

***Parking Meter Coin Operations Performance Audit:
The Public Works Department Needs to Improve
Processes to Make Sure Parking Meter Coin
Revenue Is Secure***



Independence you can rely on

June 2023

Laura L. Doud
City Auditor



Parking Meter Coin Operations Performance Audit

June 2023



Why This Audit Is Important

The Public Works Department operates over 1,700 parking meters and is responsible for the secure collection and deposit of approximately \$1 million in meter coin revenue annually.

We received an anonymous fraud hotline complaint about potential control weaknesses. Thus, we conducted an audit to assess whether the process of collecting parking meter coin revenue results in deposits to the City's accounts that are timely, secure, reliable, and complete.

Having strong and secure controls in place contributes to the accurate collection of revenue which provides funding for critical City services such as:



Facilities Management



Street Operations

What We Recommend

Some areas of improvement in parking meter coin operations and the collection of revenue include:



Segregation of Duties

Increases oversight of cash collection and deposits



Reconciliations

Allows for timely detection of mistakes or potential theft or loss of cash



Training

Ensures that employees follow cash handling best practices



Security

Minimizes the risk of theft and protects employees

What Happens Next



We provided the Public Works Department our report with five findings and nine recommendations to improve the parking meter coin collection process. Some of the information is sensitive and omitted from public disclosure under state law and government auditing standards.



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LAURA DOUD

Report Summary

Parking Meter Coin Operations Performance Audit: The Public Works Department Needs to Improve Processes to Make Sure Parking Meter Coin Revenue Is Secure

June 2023

Why This Audit Is Important

We performed an audit of the City's Parking Meter Coin operations based on an anonymous fraud hotline complaint regarding potential control weaknesses in cash handling and collection processes. The Public Works Department (Public Works) in City of Long Beach (City) operates over 1,700 street parking meters and is responsible for the secure collection and deposit of approximately \$1 million in parking meter coin revenue annually.

This daily cash-handling by City employees must have strong and secure internal controls to prevent potential mishandling or theft. Improving the controls over the collection of cash revenue ensures the correct amount of funds go to critical City services such as street operations, security, and facilities maintenance.

Audit Objective

Our audit assessed whether the process of collecting parking meter coin revenue results in deposits to the City's bank account which are accurate, timely, secure, reliable, and complete.

Acknowledgement

We thank management and staff in the Public Works Department for their collaboration, assistance, and cooperation during this audit.

What We Found

We found that Public Works needs to improve its processes by implementing additional safeguards to make sure that parking meter coin revenue is properly accounted for and deposited to the City's bank account. While the audit did not find internal theft of parking meter coin revenue by City employees, the current parking meter coin collection, count, and deposit processes do not follow best practices recommended by government accountability organizations or practices employed by other cities.

What We Recommend

We recommend that Public Works improve processes to further increase the secure collection and deposit of parking meter coin revenue.

Recommendations include improvements such as:

- Separation of duties performed by parking meter technicians for cash collection and deposits;
- Reconciliation of cash deposits against receipts;
- Proper cash-handling training, and
- Limiting parking meter software system access to necessary users.

We want to ensure that our City employees are safe and that the cash collected is secure and complete for deposit. By implementing these measures, the City reduces the risk for both internal and external theft of cash revenue and ensures the correct amount of funds go to critical City services such as street operations, security, and facilities maintenance.



I. Background

The City of Long Beach collects approximately \$1 million annually in coins from street parking meters.

The City of Long Beach (City) has over 1,700 single-space and multi-space street parking meters (parking meters) that accept coins and credit cards in the areas of Downtown Long Beach, The Pike, Second Street in Belmont Shore, Fourth Street in Retro Row, and select beach parking lots. In Fiscal Year (FY) 2020, the City's Central Cashiering (Central Cashiering) received approximately \$1 million in coin deposits collected from the parking meters. This amount in collected coins accounts for 50% of the approximately \$2 million in parking meter revenue received by the Public Works Department (Public Works) in FY 2020.

