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OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

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January 13, 2004

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: PRESENTATION OF THE ON-STREET PARKING INTERNAL AUDIT REPORT

LOCATION: Citywide

RECOMMENDATION:

The City Manager recommends adoption of the attached resolution on page 6 which:

1. Accepts the On-Street Parking internal audit report;
2. Approves obtaining a consultant to outline divisional operational objectives, determine the number and placement of parking meters, and develop a divisional policy and procedures manual, at a cost not to exceed \$150,000 funded from the Public Works Department's Operating Budget;
3. Approves a report back regarding the cost of replacing the existing parking meter system by March 2004 and a phase in schedule;
4. Approves the purchase of two mobile license plate recognition units for parking enforcement, at a cost not to exceed \$140,000 funded from the On-Street Parking Operating Budget; and
5. Approves performing a follow-up examination in the following year to ensure implementation of new policies and controls.

CONTACT PERSON: Robert P. Thomas, City Manager, 808-5704

FOR COUNCIL MEETING OF: January 20, 2004

SUMMARY:

The attached internal audit report of the City's On-Street Parking Division highlighted numerous areas where operational controls could be created and improved. The report listed seven areas with twenty-two recommendations for improvements. The staff of On-Street Parking has taken action and resolved sixteen of these recommendations.

The actions taken by the On-Street Parking staff to resolve the sixteen recommendations included:

Audit Findings	Action Taken	Estimated Completion Date
1. Inadequate safeguards over the storage of daily cash collections, including: <ul style="list-style-type: none"> • Storing daily cash collections in the vault; • Limiting access to cash collections and the collections vault; • Providing a comprehensive monitoring of all activity within the collections vault; 	Assigning responsibility and accountability for cash custody, increased security of daily cash collections, storing daily cash collections in the vault, limiting access to cash, and video monitoring of the vault room;	Completed
2. Lack of a loss prevention plan to deter parking meter thefts;	Developing and using a parking meter loss prevention plan. Additionally, the installation of theft resistant parking meter locks.	Completed February 2004
3. Lack of physical inventories of cash in the meter collections vault, the parking meters (both on the street and in the Meter Repair Shop), the coin collection containers, and the coin collection carts;	Conducting physical inventories of cash in the collections vault, the parking meters, the coin collection containers, and the coin collection carts;	Completed
4. Inadequate safeguards over the physical security of parking debit card value loading machines;	Storage of the debit card value loading machines in the safe;	Completed
5. The need to assign responsibility for loading values on debit cards; and installing controls to the value loaded on to debit cards;	Establishing a debit card custodian, using specific procedures to track the values loaded onto debit cards;	Completed
6. Lack of physical inventories of parking debit cards;	Performing daily inventory counts of parking debit cards;	Completed
7. Need to reconcile the inventory of parking debit cards, sales, and daily bank deposits;	Conducting daily reconciliations of inventory, sales, and bank deposits;	Completed
8. Creating safeguards over parking debit card payments received	Payments received are immediately placed in a secured area.	Completed

The actions taken by the On-Street Parking staff to resolve the sixteen recommendations continued:

Audit Findings	Action Taken	Estimated Completion Date
9. Parking Meter Collection Workers having access to the coin collection vault;	Restricted access to the coin collections vault and designated individuals permitted access to collections vault.;	Completed
10. Administrative sales staff having direct access to the parking meter debit card inventory maintained in the administrative safe;	Administrative sales staff no longer has access to the inventory of parking debit cards and the combination to the safe was changed.	Completed
11. Eliminating redundant computer and manual systems in the Parking Meter Repair Shop;	A new computerized program for the Parking Meter Repair Shop is being implemented in four phases.	Work began on September 2003 and will be completed by March 2004
12. Seven of thirty-nine budgeted Parking Enforcement Officers positions were vacant ;	The recruitment process began in September 2003, the positions are expected to be filled by January 2004.	Completed by January 2004
13. Increasing staffing utilization for the vehicle immobilization program;	Booting activities will be increased and scheduled for at least two days a week.	Completed
14. Pursue technological advances and grant Parking Enforcement Officers greater flexibility in addressing disabled placard abuses;	Implemented a new computer program to assist Parking Enforcement Officers in locating potentially abuse of disabled placards. Additionally, Parking Enforcement Officers were granted greater flexibility in assessing, approaching, and citing apparent disabled placard abusers. Also, placards and individual's identification can be matched on the spot to assess the validity of the use of the disabled placard.	Completed
15. Investigate methods to discourage counterfeiting of residential parking permits;	Redesigned permits are expected to reduce counterfeiting of permits. Additionally, misuse use of permits may result in permit revocation.	Completed
16. Need to remove parking meter hoods on weekends.	Remove parking meter hoods as scheduled.	Completed

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

Area	Action	Estimated Completion Date	Estimated Cost and Funding Source
1. Lack of specific operational objectives, the need for a strategic plan for the placement of parking meters, and an outdated policies and procedures manual.	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.	<u>January 2004</u> Develop a RFP. <u>July 2004</u> Final Report received from consultant.	\$150,000 Funded from the Public Works Department's Operating Budget.
2. Lack of detailed parking meter cash collection and lack of debit card usage information.	Replace existing meters that do not provide cash collection or debit card data. The cost to replace existing meters is in the range of \$2.5 to \$3 million.	Report Back to City Council during March 2004	The actual cost will depend upon the number and type of parking meters needed. The cost can be bonded and the annual debt service paid out of On-Street Parking division's budget through operational efficiencies and reduced FTEs.
3. Investigating technological advances to increase vehicle immobilization activity.	Currently reviewing new technology that uses a camera for mobile license plate recognition.	January 2004	\$140,000 On-Street Parking Operating Budget

Additional Comments

In addition to recommendations from the Internal Audit Manager, I will be recommending that the City's On-Street and Off-Street Parking operations be part of the Transportation Department, which I will be proposing for City Council consideration and approval. The details of this consolidation will be addressed in my reorganization discussion.

COMMITTEE/COMMISSION ACTION: None

BACKGROUND:

The City Council authorized the City Manager to establish and recruit for an Internal Audit Manager on February 19, 2002, resolution number 2002-094. The Internal Audit Manager was hired and began work on March 24, 2003. 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 On-Street Parking Division.

FINANCIAL CONSIDERATIONS:

Financial considerations include \$150,000 for a consultant's study, proposed to be funded out of the Public Works Department's operating budget, and \$140,000 for two mobile license plate recognition system units, proposed to be funded out of the current On-Street division's operating budget.

The proposed cost for replacing the existing parking meter system will be presented in a report back to Council, in March 2004.

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 On-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

None

Respectfully submitted,


ROBERT P. THOMAS
City Manager

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RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF: _____

RESOLUTION ACCEPTING THE ON-STREET PARKING INTERNAL AUDIT REPORT, APPROVING OBTAINING A CONSULTANT FOR ON-STREET PARKING AT A COST NOT TO EXCEED \$150,000, APPROVING A REPORT BACK REGARDING THE COST OF REPLACING THE EXISTING PARKING METER SYSTEM, APPROVING THE PURCHASE OF TWO MOBILE LICENSE PLATE RECOGNITION UNITS FOR A COST NOT TO EXCEED \$140,000, AND APPROVING A FOLLOW-UP EXAMINATION OF ON-STREET PARKING.

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

1. The City Council accepts the On-Street Parking internal audit report;
2. The City Council approves obtaining a consultant to outline divisional operational objectives, determine the number and placement of parking meters, and develop a divisional policy and procedures manual, at a cost not to exceed \$150,000 funded from the Public Works Department's Budget;
3. The City Council approves a report back regarding the cost of replacing the existing parking meter system by March 2004 and a phase in schedule;
4. The City Council approves the purchase of two mobile license plate recognition units for parking enforcement, at a cost not to exceed \$140,000 from the On-Street Parking Operating Budget; and
5. The City Council approves performing a follow-up examination in the following year to ensure implementation of new policies and controls.

