

# Parking Revenue Controls Audit

*City must improve oversight to ensure vendor has proper controls to safeguard nearly \$9 million in annual revenue from parking lots and structures.*



*Independence you can rely on*

October 2018

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# Report Highlights

## Parking Revenue Controls Audit

### October 2018



25 of the City-owned parking lots and structures in Long Beach are managed by a parking vendor. These locations bring in nearly \$9 million in revenue annually. Due to the high dollar amount, large volume of transactions, and acceptance of cash and in-person payments, the City must improve oversight to ensure controls are in place to safeguard that revenue.

## **P**arking Lots and Structures

### How Customers Pay for Parking in Long Beach:

Daily parking, permit,  
and special event  
revenue in 2017:



Automated Parking  
Machines = \$5.8M



In-Person = \$850K



Online = \$1.9M

### We Identified a Need for Improvement in the Following Areas:



#### Understanding the Data

City and vendor staff did not understand all data contained in parking machine transaction reports. The City was not receiving documentation to support all revenue.

*The City received nearly \$400,000 from online payments for permits and special events in 2017. The support for these payments was not provided or insufficient, so the City could not verify whether these payments represented all revenue.*

The City may not have received all of the revenue.



#### Cash Handling Controls

Handling revenue in dual custody and with separation of duties was not always occurring. Deposits were delayed.

*Over \$63,000 was received in checks through the mail in a sample of 3 months. Only one person handled this revenue collection.*

*Nearly \$850,000 was collected in person and deposited at the parking office in 2017. It took an average of 6 days for these payments to be deposited when it should be within 24 hours.*

Theft could occur without detection.



#### Review & Reconciliation

Some credit card revenue was not deposited timely and the City was not aware of the extent of the issue. Key card inventory and usage was not reviewed.

*At least 722 credit card transactions totaling \$2,100, in a sample of 3 months, were processed late. Some were processed up to 5 months late.*

*The vendor manually billed customers for monthly key cards, making it more difficult to track payments. One payment for \$6,105 was not paid to the City.*

Customer credit card charges were delayed. Missing payments could go undetected.

### SIGNIFICANT RECOMMENDATIONS FOR CITY AND PARKING VENDOR:

- Obtain access to all parking machine transaction reports and learn how to interpret the data. Require documentation to support all revenue.
- Institute dual custody and separation of duties controls; decrease the amount of cash handled by accepting credit card payments at the parking office and encouraging customers to pay online when possible; and deposit revenue within 24 hours of receipt.
- Review and reconcile all revenue to source transaction reports and the bank.

The City and new parking vendor agreed with all our recommendations and stated they have made multiple changes to address them. Documentation to support all revenue is being submitted, cash handing procedures have been improved, credit card payments are now accepted at the office, and reconciliations are being performed.

For the full report, please visit: [CityAuditorLauraDoud.com](http://CityAuditorLauraDoud.com)

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## Executive Summary

To ensure better protection of nearly \$9 million in annual revenue, the City must improve its oversight of a contracted vendor tasked with operating and managing some of the city-owned parking lots and structures. The parking vendor's responsibilities include the collection and deposit of parking fees, specified maintenance of the facilities, special event parking plans, and management of programs such as validations and permits.

Central Parking System, Inc. (SP+) was the contracted vendor from April 2007 to March 2018. In November 2017, the City Council replaced SP+ with LAZ Parking California, LLC (LAZ). The following month, the City Council requested the City Auditor's Office (CAO) to perform an audit of internal controls surrounding revenue deposited by SP+ during the transition to the new vendor; our review analyzed revenue from October to December 2017. LAZ assumed parking operations in April 2018, under a new contract with most of the same contract provisions and requirements.

**Contract locations generated \$8.6 million in parking revenue in CY2017.**

The 25 parking locations included in the contract brought in \$8.6 million in revenue in calendar year (CY) 2017. Due to the high dollar amount, high volume of transactions, acceptance of cash payments, and the involvement of third-party vendors, it is essential that revenue controls are in place to safeguard the City's revenue.

**Controls over the collection and deposit of daily and in-office payments need to be improved. Reconciliations need to occur regularly.**

Our audit found that controls surrounding the collection and deposit of daily parking machine revenue and in-office payments need improvement. The City should have more oversight so they are aware of the vendor's in-place controls; and more timely reconciliation of revenue to original source reports and from those reports to bank records needs to occur. In addition, special rates and physical assets associated with monthly parking need to be set, controlled, and tracked by the City and vendor.

The City should verify receipt of all parking revenue to which it is entitled by reviewing appropriate supporting documentation and requiring the vendor to implement proper controls. Since LAZ is employing some of the same personnel as SP+ and working under similar contract provisions, it is important that policies and procedures are strengthened and reinforced with LAZ staff. In addition, the City needs to obtain, reconcile, and verify transaction reporting to ensure all revenue is timely reported and deposited.

With the transition to the new vendor complete, the City has already made some improvements to the parking operation, including accepting credit card payments at the parking office, which should lower risk by reducing the amount of cash and check payments. In addition, special rates and associated contracts for monthly parking are being reviewed and new pricing and controls are being established.

We thank the staff at the City, SP+, and LAZ for their assistance and cooperation during this audit.

# I. Overview of Parking Operations and Revenue

## A. PARKING VENDOR AND CONTRACT

The City of Long Beach has multiple parking options for its residents and visitors, including on-street parking, surface lots, and parking structures. The City has contracted with a parking vendor to operate and manage various City-owned parking lots and structures. From April 2007 to March 2018, SP+ was the contract vendor, with the most recent contract in effect from April 2013 to March 2018, when the City opted to transfer parking operations to another vendor.