The team responsible for the parking meter coin operations is a group within Public Work's Traffic Operations Division. The group is responsible for the collection and maintenance of over 1,700 parking meters within the City. The team consists of one supervisor, who is also responsible for other areas such as traffic signals and street markings, plus three parking meter technicians. The group has noted the desire to hire an additional parking meter technician. Parking operations for the City's parking lots are contracted out to an external parking vendor.

The goal for the City is to make sure that all parking meter coin revenue collected is deposited timely, securely, reliably, and completely into the City's bank account.

The goal of any local government's revenue collection operation is to collect what is owed. Improving the process of parking meter coin collection and deposit ensures revenue is used to fund critical City services, including street operations, security, and facilities management. Assuring accountability for the collection and deposit of parking meter coin revenue provides funding for critical public services, while protecting the City from internal and external theft.

The absence of controls and security over the parking meter coin collection, counting, and deposit process can lead to potential theft of revenue from internal sources. In 2015, a city employee in Ridgewood, NJ, pleaded guilty to the theft of \$460,000 in coins over the period of three years. In 2013, a parking meter technician in Buffalo, NY, was sentenced to 30 months in prison for the theft of more than \$200,000 from the city's parking meters over the period of eight years. These examples reflect the need for proper cash handling procedures and controls to protect revenue from internal theft.

There are also external risks, with the potential range of theft from a few dollars to thousands of dollars. Members of the public have devised ways to "trick" or tamper with parking meters by welding a thin metal rod to a coin, in the hopes that the coin can be inserted and extracted multiple times, thus adding time to the meter without any cost. While these methods do not actually result in additional unpaid parking time added to the meter, they can result in additional

meter maintenance. Others utilize non fiat US currency, such as foreign coins, metal hardware washers, challenge coins, or even car wash tokens.

Figure 1.
Devices composed of metal rods and coins (left) as well as various circle-shaped objects (right) can be used to tamper parking meters.



The security risk from external factors during collection or transportation can be potentially greater, as the City's parking meter technicians are responsible for transporting daily coin deposits through public roads.

II. Findings & Recommendations

The audit did not reveal any internal theft of parking meter coin revenue by City employees. Our findings and recommendations focus on how Public Works can improve the security of the parking meter coin collection process by implementing additional security safeguards. Implementing our recommendations such as segregation of duties and a periodic reconciliation of coin deposits, will provide additional layers of oversight and control.

Finding #1: *Confidential*

As the findings and recommendations include sensitive information which could impact the safety and security of City employees and the meter coin collection process, this information is omitted from public disclosure under state law and government auditing standards.

Finding #2: *There are no segregation of duties for the daily parking meter maintenance, coin collection, count, and deposit process.*

The Government Finance Officers Association (GFOA) notes that segregation of duties is one of the most powerful aspects of internal control, although it is sometimes difficult to achieve in small governments. No one person should ever be placed in a situation where it is possible to carry out or conceal an error or irregularity without timely detection by others in the normal course of their duties. Without segregation of duties for the meter coin collection process, the potential exists for an employee to devise a method to skim parking meter coin revenue without detection or deterrence.

In 2014, a Cincinnati City employee pled guilty to stealing over \$20,000 in parking meter coins. Working as a parking meter coin collector, the municipal employee was responsible for both the collection and deposit of the parking meter coins. This theft scheme was only detected through a tip from a local convenience store owner, who noticed that the municipal employee always paid for goods with coins.

Best practices identified through our benchmark study include the separation of parking meter servicing from the coin collection process and the separation of the coin collection from the coin counting and depositing process. Some cities outsource a portion of the process, such as coin collection or coin counting, to third parties to segregate the duties being performed by their parking meter operations personnel.