ATTEST:

Mayor

City Clerk

FOR CITY CLERK USE ONLY

RESOLUTION NO.: _____

DATE ADOPTED: _____

CITY OF SACRAMENTO INTERNAL AUDIT

ON-STREET PARKING INTERNAL AUDIT REPORT





OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
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January 16, 2004

PH 916-808-5704
FAX 916-808-7618

Honorable Mayor, City Council Members, and the City Manager:

The City of Sacramento's Internal Audit Manager has completed a limited scope audit of the City's On-Street Parking Division. My examination was conducted in accordance with generally accepted auditing standards and the responsibilities of the Internal Audit Manager.

This examination was conducted in response to concerns expressed by the On-Street Parking Program Manager. The audit provides the Mayor, City Council Members, and the City Manager with an independent and objective evaluation of the adequacy of existing policies, practices, and managerial controls within the division.

In my opinion, the On-Street Parking Division's managerial system did not:

- 1) Establish operational objectives;
- 2) Create an annual operating plan;
- 3) Maintain current policies and procedures;
- 4) Provide sufficient operational controls over:
 - a. The physical safety of assets;
 - b. The separation of incompatible duties; and
 - c. Deficiencies in informational processing.
- 5) Fill seven vacant Parking Enforcement Officer positions necessary to the accomplishment of divisional goals.

Audit findings were discussed in detail with the On-Street Parking Program Manager and significant progress toward resolving operational weaknesses are addressed in this report. The written response to this report is included in the Appendix. I appreciate the assistance, courtesy, and cooperation extended by the On-Street Parking Program Manager and his representatives.

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

Martin J. Kolkin
Internal Audit Manager

**On-Street Parking Internal Audit
Report Number 2004-1
Executive Summary**

The Internal Audit Manager has completed a limited scope review of the On-Street Parking Division. Areas identified by the Internal Audit Manager for improvement are noted as audit findings, while action taken and estimated completion date are responses provided by the Program Manager of On-Street Parking.

Audit Findings	Action Taken	Estimated Completion Date
1. Lack of specific operational objectives (refer to page 2);	The Program Manager is preparing a Request for Proposal, to be submitted for approval, to secure the services of a consultant to assist in addressing this concern, with an estimated completion date of July 2004.	<u>January 2004</u> Develop a Request for Proposal. <u>July 2004</u> Final Report received from consultant.
2. No strategic plan for the placement of parking meters (refer to page 2);	Refer to Action Taken in Audit Finding One.	See Estimated Completion Date for Finding One.
3. Outdated policies and procedures (refer to page 3).	Refer to Action Taken in Audit Finding One.	See Estimated Completion Date for Finding One.
4. Insufficient Operational Controls:	The Program Manager implemented new practices to strengthen controls as noted below:	Listed by Finding Below
4A. <u>Inadequate controls for the physical safety of assets, including:</u> (refer to page 3):	Action taken is noted by each audit finding.	Completion dates noted below:
4A-1. Inadequate safeguards over the storage of daily cash collections, including: <ul style="list-style-type: none"> • Storing daily cash collections in the vault; • Limiting access to cash collections and the collections vault; • Providing a comprehensive monitoring of all activity within the collections vault; 	Assigning responsibility and accountability for cash custody, increased security of daily cash collections, storing daily cash collections in the vault, limiting access to cash, and video monitoring of the vault room;	Completed
4A-2 Lack of a loss prevention plan to deter parking meter thefts (refer to page 5);	Developing and using a parking meter loss prevention plan. Additionally, the installation of theft resistant parking meter locks.	Completed February 2004