**The City paid \$3.1 million in CY2017 for parking management services.**

In CY 2017, the City paid SP+ \$3,127,854 for services related to this contract. That amount included \$2,057,760 in fixed contract fees and \$1,070,094 in variable costs for special event staffing, supplies, maintenance, and marketing initiatives. The contract specified that the vendor provide all parking management services necessary to manage and maintain the parking facilities on an on-going basis. Some of the specific contract responsibilities were:

- Collection and reporting of all parking fees and transactions
- Daily revenue deposits to the City's bank accounts
- Overall field management at the facilities for operating days and hours designated by the City
- Hiring, supervision, and training of all vendor personnel
- Management of monthly, validation, and permit programs, including on-line systems
- Specified maintenance of facilities

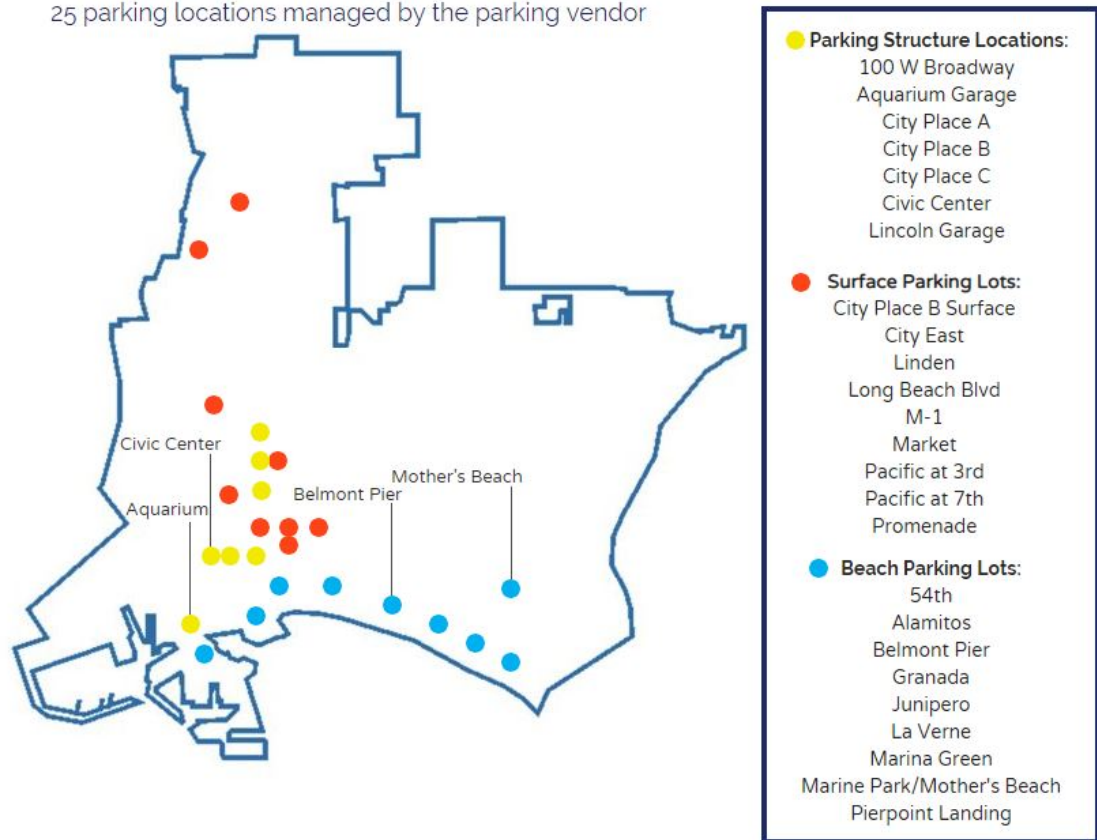
At the time of the audit, SP+ was managing parking operations at 25 locations throughout the City, including parking lots and structures in the downtown area and lots near the City's beaches. Figure 1 on the next page shows the distribution of these locations throughout Long Beach.

Three individuals within the Department of Public Works are responsible for the City's oversight of this contract and operation.

**Figure 1.**

## Long Beach Parking Locations

25 parking locations managed by the parking vendor



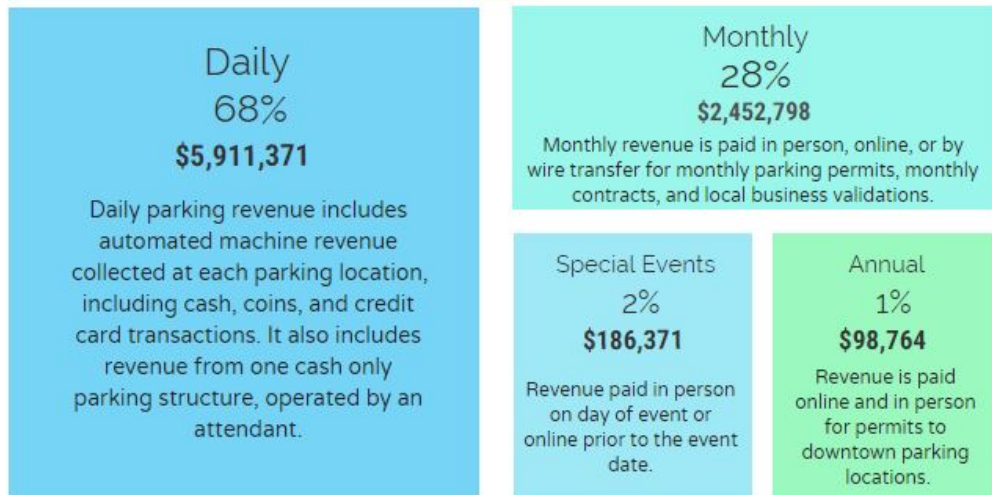
### **B. PARKING REVENUE SOURCES**

**Revenue is collected for daily parking, monthly and annual permits, and special event parking. 68% of revenue is for daily parking.**

Revenue generated at the contract's parking locations comes from multiple sources: daily parking, monthly and annual permits, and parking for special events. See Figure 2 on the next page for further explanation on these sources of revenue. The majority (68%) of parking revenue was a result of short-term daily parking by customers.