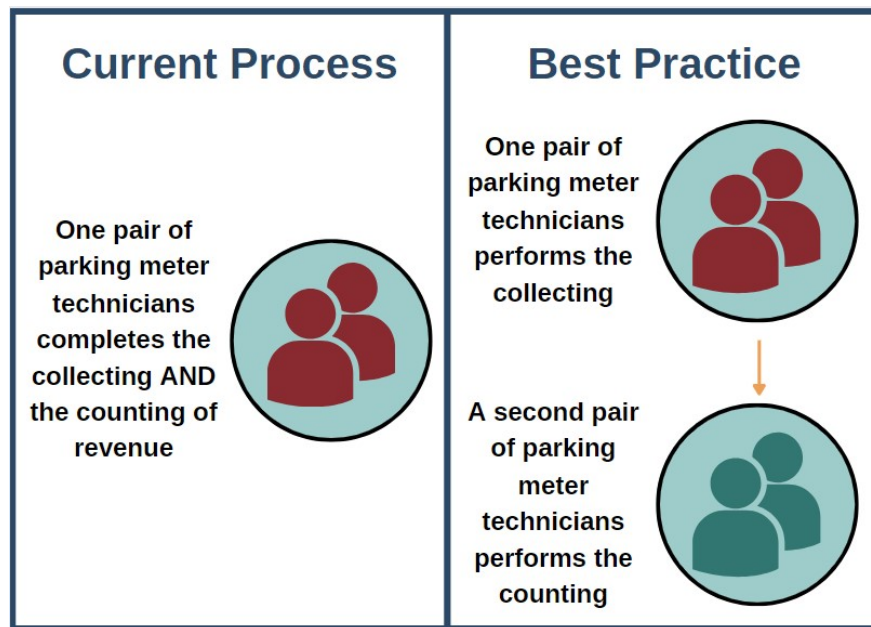
In addition to the maintenance of the parking meters, City parking meter technicians are also responsible for the entire parking meter coin operation process, including coin collection, counting, bagging, and depositing coins at Central Cashiering.. There are currently three parking meter technicians that

City parking meter technicians complete the parking meter coin revenue process without any segregation of duties.

each perform all these tasks daily, and management has noted the group is looking to hire an additional parking meter technician, bringing the total number of technicians to four.

While it is good that there are two people collecting the parking meter coin revenue together, the counting portion should be handed over to another team.

Figure 3.
Best practices include segregation of duties to minimize the risk of internal theft.



Recommendations

- 2.1 Use two groups of parking meter technicians as follows: Group A) Two parking meter technicians perform the coin collection process. Group B) Two parking meter technicians perform meter maintenance while Group A is performing the coin collection process. Once Group A completes the coin collection process, Group B will perform the counting, bagging, and depositing function. The two groups can switch weekly or monthly to ensure the same group does not perform all of these functions for the same set of coins.

Finding #3: *Public Works is not performing a reconciliation of coins deposited in the City's bank account to coins deposited by users within the parking meters.*

All parking meters operated by the City, both single-space and multi-space meters, can track the amount of coins that are deposited by parking space

Public Works does not perform parking meter coin revenue reconciliations.

users. Most of the meters within the City can communicate with a central online system through cellular connection, and the parking space user transactional data is automatically uploaded into the online system. For other meters, parking space user transactional data is available electronically via direct download from the meters themselves. All this electronic data can be used to independently reconcile the actual coins that are collected by parking meter technicians to the amount deposited into the City's bank accounts. Public Works does not currently perform such reconciliations.

A portion of this finding includes sensitive information which could impact the security of the meter coin collection process, and this information is omitted from public disclosure under state law and government auditing standards.

While a reconciliation may not be 100% precise, it is a reasonable approach to identify material variances that can be caused by potential theft or loss. Our benchmark study identified 5 out of 7 cities currently perform a periodic reconciliation using this type of meter data. Some cities perform this reconciliation on a daily basis, others on a weekly and/or quarterly basis. One city uses an automated system that downloads the data from their financial system to generate a report which compares the amount collected against the amount recorded by the meters.

