



OFFICE OF THE  
CITY MANAGER

CITY OF SACRAMENTO  
CALIFORNIA

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May 18, 2004

City Council  
Sacramento, California

Honorable Members in Session:

**SUBJECT: PRESENTATION OF THE OFF-STREET PARKING INTERNAL AUDIT REPORT**

**LOCATION:** Citywide

**RECOMMENDATION:**

The City Manager recommends the adoption of the attached resolution on page 7 which:

1. Accepts the Off-Street Parking internal audit report;
2. Approves obtaining a consultant to outline divisional operational objectives, develop a parking rate structure strategic plan, and develop a divisional policy and procedures manual, at a cost not to exceed \$200,000;
3. Approves purchasing and installing surveillance cameras in all parking garages to increase security, at a cost not to exceed \$400,000; and
4. Approves performing a follow-up examination during fiscal year 2004/2005 to ensure the implementation of corrective actions set forth in the Off-Street Parking internal audit report.

**CONTACT PERSON:** Martin Kolkin, Internal Audit Manager, 808-5704  
Howard Chan, Parking Services Manager, 808-7610

**FOR COUNCIL MEETING OF:** May 18, 2004

**SUMMARY:**

The attached internal audit report of the City's Off-Street Parking division highlighted numerous areas where internal controls could be created and improved. The report listed five areas with twenty-one recommendations for improvements. The Off-Street Parking Manager and his staff have taken action and resolved fifteen of these

recommendations. The actions taken to resolve the fifteen recommendations are listed in the Discussion Section of this report. The remaining six recommendations and proposed resolutions are also listed in the Discussion Section of this report.

Additional Comments

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 Off-Street and On-Street Divisions were combined into a single Division within the Transportation Department as one of the strategies designed to increase operational efficiency.

**COMMITTEE/COMMISSION ACTION:** None

**BACKGROUND:**

The City Council approved the Internal Audit Manager's Workplan on July 29, 2003. In accordance with the approved Internal Audit Workplan, attached is the completed internal audit report of the City of Sacramento's Off-Street Parking Division.

**DISCUSSION**

The audit report listed twenty-one recommendations. The actions taken by Off-Street Parking staff to resolve fifteen recommendations included:

<b>Internal Audit Manager's Report Findings</b>	<b>Action Taken By the Parking Manager</b>	<b>Estimated Completion Date</b>
1. Key positions in the Parking Division are vacant.	These positions have been filled and being work in May 2004.	Completed
2. 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.	Formats for daily reconciliations have been developed and staff members have been trained to perform these reconciliations. Daily cash reconciliations are now performed.	Completed
3. Inadequate oversight of Contractor prepared daily cash reconciliations.	The Contractor's daily reconciliations are now reviewed for accuracy.	Completed
4. The daily deposits were not reviewed by anyone other than the preparer.	The Senior Parking Lot Supervisor oversees the daily cash deposits.	Completed
5. The daily deposits were not traced to the appropriate supporting documentation, the Controller Report, to validate the amount of the deposit.	Administrative staff now traces the daily deposit totals to the daily reconciliation and the daily Controller Report.	Completed

<b>Internal Audit Manager's Report Findings</b>	<b>Action Taken By the Parking Manager</b>	<b>Estimated Completion Date</b>
6. Bank deposits made by the armored carrier were not verified as received by the bank on a daily basis.	Deposits are verified as received by the bank on a daily basis.	Completed
7. Daily credit card receipts did not match the amount of the daily credit card bank deposit.	New procedures were developed to ensure that the total daily credit card receipts support the amount of the credit card deposit.	Completed
8. The daily deposit for the Off-Street Parking Administration was stored in a locked desk drawer instead of in the administrative vault.	Parking Administration staff members now store the daily receipts in the vault.	Completed
9. Parking personnel were unable to access historic reports within the Division's computer system.	A method to retrieve historic reports has been developed for data collected after June 2003.	Completed
10. The six parking garages, that used a manual prepaid parking system, lacked fundamental controls over prepaid parking ticket usage and storage.	Prepaid parking management system software modules will be installed in the remaining six municipal garages. The estimated total cost of approximately \$3,500 for all six garages.	Completed
11. 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.	The prepaid parking system modules are now used as the basis for determining the number and value of prepaid parking tickets sold. Deviations from the Controller Report are fully documented.	Completed
12. No periodic review of ticket counts, validations, exception reporting, or cash counts.  Periodic examinations test the accuracy of the reported results.	An audit position was created to perform these functions.	May 2004
13. During prepaid parking sessions, individuals using the Discount Employee Parking Program were incorrectly charged a flat \$2 fee, instead of the established discounted rate.	Discount Employee Parking Program customers are now paying parking at the established rates.	Completed

<b>Internal Audit Manager's Report Findings</b>	<b>Action Taken By the Parking Manager</b>	<b>Estimated Completion Date</b>
<p>14. 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>	<p>Alternative procedures have been developed that leave a clear and documented audit trail for individuals who elect to not park and exit during prepaid parking periods.</p>	<p>Completed</p>
<p>15. 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>	<p>Alternative strategies are being examined. A pilot project that leaves the gate arms down at night had been conducted at Old Sacramento and Tower Bridge Parking Garages. The pilot project now will be expanded to include Memorial, Capitol, and City Hall Parking Garages.</p>	<p>Completed</p>