## Figure 2. Parking Revenue • CY 2017 \$8,649,304

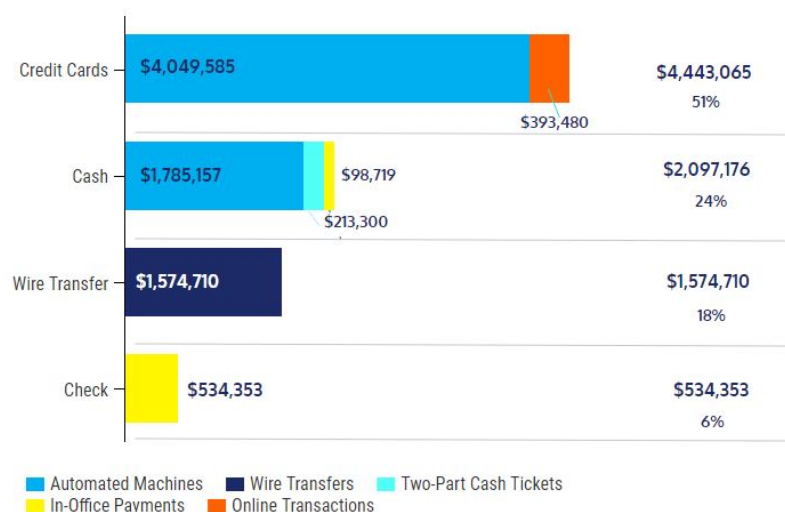


### C. PARKING REVENUE COLLECTION

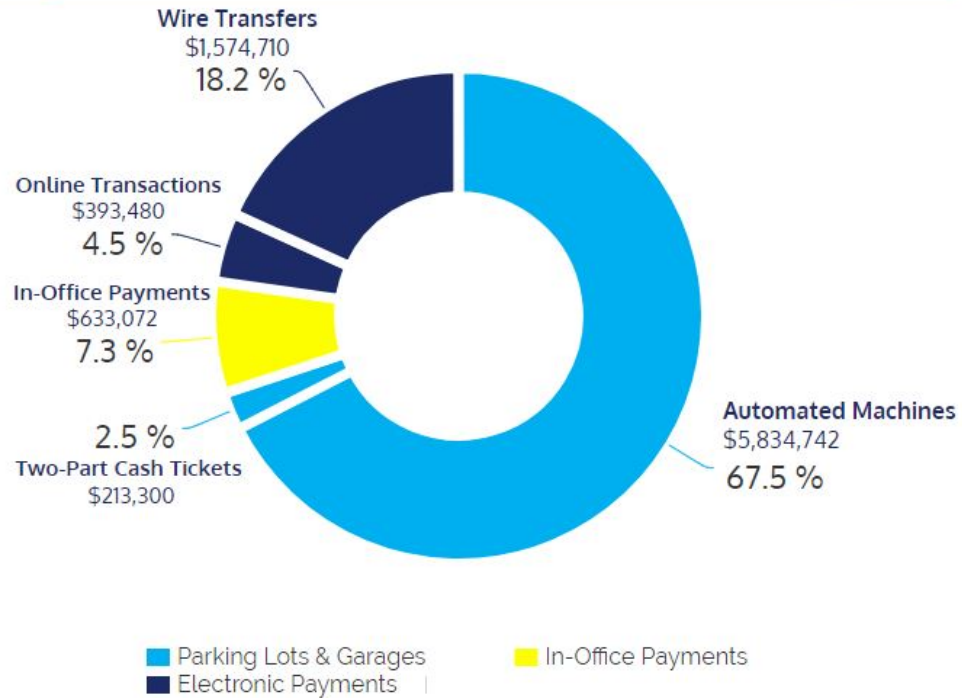
**Parking revenue makes it to the City via automated parking machines, as well as in-person and electronic payments.**

The City offers multiple options to pay for parking, depending on the source of the revenue. For example, monthly and annual permit revenue can be paid with a credit card online or with cash or check in-person at the parking office. Figure 3 below and Figure 4 on the next page breakdown the different forms of payment that can be used and where customers can pay. Only one of the 25 locations is a manned structure, with an attendant accepting daily payments; other locations have machines that accept payment for daily parking. Sixty-five percent of the revenue (automated machine credit cards and wire transfer payments) is deposited directly into the City's treasury.

## Figure 3. Forms of Payment • CY 2017 \$8,649,304

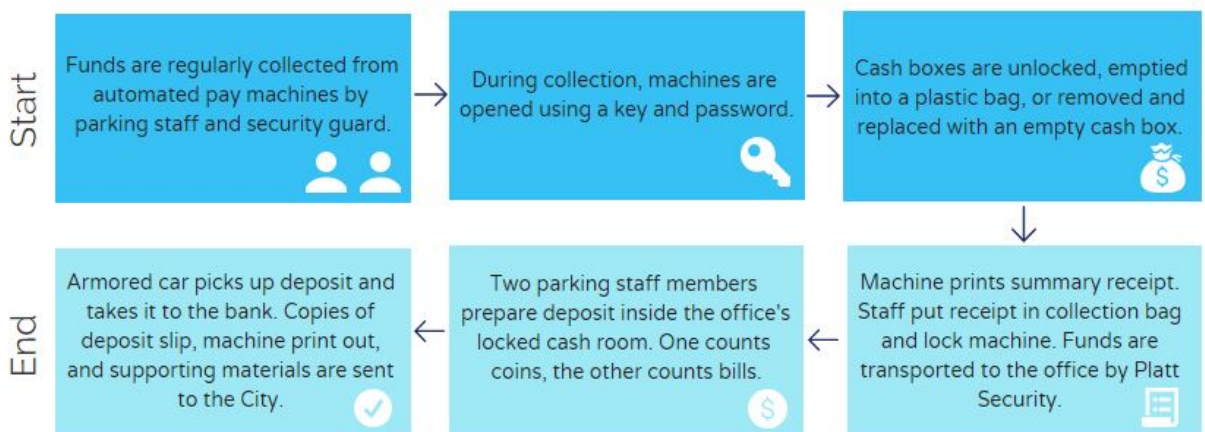


**Figure 4.**  
**Payment Locations • CY 2017 \$8,649,304**



Depending on how parking fees and permits are paid, there is a different process performed by the parking vendor to deposit the revenue into the City's treasury. Figure 5 summarizes how cash and coin payments flowed from the customer to the City if paid using automated machines. See Appendix A for other collection processes.

**Figure 5.**  
**Process for Automated Machine Revenue**





## II. Issues & Recommendations

### Finding #1

*Revenue handling and control procedures were not consistently followed to safeguard daily and mail-in payments.*

Revenue control best practices state that revenue should be handled in dual custody, and that deposit slips should be signed and dated to evidence review and approval of both individuals. In addition, the functions of custody, record keeping, authorization, and reconciliation of revenue should be separated.

#### A. DUAL CUSTODY

The control concept of dual custody ensures that two employees are present during critical points in the revenue handling process, such as transporting revenue, counting revenue, or preparing the deposit. Practicing dual custody encourages handlers to check each other and reduces the opportunity for theft.

Dual custody of revenue was applied inconsistently by SP+ staff, making it possible for daily parking revenue and mail-in payments to be misappropriated.

- We observed three different sets of SP+ staff prepare deposits for daily parking revenue. While there were two staff members present each time, the process was not consistent. In two of the three instances staff members prepared different parts of the deposit (one cash and the other coin) and neither watched the count nor performed a re-count of the currency that the other prepared. Both staff signed the deposit slip without verifying the other's amount on the slip.
- Mail payments did not follow dual custody procedures, as the mail was picked up and logged by one staff member. During October to December 2017, over \$63,000 was received in checks through the mail. Without a second person verifying how many payments are in the mailbox, this revenue could have been taken without detection.