Recommendations

- 3.1 Perform quarterly audits of the parking meter coins deposited in the City's bank accounts against the data from the meter systems to identify trends and material variances. In line with finding #2.1, the reconciliation process should be performed by someone independent of the collection, counting, and deposit processes.**

Finding #4: *Parking meter technicians are not required to attend annual cash-handling training.*

Anytime cash is used, the strictest of controls should be enforced, including proper training for all employees who handle cash.

Best practices by the GFOA state that the development of an effective internal control environment is the selection of qualified personnel. To be qualified, personnel should have related job experience, receive appropriate training when they start to work, and receive appropriate refresher training, as necessary. Because most cash losses are due to lack of training in cash-handling, security, and loss prevention procedures, all cash handlers should be trained in cash handling procedures.

Understanding the importance of internal controls is crucial to an operation in which City employees are handling revenue. Best practices indicate that cash-handling training must be provided to staff at least annually.

Parking meter technicians noted that they attended training several years ago with the Central Cashiering team. Training is also offered to parking meter technicians from the parking meter vendors; however, this training is specific to troubleshooting and operating the meters, not specific to cash-handling.

Recommendations

- 4.1 **Provide annual training on cash-handling controls, such as dual custody, safeguarding cash revenue, and segregation of duties, or have staff attend cash-handling training when provided by the City.**

Finding #5: *The parking meter software system is not periodically maintained.*

Nearly all of the City's parking meters provide an online user management system that allows the parking meter technicians to review meter data to identify meters that need servicing. For single-space meters, the parking meter software system is operated by IPS, while multi-space meters are operated by T2 Iris (T2). These parking meter software systems allow parking meter technicians to see on a mapping interface the specific meters that require servicing, and meters can be assigned to collection routes. City employees can be added as users to these parking meter software systems with specific access rights granted by the type of user.

A. The parking meters are not correctly geo-located within the parking meter software system.

The IPS and T2 parking meter software systems allow users to place each parking meter in GPS coordinated locations. The parking meter software system also allows the user to group various meters into a specific route code. This allows for easier route by route reporting and can also assist parking meter technicians in accurately finding parking meters that require servicing.

Without accurately assigned parking meters, Public Works management is unable to run route specific reports, which could be used for detailed reconciliations against bank deposits. Additionally, should one of the improperly geocoded parking meters display an error, it is more difficult for the parking meter technicians to pinpoint the parking meter location for servicing.

Our review tested the IPS system to validate the accuracy and reliability of parking meter location data as provided by both Parking Meter Operations and IPS as a vendor/service. The review showed that over 100 parking meters operated by IPS are geolocated at the exact same location. Public Works explained the cause of this was that these parking meters were improperly geocoded and were thus assigned to a default location. Additionally, 183 parking meters were identified as "off-route" where the location of the parking meter does not match the route name assigned.

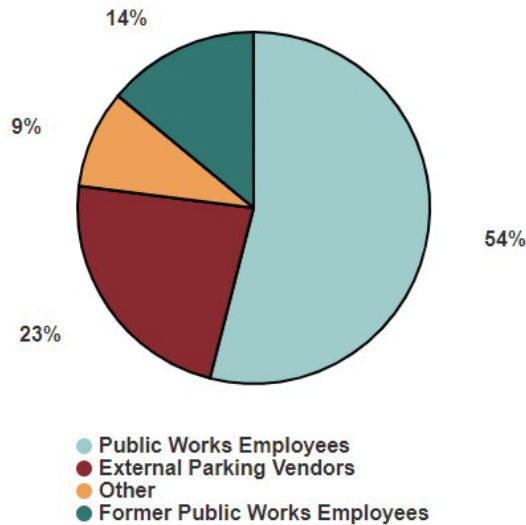
Recommendations

5.1 Conduct a review of the IPS and T2 parking meter software systems and confirm that the parking meters and pay stations are accurately geocoded and accurately coded to the routes that parking meter technicians follow.