Audit Findings	Action Taken	Estimated Completion Date
4A-3. Lack of physical inventories of: cash in the meter collections vault, the parking meters (both on the street and in the Meter Repair Shop), the coin collection containers, and the coin collection carts (refer to page 6);	Conducting physical inventories of cash in the collections vault, the parking meters, the coin collection containers, and the coin collection carts;	Completed
4A-4. Inadequate safeguards over the physical security of parking debit card value loading machines; The need to assign responsibility for loading values on debit cards; and Installing controls to the value loaded onto debit cards (refer to page 7);	Storage of the debit card value loading machines in a safe, establishing a debit card custodian, using specific procedures to track the values loaded onto debit cards;	Completed
4A-5. Lack of physical inventories of parking debit cards (refer to page 9);	Performing daily inventory counts of parking debit cards;	Completed
4A-6. Need to reconcile the inventory of parking debit cards, sales, and daily bank deposits (refer to page 9);	Conducting daily reconciliations of inventory, sales, and bank deposits;	Completed
4A-7. Creating safeguards over parking debit card payments received (refer to page 9).	All payments received are immediately placed in a secured area.	Completed
4B. <u>Insufficient separation of duties, including:</u>	Action taken is noted by each audit finding.	Completion dates noted below:
4B-1. Parking Meter Collection Workers having access to the Coin collection vault (refer to page 10);	Restricted access to the coin collections vault and designated individuals permitted access to collections vault.;	Completed
4B-2. Administrative Sales staff having direct access to the parking meter debit card inventory maintained in the administrative safe (refer to page 11);	Administrative sales staff no longer has access to the inventory of parking debit cards and the combination to the safe was changed.	Completed
4C. <u>Deficiencies in information processing, including:</u>	Action taken is noted by each audit finding.	Completion dates noted below:
4C-1. Lack of detailed parking meter cash collection data (refer to page 11);	Replace 3,547 mechanical parking meters that do not provide cash collection information.	<u>April 2004</u> Contingent upon replacing 3,547 mechanical parking meters.

Audit Findings	Action Taken	Estimated Completion Date
4C-2. No information regarding where parking meter debit cards are used and the value of prepaid cards used (refer to page 12);	System limitations are preventing this data from currently being collected. Hand-held unit technology that extracts the data from electronic parking meters is being explored.	April 2004 Contingent upon the receipt of hand-held units to extract electronic information.
4C-3. Eliminating redundant computer and manual systems in the Parking Meter Repair Shop (refer to page 12);	A new computerized program for the Parking Meter Repair Shop is being implemented in four phases.	March 2004
5. Seven of thirty-nine budgeted Parking Enforcement Officers positions were vacant (refer to page 13);	The recruitment process began in September 2003 and the positions are expected to be filled by January 2004.	January 2004
6. Program Reviews:	Action taken is noted by each audit finding.	Completion dates noted below:
6A. <u>Boot Program Review</u>	Action taken is noted by each audit finding.	Completion dates noted below::
6A-1. Increasing staffing utilization for the vehicle immobilization program (refer to page 13);	Booting activities will be increased and scheduled for at least two days a week.	Completed
6A-2. Investigating technological advances to increase vehicle immobilization activity (refer to page 14);	Currently reviewing new technology that uses a camera for mobile license plate recognition.	January 2004
6B. <u>Pursue technological advances and grant Parking Enforcement Officers greater flexibility in addressing disabled placard abuses</u> (refer to page 14);	Implemented a new computer program to assist Parking Enforcement Officers in locating potentially abuse of disabled placards. Additionally, Parking Enforcement Officers were granted greater flexibility in assessing, approaching, and citing apparent disabled placard abusers. Also, placards and individual's identification can be matched on the spot to assess the validity of the use of the disabled placard.	Completed
6C. <u>Investigate methods to discourage counterfeiting of residential parking permits</u> (refer to page 15);	Redesigned permits are expected to reduce counterfeiting of permits. Additionally, misuse use of permits may result in permit revocation.	Completed
7. Need to removing parking meter hoods on weekends (refer to page 15).	Removing parking meter hoods as scheduled.	Completed

Due to the serious nature and number of internal control weaknesses noted in this report, the Internal Audit Manager recommends a follow-up examination to determine if newly implemented procedures and controls operate as intended.