Mail payments could have been taken without detection.

#### B. SEGREGATION OF DUTIES

Separating the critical functions of handling revenue reduces the ability of a staff member to commit fraud because collusion with another employee is required. It also increases the likelihood that errors or fraud would be detected.

However, because staffing levels at the SP+ office were inconsistent, there was the potential for compromising segregation of duties. Staff indicated that based on the availability of employees, it was possible that there were times when the same staff person who collected the revenue would also prepare the deposit.

## Recommendations:

### PARKING VENDOR

- 1.1. Staff preparing the daily deposit must re-count or observe the other staff member's part of the deposit and verify that the amount in the deposit bag matches the full deposit slip amount.
- 1.2. Mail payments sent to the parking office must be picked up and logged by two staff members.
- 1.3. Staff should not collect and prepare the deposit for the same revenue.

## Finding #2

*In-office payment collection procedures did not ensure that all collected revenue was accurately reported. In-office revenue was not promptly deposited.*

SP+ operated a parking office where customers can make payments in person for various sources of parking revenue. Cash, checks, and money order payments were accepted at the office, but credit card payments were not during our audit.

**Over \$19,000 in cash payments were made in the parking office in a three-month period.**

Over \$100,000 in payments were logged as received at the parking office in the three-month period from October to December 2017. Over \$19,000 of that was in cash, which is most vulnerable to misappropriation. See Figure 6 below for the breakdown of these payments.

**Figure 6.  
In-Office Payments – Manual Log Data  
October to December 2017**

	Cash	Check and Money Order	Total
Monthly Permits	\$ 19,142.00	\$ 45,657.00	\$ 64,799.00
Monthly Contracts	\$ -	\$ 46,300.54	\$ 46,300.54
Other	\$ 14.00	\$ 5,127.75	\$ 5,141.75
Total	\$ 19,156.00	\$ 97,085.29	\$ 116,241.29

\*Other payments include payments for annual parking passes, validations, and chaser tickets.

As shown above, 56% (\$64,799) of total payments received in the office during this period were for monthly permits. SP+ was requiring customers to pay the first monthly payment in person to set up their accounts. Thereafter, future payments could be made online. However, account setup could be done by SP+ staff without the customer present or while still allowing the customer to submit payment through the website.

In general, SP+ staff followed the process in Figure 7 below when accepting payments in the office.

**Figure 7.**

### In-Office Payment Process



The audit identified control improvements needed at various steps in this process to ensure that revenue is safeguarded:

#### Step 2 – Issuing Change

- Staff utilized a change fund when a customer paid with cash. This change fund, \$250 in various bills, was retrieved from the safe and counted by a supervisor each day. This money was kept at the supervisor's desk throughout the day so employees had access to it to make change. These funds were not locked up. The desks were in an open area that could be accessed by a customer or visitor.

#### Step 3 – Handwritten Receipts

- The parking office had a receipt book with sequentially numbered receipts. While handwritten receipts were supposed to be written for any payment received in the office, staff explained this was not always done. If a customer did not want a receipt, staff would not provide one. If the procedure was not always followed, it is impossible to review the sequential numbering of receipts, which should be reviewed during deposits to help determine if payments are missing. Every customer must be made aware that a receipt will be provided and, if one is not provided, the customer should inform management.

#### Step 4 – Manual Log

- In-office payments were recorded on a manual log. The log included the payment type, payment amount, receipt number, date, customer, and check number and date, if applicable. Staff indicated that, after recording the transaction in the manual log, this log was not reviewed later to ensure accuracy and completeness.
  - The office's manual log and the City's financial system should contain the same data, but they do not match. There were multiple instances when the log contained incorrect check

numbers or payment amounts. There was one payment on the log that was not in the City's financial system and SP+ could not confirm that the payment was passed on to the City. This log should be used by staff preparing the deposit to match payments received.

#### Step 5 – Preparing Deposit

- Money collected in the office was housed in the safe until deposited. Staff members stated that they wait until “enough” revenue is collected before preparing a deposit. Delaying deposits increases the time staff has access to these payments.
  - Staff often delayed the deposit of funds collected in the office, although the contract between the City and SP+, as well as City Policy, states that receipts shall be deposited each business day. On average, payments during the sample period were deposited six days after they were received. Five payments totaling \$1,250 took close to a month to be deposited, and one payment of \$1,520 took 57 days.

**Payments received in the office took an average of six days to be deposited.**

Due to the control weaknesses and risks associated with accepting in-office payments in cash and check, the parking vendor and the City should work to minimize these forms of payment by encouraging online payments, while implementing better controls for the payments that continue to be accepted.

#### **Recommendations:**

##### CITY

- 2.1 **Supply the necessary equipment so the parking vendor can begin accepting credit card payments in the office to reduce the amount of cash and checks handled.**

##### PARKING VENDOR

- 2.2 **Encourage customers to pay online for parking permits, even for first-time customers. Establish procedures to initiate account set-up remotely.**
- 2.3 **Safeguard the change fund in a locked drawer so that it is not vulnerable to being stolen by individuals visiting the office.**
- 2.4 **Provide each customer a receipt for transactions completed in the office. If the customer does not want a receipt, one should still be written and staff should note that it was not taken by the customer.**

2.5 If the manual log continues to be used, it should be reviewed for accuracy of entries, sequential numbering of receipts, and reconciled to deposit slips.

2.6 Deposit all revenue within 24 hours of it being collected.

**Finding #3**

*The City did not have access to complete transactional usage data (e.g., amount of parking fee charged or location of parking transaction) on all parking operations to adequately support and timely reconcile reported revenue.*

Per the contract, the City is entitled to all parking data to support and confirm revenue amounts. The City should obtain, review, and reconcile as much data as possible to ensure revenue passed on by the vendor is supported and complete. Currently, there is a general lack of understanding of parking data coming from parking pay machines, payment websites, and other parking related systems. The City must hold the parking vendor accountable to the reporting responsibilities outlined in the contract and the City must fulfill its responsibility to review and reconcile revenue to the bank.

