthly parking cards were not validated against the payment ledger each month.**

**Parking representatives stated that, due to incompatible information systems, it was not possible to electronically match payments to active monthly parking cards.** The Parking Manager commented that the planned installation of a receivables management system module, that would integrate sales, payments, and card status (active or inactive), would resolve this problem.

#### Alternative Procedures

As alternative procedures, parking staff members manually selected a recent payment month and validated the card status of all 7,600, active and inactive, cardholder accounts from the payment ledger to the Card Reader/Parking System. Thus creating a “base month” where card status was manually confirmed.

After the “base month”, a report listing delinquent accounts was run each month from the payment ledger. The delinquent account listing was physically printed from the payment ledger system. Next, a parking staff member walked over to the Card Reader/Parking System terminal. The staff member using the hard copy listing then inactivated delinquent accounts on an account-by-account basis, for each parking garage and lot.

#### City Auditor’s Comments

**The City Auditor observed that the alternative procedures required an action to stop a cardholder from receiving monthly parking. The preferred method would be that an action must occur in order for the card to be activated each month.**

The City Auditor noted that the alternative procedures performed were a positive action. However, manual access to any system heightens the security risk to that system. Additionally, **each manual step was an opportunity for errors or misstatements**, particularly in the “base month” where numerous individuals performed repetitive tasks for long periods of time. **No control check figures were available between the two systems** to ensure that both system reflected the same aggregate number of active accounts at month-end, for example, the payment ledger had 5,000 active monthly garage parking accounts and the Card Reader/Parking System had 5,000 active monthly garage parking accounts.

**The City Auditor noted that the password protection on the terminal, used to active and deactivate monthly garage parking accounts, was not operating.** Parking management stated due to a system flaw, the password protection worked about half the time on this terminal. Parking management further stated that the system manufacturer had since been contacted and the password protection was again fully operational.

Recommendations

The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the payment ledger; password protect all system programs, and develop a methodology to ensure that only paid customer's garage parking cards be activated each month.

The Internal Audit suggests contacting the Parking System's manufacturer, the City's Information Technology Department, or other City's Parking Divisions to assist.

Status of Corrective Action

The Parking Manager concurred with this recommendation. He also noted that the Parking Division personnel have already contacted the parking system's manufacturer and the City's Information Technology Department.

**2D. INTERNAL CONTROL WEAKNESSES WITH DEBIT CARD DEPOSITS**

**The sales totals for parking debit cards were not reconciled to the daily deposit.** This control step would have located any dollar variances existed between the amount to be deposited and the calculated value of the daily sales.

**The daily deposit for parking debit cards was not verified as posted to the General Ledger.** This control step would have verify that the daily deposit, in its' entirety, was deposited in the bank and that the correct dollar amount was posted to the appropriate revenue account.

The City Auditor sampled five daily deposits. The results of the sample determined a clearer audit trail was necessary, but the amount for the daily sales of parking debit cards received equaled the amount of the daily deposit, and the entry into the General Ledger agreed with the daily deposit.

Recommendations

The City Auditor recommends that the Parking Manager or his representatives develop stronger internal controls over the parking debit card deposits.

Status of Corrective Action

The Parking Manager concurred with this recommendation and stated that the daily deposit process for parking debit cards had been revised to increase oversight.

**2E. Status of the Installation of Security Cameras in all Parking Garages.**  
**Security Cameras have not been installed in parking garages.**

Management Comments

**The Parking Manager stated that environmental issues related to pulling fiber optic cable to parking facilities have delayed the process.** He anticipates that the construction stage of this project will be completed during September 2005.

No loss in revenue due to theft had occurred since the previous audit.

The Parking Manager added to reduce the risk of theft, all locks on the “pay-on-foot” machines in the parking garages had been changed and audible alarms had been installed.

Recommendation

The City Auditor recommends that the Parking Manager advise the Mayor, City Council, and the City Manager of the status of the installation of security cameras in all parking garages.

Status of Corrective Action

The Parking Manager concurred with this recommendation.