**On-Street Parking Internal Audit
Report Number 2004-01
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**On-Street Parking Internal Audit
Report Number 2004-01
Preliminary Section**

INTRODUCTION

In accordance with the approved Audit Workplan for fiscal year 2003/2004, the Internal Audit Manager completed a limited scope examination of the City of Sacramento's On-Street Parking Division.

The Program Manager of On-Street Parking ("Program Manager") requested a detailed internal audit of his division's policies, procedures, and practices. The Program Manager also expressed a strong desire to improve and strengthen existing controls in his division.

OBJECTIVE

This report provides the City Council and the City Manager with an objective evaluation regarding the extent that the On-Street Parking Division is achieving its stated operational objectives, protecting its revenues and assets, and using its resources in the most productive manner. Additionally, this audit provides recommendations for correcting deficiencies and strengthening managerial controls.

AUDIT SCOPE & METHODOLOGY

The scope of this review focused on policies, procedures, and practices in place at the time of this examination. The audit included, but was not limited to the following:

- Physical observations of On-Street Parking operations and practices;
- Analytical examination of budget data and financial information;
- Examination and verification of general ledger revenue data; and
- Interviews and discussions with personnel from On-Street Parking Administration, On-Street Parking Meter Repair and Collections, On-Street Parking Enforcement, the Legal Department, the Human Resources Department, the Finance Department, and the City Manager's Office.

REVENUE & EXPENDITURE HISTORY

**Table One
Annual Revenues & Expenditures**

Fiscal Year	1999/2000	2000/2001	2001/2002	2002/2003	Budgeted 2003/2004	Revenue Totals
Enforcement	\$4,663,538	\$4,593,433	\$4,450,928	\$4,855,385	\$5,309,000	\$23,872,284
Collection & Repair	2,971,268	3,311,852	3,563,295	3,117,570	3,446,000	16,409,985
Administration	264,400	206,790	249,670	216,003	265,000	1,201,863
Total Revenue	\$7,899,206	\$8,112,075	\$8,263,893	\$8,188,958	\$9,020,000	\$41,484,132
Total Expenditures	\$2,870,040	\$2,936,948	\$3,108,455	\$3,080,332	\$3,477,892	\$15,473,667
Net Total	\$5,029,166	\$5,175,127	\$5,155,438	\$5,108,626	\$5,542,108	\$26,010,465

Source: The City's Local Governmental Financial System ("LGFS").

**On-Street Parking Internal Audit
Report Number 2004-01
Conclusions**

The Internal Audit Manager recommends that On-Street Parking management: Establish divisional operating objectives; Create an annual operating strategy to support the operating objectives; improve internal controls over cash and assets; Fill Parking Enforcement Officer vacancies; and Explore new technologies to increase program efficiencies.

1. LACK OF SPECIFIC OPERATIONAL OBJECTIVES

Annual operational objectives must be clearly established in order to ensure that a conceptual and functional framework exists for implementing programs, delivering services, managing resources, responding to and prioritizing community needs, and evaluating the accomplishment of desired results. Examples of operational objectives include the identification of: a) areas that require additional parking meters due to new buildings or facilities; b) prioritizing areas that require additional parking enforcement due to increased business activity; c) targeting programs in response to community needs, such as increased resources dedicated to locating individuals abusing the disabled placard program; d) establishing a replacement plan for parking meters; and e) determining which areas have accomplished objectives and can allow for a reallocation of divisional resources.

The On-Street Parking Division lacked specific annual operational objectives. Rather, a purpose statement served as the operational guide for evaluating the accomplishment of desired program results. This purpose statement failed to provide the necessary framework for implementing specific programs, delivering services, managing resources, planning, and prioritizing community needs.