**A. REVENUE REPORTING**

For the City to properly review the parking revenue, it must be able to reconcile the revenue back to original documentation. Without sufficient backup documentation, the City must simply trust that the parking vendor is passing on all revenue. In addition, the contract between the City and the parking vendor requires multiple financial reports be sent to the City, including daily parking revenue activity reports and a monthly reconciliation report containing details on the accounting of all parking fees, charges, and monies collected. However, the City was not provided usage and supporting data for every revenue stream, for example:

**The City could not verify if it received all online parking revenue.**

- Although the City had previously asked for backup documentation, it did not receive any supporting documentation for payments made through one of the parking websites. The ParkMobile website, run by a third-party entity, Click & Park, accepted payments for special event and annual permit parking revenue. The City was receiving a check from SP+ without any backup to account for the number of permits sold, pre-paid event parking revenues, rates, or date of transactions. Without the supporting documentation, the City did not have the ability to verify that the \$63,400 received in CY2017 represented all the revenue actually collected on this website.
- Monthly permit revenue collected through another website, ParkCentral, was also collected by SP+ before being passed on to the City. While SP+ did provide internally-prepared reports listing permit amounts and customer information, these reports were not source data generated directly from the website. The City received \$330,080 in CY2017 in



ParkCentral revenue, but there is no guarantee that all revenue from the website is accounted for.

- Some local businesses used a parking ticket validation machine to validate patron parking and later pay the City for usage. The City received a copy of invoices and summary tables prepared by SP+ for ticket validations. However, backup supporting the usage, such as number of validations or validation rate charged to the business, was not provided. Without usage reports, the City cannot know if the amounts represent all activity.

## **B. UNDERSTANDING OF DATA**

Located at various parking structures and surface lots, City-owned parking machines use one of three reporting systems: Iris, iParc, and Skidata. These systems contain transactional level data that could be helpful in reconciling revenue received to what is reported. However, neither the City nor parking vendor had a good understanding of the data in these systems.

- The City recently gained access to the online reporting system for the Iris machines but, at the time of the audit, did not have access to the other two systems. Without this access, they must rely on the parking vendor if they need to review transactional data.
- The parking vendor was not knowledgeable about the systems or how to run transactional reports. SP+ staff could not explain transaction statuses or other identifiers in the data.

## **C. REVIEW AND RECONCILIATION**

The SP+ contract reporting requirements align with best practices that recommend regular reconciliations to identify any unusual transactions that might be caused by fraud or errors. The contract states that the City shall review daily all account information and notify the parking vendor of exceptions showing all credit card transactions that did not clear timely (within 24 hours). The City is also expected to perform monthly bank reconciliations of all revenue to identify any discrepancies.

Not all credit card transactions during the audit period cleared promptly. The City was not aware of the extent of this issue. When revenue is not deposited in a timely fashion, the City's loses interest revenue and customers see delayed charges to their credit cards.

- The Iris parking machines are set up to accept credit card payment from customers for daily parking and to transmit payment directly to the City's bank account. We determined that not all credit card revenue was on the corresponding day's bank statement. Iris system reports contain various statuses associated with credit card transactions, such as

**Parking machine credit card revenue was not promptly deposited. It was delayed for up to five months for some payments.**

regular, batched, and offline. By using the statuses, we identified that batched transactions were not making it to the bank. The parking vendor stated that due to wireless connectivity issues, automatic bank transfers were not occurring and staff had to manually transfer the batched transactions instead. However, this manual transfer was not occurring regularly and, thus, batched credit card transactions were not promptly processed. Some transactions took as long as 34 days to be processed. As of April 2018, transactions from October to December 2017 were still being processed, over 150 days later. There were at least 722 batched transactions totaling \$2,100 during October to December 2017.

To facilitate easier reconciliations, the coding of parking locations in the City's financial system could be simplified.

- Codes are used to assign revenue to the parking lot location where it is collected. However, some codes lump together multiple lots within an area of the City, which makes determining revenue for each parking lot a cumbersome process. For example, there is one code that represents five locations, including three structures and two surface lots in the downtown area. Within these five locations, two different types of parking payment machines are used, which means multiple reports are needed to identify revenue under one code. When reconciling revenue, it would be more efficient to have one code assigned to each location.

### **Recommendations:**

#### **CITY**

- 3.1 Enforce vendor reporting requirements in the contract. Require vendor to supply reports showing details on all parking fees, charges, and monies collected.**
- 3.2 Obtain access to all parking machine systems. Access should allow reports to be downloaded showing transactions occurring at each machine (date, time, amount, denomination), as well as reports on machine performance.**
- 3.3 Schedule trainings on parking machine systems for parking vendor and City staff.**
- 3.4 Require the parking vendor to provide proper backup for all revenue received. Backup should include data on all the transactions that comprise the total revenue amount received. The backup documentation must be generated from the source system where the revenue was received, rather than prepared by vendor staff. Data must show necessary information for the City to track all parking programs.**

- 3.5     **Revise index codes by assigning one index code for each parking location for simpler reconciliation.**
- 3.6     **Perform reconciliations of parking revenue to source transaction reports and to the bank.**

**BOTH**

- 3.7     **The City and parking vendor must work together to resolve connectivity issues for parking payment machines. The parking vendor must process all past batched transactions from 2017 to date. The City must reconcile the transactions going forward to ensure all batched transaction revenue is promptly deposited.**

**Finding #4**

***Special rates and key cards used at certain parking structures for monthly parking privileges are not consistently set and controlled.***

Negotiated parking rates for some local Long Beach businesses are established in contracts between the businesses and the parking vendor. These contracts set the rates for monthly parking privileges controlled by key cards that give access to specific parking structures or areas within those structures.

**A. CONTRACTS**

Currently, the City has special negotiated rates with three businesses for monthly parking in the downtown area for their employees. However, negotiated rate contracts are out-of-date. Furthermore, when asked about the negotiated rates, the City was not familiar with the methodology behind the setup of each companies' rate as the contracts were established by prior employees.

- For example, Griffis Apartment's contract was executed in 2001, prior to some of the land parcels being developed. The contract sets a price per space per month and allows for yearly increases. The contract does not specify the exact number of spaces to be used and will be effective for 65 years unless updated.
- The audit team requested a copy of the American Career College contract, but it was not available. City staff are currently working with the parking vendor to re-write the contract and establish updated terms to the agreement.

**B. KEY CARDS**

The parking vendor issues key cards for these monthly parking privileges; the users swipe their card to enter and exit the parking structure instead of paying for a ticket each time. The tracking of these key cards is not consistent.

Key cards are issued and activated by parking vendor staff. The key cards can be activated with no end date and can be set to have “override” capabilities. These settings require manual deactivation instead of deactivation after a certain inactive or running time period. We were not able to obtain reports to evaluate the key card usage.

Furthermore, there was no accurate inventory of the key cards themselves. The parking vendor had not recently reconciled the issued key cards to the ones on the usage reports. One company was allowed to keep the key cards it reported as “inactive” and no longer paid for, but the cards were never deactivated, which could lead to unpaid usage.