B. The parking meter software user access is outdated and not periodically maintained.

During our audit, we found that the IPS and T2 parking meter software systems could be accessed by 22 individuals who belong to different organizations and can run reports, view transactions, and add or replace parking meters.

**Figure 4.
Parking meter software systems are not maintained appropriately and at least 14% are former Public Works employees who have access without a known business need.**



Public Works noted that users from other groups may need access to the system to review for parking enforcement or to run financial reports. Additionally, external parking vendors have access and provide the City consolidated parking data and business intelligence services.

Users can also be assigned different roles which grant certain rights, such as financial analyst, coin collector, or administrator. Public Works was unsure how the roles differed within the parking meter software system, and the specific rights granted to each role. Public Works subsequently updated the user access list to remove certain individuals who no longer work within the Department and do not have a known need to access the system. While no user type can actually modify the transactional data, understanding each user's needs and assigning the appropriate user role within the parking meter software system will help prevent unauthorized use of it. As recommended in Finding #2, the Department would benefit from segregation of duties, and user access should thus be limited to only those essential functions relevant to the employee's responsibilities. For example, parking meter technicians currently have access to revenue reports, which should be restricted to only those responsible for performing quarterly reconciliations.

Recommendations

- 5.2** Conduct a review of all users who have access to IPS and T2 parking meter software systems. Confirm the business need for each user and consult the user role guide for each system to identify the appropriate role to be assigned.
- 5.3** Perform this review on an annual basis to ensure that access is granted to only those with a relevant business need.

III. Objective, Scope, and Methodology

The objective of this audit was to determine whether the internal controls surrounding the collection of parking meter payments by Department of Public Works staff result in deposits to Central Cashiering that are timely, whole, secure, and reliable.

The scope of the audit included all parking meter coin revenue that was collected and deposited by Public Works staff to Central Cashiering during the 2020 fiscal year, Oct 1, 2019 – Sept 30, 2020. The audit scope excluded parking operations and revenue that are managed by City vendors.

To achieve this objective, we:

- Interviewed Public Works management and staff about the steps they take to collect, count, and deposit parking meter coin revenue
- Observed Public Works staff as they performed their day-to-day meter coin operation tasks
- Inspected internal documents such as deposit receipts and logs at the designated counting site
- Reviewed data and users within the parking meter software system hosted by the parking meter vendors IPS and T2 Iris
- Performed a reconciliation of FY2020 parking meter coin revenue deposits against transactional parking user data within the IPS and T2 Iris parking meter software systems.
- Conducted a benchmark of other cities' parking meter coin operations to identify potential best practices.

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 the audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on the audit objectives. Due to the sensitivity of findings relating to the security measures employed by the City during the course of coin collection, count and deposit, certain information has been deemed confidential and has been omitted from this report for the safety and security of City employees and revenue.

IV. Management Response

Date: June 30, 2023

To: Laura Doud, City Auditor

From: Thomas B. Modica, City Manager



Subject: Public Works Response to Parking Meter Coin Operations Performance Audit

The Public Works Department has thoroughly reviewed the April 2023 Audit and the recommendations to improve the parking meter coin collection process. In general, Public Works understands the concerns outlined by the City Auditors Office and concurs with the recommendations outlined within the audit report. We appreciate the opportunity to participate in the audit and improve internal processes and security. While the recommendations are generally supported, the Department proposes a modified approach to address some of the concerns by fast tracking the conversion from coin-based operations to electronic only payment.