**Appendix Table One  
On-Street Parking  
Issued January 16, 2004  
All Audit Findings**

<b>Audit Findings</b>	<b>Status or Estimated Completion Date</b>
<b>1. Lack of specific operational objectives.</b>	<u>December 2005</u> Final Report received from consultant.  <u>April 2005</u> City Council Workshops to Begin Discussions.
<b>2. No strategic plan for the placement of parking meters.</b>	See Estimated Completion Date for Finding One.
<b>3. Outdated policies and procedures.</b>	See Estimated Completion Date for Finding One.
<b>4. Insufficient Operational Controls:</b>	Listed by Finding Below
4A. <u>Inadequate controls for the physical safety of assets, including:</u>	Completion dates noted below:
4A-1. Inadequate safeguards over the storage of daily cash collections, including: <ul style="list-style-type: none"> <li>• Storing daily cash collections in the vault;</li> <li>• Limiting access to cash collections and the collections vault; and</li> <li>• Providing a comprehensive monitoring of all activity within the collections vault;</li> </ul>	Completed Completed  Completed
4A-2. Lack of a loss prevention plan to deter parking meter thefts.	Completed
4A-3. Lack of physical inventories of: Parking meters (both on the street and in the Meter Repair Shop); Cash in the meter collections vault; Coin collection containers; and the coin collection carts.	Completed  Completed Completed Completed
4A-4. Inadequate safeguards over the physical security of parking debit card value loading machines; The need to assign responsibility for loading values on debit cards; and installing controls to the value loaded onto debit cards.	Completed
4A-5. Lack of physical inventories of parking debit cards.	Completed
4A-6. Need to reconcile the inventory of parking debit cards, sales, and daily bank deposits.	Completed
4A-7. Creating safeguards over parking debit card payments received.	Completed

<b>Audit Findings</b>	<b>Status or Estimated Completion Date</b>
4B. <u>Insufficient separation of duties, including:</u>	Completion dates noted below:
4B-1. Parking Meter Collection Workers having access to the coin collection .	Completed
4B-2. Administrative Sales staff having direct access to the parking meter debit card inventory maintained in the administrative safe.	Completed
4C. <u>Deficiencies in information processing, including:</u>	Completion dates noted below:
4C-1. Lack of detailed parking meter cash collection data.	Completed
4C-2. No information regarding where parking meter debit cards are used and the value of prepaid cards used.	Complete
4C-3. Eliminating redundant computer and manual systems in the Parking Meter Repair Shop.	Completed
<b>5. Seven of thirty-nine budgeted Parking Enforcement Officers positions were vacant.</b>	Completed
<b>6. Program Reviews:</b>	Completion dates noted below:
6A <u>Boot Program Review</u>	Completion dates noted below:
6A-1. Increasing staffing utilization for the vehicle immobilization program.	Completed
6A-2. Investigating technological advances to increase vehicle immobilization activity .	Completed
6B. Pursue technological advances and grant Parking Enforcement Officers greater flexibility in addressing disabled placard abuses.	Completed
6C. Investigate methods to discourage counterfeiting of residential parking permits.	Completed
<b>7. Need to removing parking meter hoods on weekends.</b>	Completed

**Table Two**  
**Off-Street Parking**  
**Issued April 30, 2004**  
**All Audit Findings**

<b>Audit Findings</b>	<b>Status or Estimated Completion Date</b>
<b>1. Lack of specific operational objectives.</b>	<u>December 2005</u> Final Report received from consultant.  <u>April 2005</u> City Council Workshops to Begin Discussions
<b>2. No parking rate strategic plan.</b>	See Estimated Completion Date for Finding One.
<b>3. Outdated policies and procedures.</b>	See Estimated Completion Date for Finding One.
<b>4. Key positions in the Parking Division are vacant.</b>	Complete
<b>5. Significant deficiencies exist in internal controls:</b>	Listed by Finding Below
5A-1. Cash collections were not reconciled to the daily cash receipts report at City-operated parking garages.  Daily reconciliations serve as an integral safeguard on an asset highly susceptible to misappropriation.	Completed
5A-2. Inadequate oversight of Contractor prepared daily cash reconciliations.	Completed
5B-1. The daily deposits were not reviewed by anyone other than the preparer.  In order to reduce the likelihood of an individual perpetrating and concealing errors and irregularities, the daily deposits need to be reviewed by someone other than the preparer.	Completed
5B-2. The daily deposits were not traced to the appropriate supporting documentation, the Controller Report, to validate the amount of the deposit.	Completed
5B-3. Bank deposits made by the armored carrier were not verified daily as received by the bank.	Completed
5B-4. Daily credit card receipts did not match the amount of the daily bank deposit.	Completed
5B-5. The daily deposit for the Off-Street Parking Administration was stored in a locked desk drawer instead of in the administrative vault.	Completed
5C. Parking personnel were unable to access historic reports within the Division's computer system.	Completed
5D-1. The six parking garages, that used a manual prepaid parking system, lacked fundamental controls over prepaid parking ticket usage and storage.	Completed