### **C. BILLING AND PAYMENTS**

**Companies self-reported the number of access key cards they were billed for.**

The parking vendor is responsible for billing and tracking payments for the special rate contracts with these local businesses. However, while setting payment based on the number of key cards being used, the parking vendor allowed two companies to self-report the number of key cards they were using. The parking vendor should invoice the businesses on a set number of key cards or based on actual usage that it can verify.

Furthermore, the parking vendor used different methods to invoice the companies. One of the businesses was automatically invoiced each month by the parking vendor’s system while the others were manually invoiced. All contract billing should be handled in the same manner. Manually invoicing customers allows for errors in billing and the potential to skip billing during the month. For example,

- Due to the manual process, the parking vendor did not detect missing payments from one company for November and December 2017 that totaled \$6,104.50.

#### **Recommendations:**

#### **BOTH**

**4.1 The City and parking vendor should work together to update negotiated rate contracts to include the specific rate and number of spaces and key cards.**

- a. The City should document the method for determining the special parking rates and retain a copy of all active contracts.

#### **PARKING VENDOR**

**4.2 Monitor key card activity to determine accuracy of billing and the number of key cards assigned to each company. Stop allowing companies to self-report usage or active number of key cards.**

- 4.3 Track the physical inventory of key cards and deactivate all inactive ones to prevent misuse and lost revenue.**
- 4.4 Collect amount owed for monthly parking (\$6,104.50) from American Career College for November and December 2017.**
- 4.5 Process all invoices for monthly parking, validations, negotiated rates, and key card usage automatically through the system used. Eliminate manually generated invoices.**



### III. Objective, Scope, and Methodology

The objective of this audit was to assess internal controls surrounding parking revenue at the parking lots and structures included in the SP+ contract. The audit scope covered revenue reported from October 1, 2017 to December 31, 2017. These three months represent the time period from when SP+ was aware that a new vendor had been chosen, but prior to our audit being requested. To achieve this objective, we:

- Interviewed City staff and SP+ Parking staff involved in parking management and operations;
- Reviewed the contract between the City and SP+ Parking;
- Analyzed a sample of system reports, invoices, internal logs, and bank statements;
- Traced a sample of revenue from collection to deposit;
- Observed daily cash collection at multiple locations;
- Observed staff prepare the daily bank deposits;
- Examined the parking systems and machines involved in generating revenue reports; and
- Conducted visual scans of each parking location to verify location details.

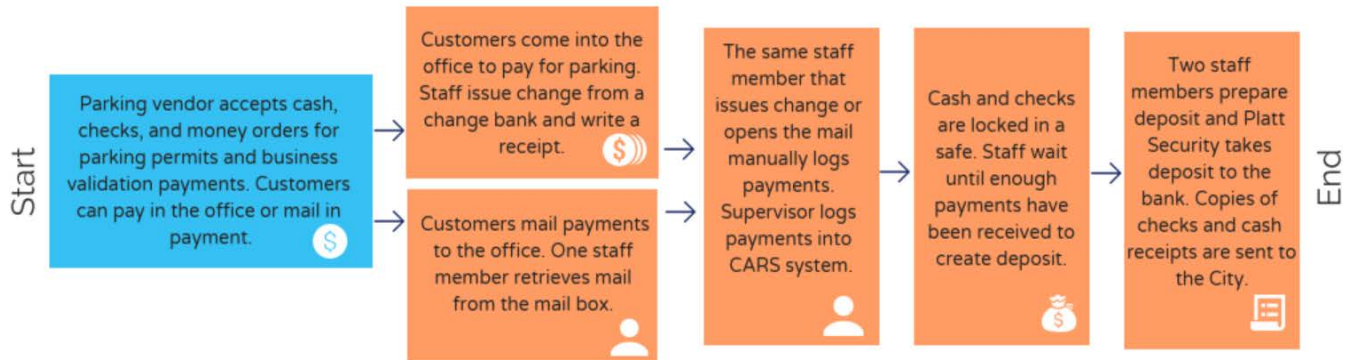
We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit findings and recommendations are based on the scope period we reviewed under the SP+ contract, which contains provisions and requirements similar to those in the contract with LAZ, the new vendor. We recommend that actions are taken by the City and LAZ to strengthen controls. We plan to audit LAZ's operations in the future after they have had time to establish procedures and address findings in this audit.

## IV. Appendices

## Appendix A. Parking Revenue Processes

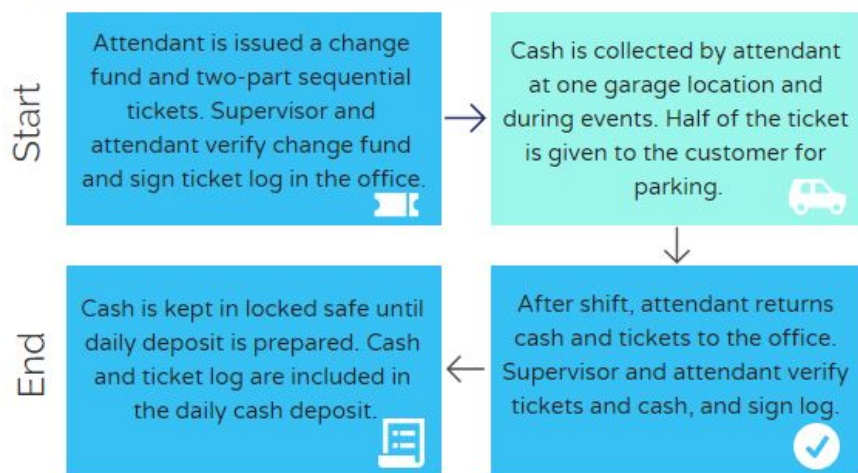
### Process for In-Office Payments



### Process for Online Transactions



### Process for Two-Part Cash Tickets



## **Appendix B. Other Issues Identified During the Audit**

The following issues were identified during our audit and are supplementary to the findings in this report.

1. We observed the parking machines experience jams and malfunctions during our observations. These occurrences can lead to summary receipts from the machine that may not reflect the amount of cash or coins in the machine. The machines are owned by the City, but the parking vendor staff help to maintain the machines and must notify the City of any malfunctional problems. The machines send alerts to the City and the parking vendor when these malfunctions occur; however, no one is analyzing these alerts.