In 2019, Public Works began installing multi-space pay stations in lieu of single space meters starting within the Downtown Parking District and City controlled parking lots. Benefits achieved include increased parking space occupancy and turnover, simplified integration with mobile payment providers, reduced coin collection frequency, increased parking revenue, and lower operational costs. Unlike single-space parking meters, which require coin collection at each individual unit, multi-space pay stations streamline the collection process by consolidating revenue from multiple spaces into a single collection point thereby reducing the number of collection points and associated risks. This approach allows for more efficient and secure collections, while limiting potential loss or theft. The pay stations also accept paper currency, which results in the elimination of or at least fewer coins to transport, count, roll, and deposit. The enhanced technological capabilities enable real-time counting and reporting of revenue, providing transparency, accountability, and the ability to audit collections data through the online portal. Finally, while not a concern raised within the audit, repair alerts are sent directly to the maintenance team reducing response time and minimizing any down time.

In conjunction with multi-space pay stations, the parking industry is trending towards coinless paid parking utilizing advancements in technology and availability of credit cards and internet connected smart phones. In fact, many of our multi-space pay stations, including those in City parking garages do not accept coins at all. To address the concerns raised in the audit while concurrently propelling the City into the future, the Department will implement a Coinless Paid Parking Pilot Program. The team will engage with the Business Improvement Districts (BIDs) and conduct outreach to implement a 90-day pilot at 3 locations, 4th Street between Cherry and Junipero (multi-space pay stations), Junipero Ave south of Ocean Blvd (single space meters), and Golden Shore south of Ocean Blvd (single space meters). As part of the pilot program, users will have the option to pay by credit card or by phone application, no coins or

Public Works Response to Parking Meter Coin Operations Performance Audit

June 30, 2023

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paper currency will be accepted. The team will evaluate the success of the program after the 90-day pilot, incorporate any lessons learned and roll out in phases across the City.

Upon implementation and roll out of the Coinless Paid Parking Program, there will no longer be a need for coin collection and counting. However, we acknowledge it will take at least 90-days to test the pilot, incorporate lessons learned and approximately 18 months to roll out the full program. Simultaneously, while the team implements the Coinless Paid Parking Program, the recommendations within the audit will be addressed as outlined within the attached management response and action plan. This will ensure the concerns raised by the City Auditors Office are remedied while also incorporating more efficient, user friendly, and cost-effective business practices.

If you have any questions please contact Joshua Hickman, Business Operations Manager at (562) 570-5714.

ATTACHMENT:

PUBLIC WORKS MANAGEMENT RESPONSE AND ACTION PLAN

CC: ERIC LOPEZ, DIRECTOR OF PUBLIC WORKS
LINDA F. TATUM, ASSISTANT CITY MANAGER
APRIL WALKER, ADMINISTRATIVE DEPUTY CITY MANAGER
ANDREW CHANG, ASSISTANT TO THE CITY MANAGER
JOSHUA HICKMAN, BUSINESS OPERATIONS MANAGER, PUBLIC WORKS