<b>Audit Findings</b>	<b>Status or Estimated Completion Date</b>
<p>5D-2. Two parking garages are equipped with prepaid parking system modules that integrate into the Division's existing parking management system. These system modules are specifically designed to track numerous aspects relevant to prepaid parking, including ticket sales and ticket revenues.</p> <p>However, the two parking garages that were equipped with the prepaid parking system modules did not use the system modules as the basis for accounting for tickets and collections. A manual prepaid system was instead used.</p>	Completed
<p>5E. Lack of a systematic approach for ensuring that only customers that pay for monthly parking receive monthly parking.</p>	Installation of new systems servers began during 3/05 and a new accounts receivable system is estimated to be completed during 10/05.
<p>5F. Insufficient security measures to deter theft.</p>	Completed
<p>5-G. No periodic review of ticket counts, validations, exception reporting, or cash counts.</p> <p>Periodic examinations test the accuracy of the reported results .</p>	Complete
<p>5H-1. During prepaid parking sessions, individuals using the Discount Employee Parking Program were incorrectly charged a flat \$2 fee, instead of the established discounted rate.</p>	Completed
<p>5H-2. Inadequate documentation for prepaid parking fees that were not collected at Old Sacramento parking garage.</p> <p>Parking Lot Attendants documented that no prepaid parking fee was collected by writing "No-Pay" or "N/P" on the back of a discount coupon (an "Old Sac Buck").</p>	Completed
<p>5H-3. Special event parking passes were incorrectly accepted as all day prepaid parking tickets at Memorial parking garage.</p> <p>The special event passes had been purchased for a specific block of time by event sponsors.</p>	Complete
<p>5I. An analysis needs to be performed of the alternatives to leaving parking gates arms raised after the attendant leaves for the evening.</p> <p>Although this practice allows vehicles to exit, the vehicles exit without paying for parking.</p>	Complete

# **Parking Manager's Audit Response**



DEPARTMENT OF TRANSPORTATION  
PARKING SERVICES DIVISION

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April 11, 2005

TO: Martin Kolkin, City Auditor  
FROM: Howard Chan, Parking Services Manager   
SUBJECT: Parking Services Follow-up Audit Responses  
CC: Marty Hanneman, Director, Department of Transportation

**1. COMPLETE WORK ON ESTABLISHING SPECIFIC OPERATIONAL OBJECTIVES, A STRATEGIC PARKING PLAN, AND UPDATING POLICIES AND PROCEDURES.**

- The City Auditor recommends that the Parking Manager or his representatives establish annual operational objectives that outline strategies for implementing programs, delivering services, managing resources, responding to and prioritizing community needs, and evaluating the accomplishment of desired results.
- The City Auditor recommends that the Parking Manager or his representatives perform a comprehensive examination to establish appropriate parking fees throughout the City.
- The City Auditor recommends that the Parking Manager or his representatives perform a comprehensive written update of all divisional policies and procedures, including a flowchart of the parking business cycle.

**Response:**

A consultant's study regarding specific operational objectives, creating a strategic plan, and updating policies and procedures is in-progress and scheduled for an estimated completion date of December 2005.