### **Recommendations:**

- i. **Routine maintenance on parking payment machines should be performed, monitored and adjusted as necessary.**
  - ii. **City and parking vendor should review alerts and malfunction reports to identify which machines are malfunctioning frequently and address ongoing issues.**
2. We observed four parking payment machines without replacement cash boxes. These cash boxes are brought along during collection so that cash collected stays in the locked box until deposit preparation and an empty replacement box is placed back into the machine. Without an empty replacement box, staff must open the box, remove the cash and coin, and place it into a bag for transport to the office. The money should remain locked in the cash box; otherwise, the revenue can be misplaced, stolen, or mislabeled during this transfer. The parking vendor is required to report broken parts on the machines to the City; however, this was not done.

### **Recommendation:**

- i. **Immediately purchase and use replacement cash boxes for parking payment machines.**
3. Online information regarding annual and monthly permits is misleading to customers. The information does not clearly identify that the permits are valid at multiple parking locations and instead indicates that you purchase one for use at a specific lot only. The website indicates that some lots are sold out. Permit users should be aware of the terms of the permit at the time of purchase.

### **Recommendation:**

- i. **Update the information online regarding annual and monthly permits to reflect the program rules.**
  4. Validation chaser tickets are used at the Aquarium parking structure by customers of nearby businesses. These tickets are not purchased and are used to attract customers to the
-

surrounding area. However, while the system reports we reviewed show a “tickets without revenue” category, that category is not specific to only the validation ticket program, as it includes other types of parking programs, such as pre-paid parking. Therefore, it is not possible to know how many validation tickets were used or the dollar amount associated with them.

**Recommendation:**

- i. **Modify the system report to separate out the “tickets without revenue” category to clearly delineate the volume of validation tickets and other programs.**



## **Appendix C. Management Comments**

Following this page are management's comments to the audit findings and recommendations.



**City of Long Beach**  
*Working Together to Serve*

**Memorandum**

**Date:** August 29, 2018

**To:** Patrick H. West, City Manager *T.M.W.*

**From:** Craig A. Beck, Director of Public Works *CB*

**For:** Laura L. Doud, City Auditor

**Subject:** Parking Revenue Controls Audit

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The Department of Public Works (PW) would like to thank the City Auditor and staff for their time and effort in conducting a review of the Public Works Parking Operations' revenue controls. We truly appreciate the dedicated staff from the Auditor's Office for taking the time to understand the Citywide Parking Operation, and for conducting the review in a professional, productive, and collaborative manner.

PW agrees with the recommendations contained within the audit and has attached a response and action plan to address each item. On March 1, 2018, the City onboarded a new Parking Operator, LAZ Parking, LLC (LAZ), to manage Citywide Parking Operations and Management Services. Through this new partnership, PW staff is pleased to report that many recommendations provided through this audit have been resolved.

The PW and LAZ team takes great pride in the many improvements to parking operations over the last six months. These improvements focused on customer experience, internal revenue management, asset infrastructure, and technology upgrades. To this end, parking operations has upgraded signage in accordance with the City's new wayfinding program at many of our beach lots, launched an online payment system for monthly permit users, replaced cash boxes for payment machines, implemented policies for cash safeguarding, initiated painting, lighting and elevator improvements at the PIKE and Aquarium garages, and purchased new LTE modems for all surface lot pay stations. Future improvements will focus on maintenance and cleanliness in our beach lots and evaluation for improvement in deposit receipt processing in anticipation of the city's new financial system.

Once again, PW appreciates the City Auditor's efforts to help improve our services to the community. We are confident that together, with our LAZ partners, these recommendations will help to further improve not only revenue management, but also our ability to provide positive experiences for our parking customers.

If you have any questions, please contact Malcolm Oscarson, Business Operations Bureau Manager, at (562) 570-6325.

CB:MO:AW

CC: TOM MODICA, ASSISTANT CITY MANAGER  
KEVIN JACKSON, DEPUTY CITY MANAGER  
JOHN GROSS, DIRECTOR OF FINANCIAL MANAGEMENT  
REBECCA JIMENEZ, ASSISTANT TO THE CITY MANAGER  
MALCOLM OSCARSON, BUSINESS OPERATIONS BUREAU MANAGER

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
1.1	Staff preparing the daily deposit must re-count or observe the other staff member's part of the deposit and verify that the amount in the deposit bag matches the full deposit slip amount.	H	7	Agree	Parking Vendor	Staff preparing the daily deposit will observe or re-count other staff members' part of the deposit in order to verify that the amount in the deposit bag matches the full deposit slip amount.	August 31, 2018
1.2	Mail payments sent to the parking office must be picked up and logged by two staff members.	H	7	Agree	Parking Vendor	Payments that are mailed to the parking office will be picked up and logged by two staff members.	August 31, 2018
1.3	Staff should not collect and prepare the deposit for the same revenue.	H	7	Agree	Parking Vendor	One staff member will collect revenue and a secondary staff member will prepare the deposit for that same revenue.	August 31, 2018
2.1	Supply the necessary equipment so the parking vendor can begin accepting credit card payments in the office to reduce the amount of cash and checks handled.	M	9	Agree	Public Works	The City's parking operator (LAZ Parking, LLC) utilizes PARIS, a billing and accounts receivables system for operators of parking facilities with monthly contract parking or permits. This system allows Public Works' Parking Operations to receive credit card payments both in person and online.	April 1, 2018
2.2	Encourage customers to pay online for parking permits, even for first-time customers. Establish procedures to initiate account set-up remotely.	M	9	Agree	Parking Vendor	Through PARIS, customers are able to pay for monthly parking permits online, including first-time customers. Customers are provided with information on how to initiate accounts remotely. LAZ also offers an auto-pay option.	April 1, 2018
2.3	Safeguard the change fund in a locked drawer so that it is not vulnerable to being stolen by individuals visiting the office.	H	9	Agree	Parking Vendor	LAZ onboarded as the City's new parking operator on March 1, 2018 where they have effectively always kept the change fund in the office safe.	March 1, 2018
2.4	Provide each customer a receipt for transactions completed in the office. If the customer does not want a receipt, one should still be written and staff should note that it was not taken by the customer.	H	9	Agree	Parking Vendor	Through PARIS, a receipt is always generated for transactions completed in the office with records maintained on the customers account. LAZ is researching options on how to notate if/when customers decline a receipt on their account profile.	August 13, 2018
2.5	If the manual log continues to be used, it should be reviewed for accuracy of entries, sequential numbering of receipts, and reconciled to deposit slips.	M	10	Agree	Parking Vendor	Through PARIS, all transactions are logged digitally through the online platform for each customer. LAZ does not utilize a manual logging system.	April 1, 2018
2.6	Deposit all revenue within 24 hours of it being collected.	H	10	Agree	Parking Vendor	LAZ makes every effort to ensure revenue collected is picked up for deposit within 24-hours. However, based on collection schedule, and pick-up by Loomis, it's possible that it can take up to 36-hours between revenue collection from payment machines and actual bank deposit should staffing schedule changes occur (call-outs, etc.).	March 1, 2018