The remaining six unresolved recommendations can be summarized into four proposed solutions:

<b>Internal Audit Manager's Report Findings</b>	<b>Action Taken By the Parking Manager</b>	<b>Estimated Completion Date</b>	<b>Estimated Cost and Funding Source</b>
<p>1. Lack of specific operational objectives, the need for a parking rate strategic plan, &amp; outdated policies and procedures manual.</p>	<p>The Program Manager is preparing a Request for Proposal ("RFP"), to be submitted for approval, to secure the services of a consultant to assist in addressing this concern.</p>	<p><u>June 2004</u>                      Develop a RFP.   <u>December 2004</u>                      Final Report received from consultant.</p>	<p>\$200,000                      Parking Facilities Development CIP for Off-Street Parking</p>
<p>2. Lack of a systematic approach for ensuring that only customers that pay for monthly parking receive monthly parking.</p>	<p>Manual comparisons of paid customers and active parking cardholders are now conducted.</p> <p>The installation of an electronic receivables parking system module will be needed to resolve this issue on an on-going basis.</p>	<p>June 2004</p>	<p>This module has been paid for and is awaiting installation.</p> <p>However, the module will not be installed until staff members have observed a fully operational test site.</p>

Internal Audit Manager's Report Findings	Action Taken By the Parking Manager	Estimated Completion Date	Estimated Cost and Funding Source
3. Insufficient security measures to deter theft.	A consultant is assessing the cost of installing security cameras in all parking garages.	December 2004	\$400,000 Video Surveillance CIP for Off-Street Parking
4. Special event parking passes were incorrectly accepted as all day prepaid parking tickets at Memorial parking garage.  The special event passes had been purchased for a specific block of time by event sponsors.	Staff is examining the processes necessary for standardizing Special event parking  However, program changes in the parking management system will be required to resolve this issue.  The cost of a programming change of this nature is already included in cost of the existing contract	June 2004	The cost of the programming change needed to standardize special event parking passes is already included in cost of the existing contract

**FINANCIAL CONSIDERATIONS:**

Financial considerations include \$200,000 for a consultant's study, proposed to be funded out of the Parking Facilities Development CIP and \$400,000 for security cameras in all parking garages, proposed to be funded out of the Video Surveillance CIP for Off-Street Parking.

**ENVIRONMENTAL CONSIDERATIONS:**

This activity does not constitute a "project" and is therefore exempt from the California Environmental Quality Act (CEQA), CEQA Guidelines Sections 15061(b) and 15378(b)(3).

**POLICY CONSIDERATIONS:**

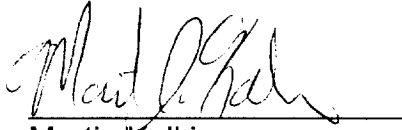
The Internal Audit Manager's presentation of the Off-Street Parking Internal Audit is consistent with the City Council policy to add the function of Internal Audit Manager for the City of Sacramento.

**ESBD CONSIDERATIONS:**

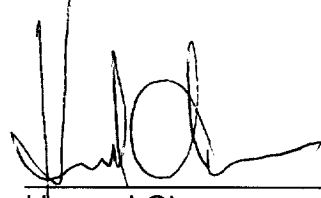
No goods or services are to be purchased.

City Council  
May 18, 2004  
RE: Off-Street Parking Internal Audit  
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Respectfully Submitted,



Martin Kolkin  
Internal Audit Manager



Howard Chan  
Parking Services Manager

APPROVED:



Robert P. Thomas  
City Manager

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# RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF \_\_\_\_\_

**RESOLUTION ACCEPTING THE OFF-STREET PARKING INTERNAL AUDIT REPORT, APPROVING OBTAINING A CONSULTANT FOR OFF-STREET PARKING AT A COST NOT TO EXCEED \$200,000, APPROVING THE PURCHASE AND INSTALLATION OF SECURITY CAMERAS IN PARKING GARAGES AT A COST NOT TO EXCEED \$400,000, AND APPROVING A FOLLOW-UP EXAMINATION OF OFF-STREET PARKING.**

**BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO THAT:**

1. The City Council accepts the Off-Street Parking internal audit report;
2. The City Council approves obtaining a consultant to outline divisional operational objectives, develop a parking rate structure strategic plan, and develop a divisional policy and procedures manual, at a cost not to exceed \$200,000, funded from the Parking Facilities Development Capital Improvement Project;
3. The City Council approves the purchase and installation of security cameras in parking garages at a cost not to exceed \$400,000; funded from the Video Surveillance Capital Improvement Project.
4. The City Council approves performing a follow-up examination in the following year to ensure implementation of new policies and controls.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

**FOR CITY CLERK USE ONLY**

RESOLUTION NO. \_\_\_\_\_

DATE ADOPTED: \_\_\_\_\_