Based upon the results of a consultant's study, the Parking Services Division will present the first in a series of City Council Parking workshops beginning in June 2005. The workshops will focus on the Parking Division's long-term objectives, strategic plans for the future, and updated policies and procedures.

**~~It should be noted that this audit finding represents six (6) of the remaining twelve (12) unresolved audit findings from the original audit performed in 2004.~~**

#### **2A-1. LACK OF ACTION TO SAFEGUARD PARKING METERS FROM THEFT.**

- The City Auditor recommends that the Parking Manager or his representatives take immediate action to protect City assets and revenues.

##### **Response:**

Following a cost-benefit analysis performed by parking staff, it was determined that all mechanical meters that are susceptible to break-ins (approx. 1,800) will be replaced by June 1, 2005.

#### **2A-2. STATUS OF NEW ELECTRONIC PARKING METERS PURCHASES.**

- The City Auditor recommends that the Parking Manager advise the Mayor, City Council, and the City Manager of the status of parking meter replacement or proposed alternatives.

##### **Response:**

The status of parking meter replacement or proposed alternatives will be presented to the Mayor and City Council during the FY05/06 Budget Hearings.

#### **2A-3. STATUS OF HAND HELD UNITS THAT EXTRACT COLLECTION DATA FROM THE NEW ELECTRONIC PARKING METERS.**

- The City Auditor recommends that the Parking Manager or his representatives complete field-testing the new hand held units and begin gathering collection data for analysis from the new electronic parking meters

##### **Response:**

The hand held auditing units are currently being used with the 500 new electronic parking meters delivered in November 2004. By June 1, 2005, these units will be used in conjunction with approximately 2,300 electronic parking meters city-wide.

#### **2A-4. INSUFFICIENT OVERSIGHT OF FINANCING PROCEEDS BY THE PARKING DIVISION.**

- The City Auditor recommends that the Parking Manager or representatives provide appropriate oversight for the financing proceeds to purchase new parking meters, including examining the monthly bank statements and validating general ledger account balances.

##### **Response:**

Parking Services now receives monthly bank statements from the Treasurer's Office in order to perform a monthly review of the funds appropriated for parking meter replacement.

**2B. INACCURATE PHYSICAL INVENTORY OF PARKING METERS.**

- The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the parking meter inventory listing.

**Response:**

Parking Services has completed its annual physical inventory ahead of schedule in light of the inaccuracies found during the City Auditor's inventory sample. The City Auditor has verified the accuracy of the new physical inventory.

**2C-1. INACCURACIES IN THE CUSTOMER PAYMENT LEDGER.**

- The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the customer payment history information.

**Response:**

Parking Services has implemented procedures to increase the accuracy of the customer payment history information. However, due to the manual, labor intensive nature of this mitigation measure, true resolution of this audit finding will not be realized until the completion of the system server update and the installation of a receivables management module (10/05).

**2C-2. PARKING CARDS WERE NOT VALIDATED AGAINST THE CUSTOMER PAYMENT LEDGER EACH MONTH.**

- The City Auditor recommends that the Parking Manager or his representatives take necessary steps to ensure the accuracy of the payment ledger; password protect all system programs, and develop a methodology to ensure that only paid customer's garage parking cards be activated each month.

The Internal Audit suggests contacting the Parking System's manufacturer, the City's Information Technology Department, or other City's Parking Divisions to assist.

**Response:**

Parking Services has already contacted the parking system's manufacturer and the City's Information Technology Department for assistance. Please note response in 2C-1 above for timeline for true resolution of this audit finding.

**2D. INTERNAL CONTROL WEAKNESSES WITH DEBIT CARD DEPOSITS.**

- The City Auditor recommends that the Parking Manager or his representatives develop stronger internal controls over the parking debit card deposits.

**Response:**

Parking Services has implemented procedures to increase oversight of this function.

**2E. Status of the Installation of Security Cameras in all Parking Garages.**

- The City Auditor recommends that the Parking Manager advise the Mayor, City Council, and the City Manager of the status of the installation of security cameras in all parking garages.

**Response:**

The status of installation of security cameras in all parking garages will be presented to the Mayor and City Council during the FY05/06 Budget Hearings.