3.1	Enforce vendor reporting requirements in the contract. Require vendor to supply reports showing details on all parking fees, charges, and monies collected.	H	12	Agree	Public Works	In alignment with the City's parking contract with LAZ Parking, LLC, the City will enforce all reporting requirements including supporting documentation.	September 1, 2018
3.2	Obtain access to all parking machine systems. Access should allow reports to be downloaded showing transactions occurring at each machine (date, time, amount, denomination), as well as reports on machine performance.	H	12	Agree	Public Works	Staff currently has access to all parking systems (T2, SKIDATA, Amano) which allows access to reports as recommended.	April 14, 2018
3.3	Schedule trainings on parking machine systems for parking vendor and City staff.	M	12	Agree	Public Works	LAZ and City staff will provide training overview for T2, Amano and SKIDATA machines.	December 31, 2018
3.4	Require the parking vendor to provide proper backup for all revenue received. Backup should include data on all the transactions that comprise the total revenue amount received. The backup documentation must be generated from the source system where the revenue was received, rather than prepared by vendor staff. Data must show necessary information for the City to track all parking programs.	H	12	Agree	Public Works	LAZ currently provides proper backup for all revenue recieved which includes data on all transactions that comprise th total revenue amount received. Backup documentation is generated from source system (T2, Amano, SKIDATA, PARIS) where the revenue was received and shows necessary information for the City to track all parking programs).	April 1, 2018
3.5	Revise index codes by assigning one index code for each parking location for simpler reconciliation.	L	13	Agree	Public Works	Each location, with exception of RDA properties, has one index code assigned for simple reconciliation. RDA lots have been sold and will be turned over to developer(s) within six months to a year. After which, this index code will be decommissioned.	December 31, 2018
3.6	Perform reconciliations of parking revenue to source transaction reports and to the bank.	H	13	Agree	Public Works	Parking Operations Analyst is currently performing reconciliations of parking revenue to source transaction reports and to the bank. Public Works staff currently working with FM-Treasury to ensure access to all related bank accounts.	September 1, 2018
3.7	The City and parking vendor must work together to resolve connectivity issues for parking payment machines. The parking vendor must process all past batched transactions from 2017 to date. The City must reconcile the transactions going forward to ensure all batched transaction revenue is promptly deposited.	H	13	Agree	Both	LAZ and Public Works staff is currently working with Technology and Innovation to implement fiber connectivity to both the parking garages and City Place parking office. All transactions from 2017 have been batched and the City is reconciling transactions to ensure batched transaction revenue is promptly deposited as offline transactions are processed daily. LAZ has also procured new LTE modems for all T2 machines which will improve connectivity with installation complete by September 30, 2018.	September 30, 2018

4.1	The City and parking vendor should work together to update negotiated rate contracts to include the specific rate and number of spaces and key cards. a. The City should document the method for determining the special parking rates and retain a copy of all active contracts.	M	14	Agree	Both	LAZ will check existing negotiated contracts' monthly invoices to ensure negotiated rate and card counts are accurate. Method for determining special parking rates are included with agreements (City Clerk conformed) language.	September 30, 2018
4.2	Monitor key card activity to determine accuracy of billing and the number of key cards assigned to each company. Stop allowing companies to self-report usage or active number of key cards.	H	14	Agree	Parking Vendor	LAZ currently bills each account based on actual key cards activated, monthly.	March 1, 2018
4.3	Track the physical inventory of key cards and deactivate all inactive ones to prevent misuse and lost revenue.	H	15	Agree	Parking Vendor	LAZ performs key card audit monthly and deactivates all cards not accounted or paid for by customer by 15th of each month.	May 1, 2018
4.4	Collect amount owed for monthly parking (\$6,104.50) from American Career College for November and December 2017.	H	15	Agree	Parking Vendor	LAZ has collected \$6,050 from ACC for November and December 2017. ACC disputed card activity for one parker.	April 18, 2018
4.5	Process all invoices for monthly parking, validations, negotiated rates, and key card usage automatically through the system used. Eliminate manually generated invoices.	L	15	Agree	Parking Vendor	Monthly invoices are generated automatically through PARIS except for those requests received after processing deadline which LAZ then generates an individual invoice through the PARIS platform.	April 1, 2018
AB1i	Routine maintenance on parking payment machines should be performed, monitored and adjusted as necessary.	H	Appendix B	Agree	Parking Vendor	LAZ manages routine maintenance on parking payment machines per fixed annual maintenance agreements.	March 1, 2018
AB1ii	City and parking vendor should review alerts and malfunction reports to identify which machines are malfunctioning frequently and address ongoing issues.	M	Appendix B	Agree	Both	LAZ receives automatic email alerts regarding machine malfunctions. City staff will sign-up for machine alerts and will begin reviewing reports routinely.	August 13, 2018
AB2i	Immediately purchase and use replacement cash boxes for parking payment machines.	H	Appendix B	Agree	Both	LAZ procured 5 replacement cash and coin boxes in May 2018.	May 31, 2018
AB3i	Update the information online regarding annual and monthly permits to reflect the program rules.	M	Appendix B	Agree	Public Works	Website was launched on May 1, 2018 and City staff are working with LAZ to ensure all of the content on website is up-to-date to reflect annual and monthly permit program rules.	October 31, 2018
AB4i	Modify the system report to separate out the "tickets without revenue" category to clearly delineate the volume of validation tickets and other programs.	L	Appendix B	Agree	Parking Vendor	LAZ will research reporting system capabilities in order to track the validation ticket program including purchasing, paying, and tracking validations issued to surrounding stakeholders.	December 31, 2018

**Priority**

H – High Priority - The recommendation pertains to a serious or materially significant audit finding or control weakness. Due to the seriousness or significance of the matter, immediate management attention and appropriate corrective action is warranted.



M – Medium Priority - The recommendation pertains to a moderately significant or potentially serious audit finding or control weakness. Reasonably prompt corrective action should be taken by management to address the matter. Recommendation should be implemented no later than six months.

L – Low Priority - The recommendation pertains to an audit finding or control weakness of relatively minor significance or concern. The timing of any corrective action is left to management's discretion.

**Yellow areas - to be completed by the department**



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