MANAGEMENT RESPONSE AND ACTION PLAN

Public Works

Parking Meter Coin Operations Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
2.1	Utilize two groups of parking meter technicians as follows: Group A) Two parking meter technicians perform the coin collection process. Group B) Two parking meter technicians perform meter maintenance while Group A is performing the coin collection process. Once Group A completes the coin collection process, Group B will perform the counting, bagging, and depositing function. The two groups can switch weekly or monthly to ensure the same group does not perform all of these functions for the same set of coins.	H	9	Agree	Public Works - Traffic Operations	Pending results of the 90 day pilot program, the team will work towards the successful implementation of the coinless paid parking program as noted within the response to item 1.1 above. Upon implementation, there will not be a need for coin collection and counting. However, during the pilot and approximately 18 month implementation period, the coin collectors will be different than the coin counters to ensure the same group does not perform collection and counting for the same set of coins. Responsibilities will be rotated monthly.	7/1/2023
3.1	Perform quarterly audits of the parking meter coins deposited in the City's bank accounts against the data from the meter systems to identify trends and material variances. In line with finding #2.1, the reconciliation process should be performed by someone independent of the collection, counting, and deposit processes.	H	10	Agree	Public Works - Public Service Bureau	Pending results of the 90 day pilot program, the team will work towards the successful implementation of the coinless paid parking program as noted within the response to item 1.1 above. Upon implementation, there will not be a need for coin collection and deposit auditing. However, during the pilot and approximately 18 month implementation period, a Public Works employee independent from the collection, counting, and depositing team will perform quarterly audits. Post coinless paid parking program implementation, Public Works will continue to review and audit the data from the parking meter systems and deposits to identify trends and variances.	9/30/2023
4.1	Provide annual training on cash-handling controls, such as dual custody, safeguarding cash revenue, and segregation of duties, or have staff attend cash-handling training when provided by the City.	M	11	Agree	Public Works - Public Service Bureau	Annual Cash Handling Training will be attended by all cash handling personnel when provided. Public Works will work with Financial Management and Human Resources to schedule the recommended training. Should training not be available internally, Public Works will seek training from external trainers.	9/30/2023
5.1	Conduct a review of the IPS and T2 parking meter software systems and confirm that the parking meters and pay stations are accurately geocoded and accurately coded to the routes that parking meter technicians follow.	M	12	Agree	Public Works - Traffic Operations/ IPS / T2	Geocoding can only be performed by the vendor. Public Works will request to have all meters accurately geocoded by the vendors.	9/1/2023
5.2	Conduct a review of all users who have access to IPS and T2 parking meter software systems. Confirm the business need for each user and consult the user role guide for each system to identify the appropriate role to be assigned.	M	13	Agree	Public Works - Traffic Operations	This task has been completed. The system will be reviewed and updated annually.	Completed

MANAGEMENT RESPONSE AND ACTION PLAN

Public Works

Parking Meter Coin Operations Performance Audit

No.	Recommendation	Priority	Page #	Agree or Disagree	Responsible Party	Action Plan / Explanation for Disagreement	Target Date for Implementation
5.3	Perform this review on an annual basis to ensure that access is granted to only those with a relevant business need.	M	13	Agree	Public Works - Traffic Operations	This task has been completed. The system will be reviewed and updated annually.	Completed

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

V. City Auditor’s Reply to Management’s Response



Date: July 13, 2023
To: Tom Modica, City Manager
Eric Lopez, Director of Public Works
From: Laura Doud, City Auditor
Subject: Reply to Management Comments on the Parking Meter Coin Operations Performance Audit

The City Auditor's Office is pleased to see that Management generally agrees with our recommendations. Although we have been working with Public Works for several months on this audit, we learned for the first time in Management's written response that Management is proposing a Coinless Paid Parking Pilot Program to transition away from meter coins. While we appreciate the Department's initiative to develop a pilot program, it would have been helpful if this plan was brought to our attention during the audit. We could have discussed with Management the many factors that need to be considered and examined before proposing such a program.

While we support the use of emerging technologies, the City collects and deposits nearly \$1 million annually in meter coin revenue, which is 41% of all parking meter annual revenue from FY2019 through FY2022.

Given the extensive use of cash in the City's parking meters, the City should consider, at the very least, the issue of equity and convenience before transitioning to a coinless system. How would all residents be impacted by removing hard currency as an option for payment? Will certain populations and demographic groups be more impacted than others, especially those without access to banking cards and smart phones? Coinless programs typically have smartphone and vendor specific mobile app requirements which may impact certain users who are not digitally connected. We must be cognizant of not leaving portions of our population behind.

There are other operational considerations in using a coinless system. What are the transactional and system implementation costs, and what is the net impact on City revenue? Will a coinless system significantly alter parking meter technicians' job duties and responsibilities, and will that trigger labor negotiations?

We recommend that before taking any action, this item be brought to the City Council and the public prior to initiating a pilot program.

We appreciate the Department agreeing to our recommendations to ensure that the parking meter coin collection and deposit process incorporates best practices.



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