On-Street Parking Purpose Statement

“Manage on-street parking that supports city activities and helps maintain the quality of its neighborhoods.”

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives establish annual operational objectives that outline strategies for implementing programs, delivering services, managing resources, responding to and prioritizing community needs, and evaluating the accomplishment of desired results.

On-Street Parking Response

The Program Manager concurred with this recommendation. The Program Manager noted that he is preparing a requesting for proposal to secure the services of a consultant to assist in addressing this concern, with an estimated completion date of July 2004.

2. NO STRATEGIC PLAN FOR THE PLACEMENT OF PARKING METERS

The On-Street Parking Division lacked a strategic plan for the placement of parking meters. Strategic placement of parking meters aids in the accomplishment of divisional operational objectives. The placement of parking meters primarily evolved based upon the business or community needs at the time of installation. In most instances, the placement of parking meters was not reassessed after the initial installation. Therefore, no methodology existed to validate the current placement of the parking meters.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives perform a comprehensive examination to determine the number, type, and placement of parking meters needed to support the On-Street Parking Division's annual operational objectives.

On-Street Parking Response

The Program Manager concurred with this recommendation. As previously noted, the Program Manager stated that he is preparing a requesting for proposal to secure the services of a consultant to assist in addressing this concern, with an estimated completion date of July 2004.

3. OUTDATED POLICIES AND PROCEDURES

Policies and procedures provide a direct managerial control over operations. Policies and procedures establish specific actions to be taken to ensure that objectives are identified and that results are achieved. This managerial control additionally provides assurances that unintended actions do not occur.

This review noted that the On-Street Parking Division's policies and procedures need comprehensive updating. Many of the division's policies and procedures were never recorded in written form. Critical parking meter collection procedures have not been updated since June 1989. Other policies and procedures need to be established, such as setting policies for the useful life of parking meters and their planned replacement.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives perform a comprehensive written update of all divisional policies and procedures.

On-Street Parking Response

The Program Manager concurred with this recommendation. As previously noted, the Program Manager stated that he is preparing a requesting for proposal to secure the services of a consultant to assist in addressing this concern, with an estimated completion date of July 2004.

4. INADEQUATE INTERNAL CONTROLS

The Internal Audit Manager noted the following significant deficiencies in the design and operation of On-Street Parking internal controls¹:

- 4A. Physical controls;**
- 4B. Separation of Duties; and**
- 4C. Information processing.**

4A. PHYSICAL CONTROLS

Defined & Purpose

Physical controls² encompass the activities that involve the physical security of assets. These controls include adequate safeguards of the assets, such as: secured facilities; authorization for access to data files; and periodic reconciliation of physical inventory counts to inventory records. **The purpose of physical controls is to prevent the misappropriation of assets.**

¹ Codification of Statements on Auditing Standards, AU Section 325.21, *Example of Possible Reportable Conditions*.

² Codification of Statements on Auditing Standards, AU Section 319.110.9, *Consideration of Internal Control in a Financial Statement Audit, Control Activities*.

Practices

The Internal Audit Manager noted the following practices that provided insufficient physical controls over municipal assets. On-Street Parking personnel responded promptly to each identified control weakness. Accordingly, the status of corrective actions has been included.

4A-1. Inadequate Safeguards over the Storage of Daily Cash Collections

Cash collections of parking meter revenues amounted to approximately \$3.5 million in fiscal year 2002/2003.

This review noted the following inadequate physical safeguards over the daily storage of parking meter cash collections:

- **The daily parking meter collections were stacked, in unsecured canvas coin-bags, in a corner of the vault room, instead of inside the locked vault. The unsecured canvas bags containing the meter collections remained outside of the locked vault until a cash count was conducted at the end of each day's work;**
- **Inside the vault room, Parking Meter Collection Workers had direct access to the cash collected on their routes, and all other cash stored in the corner;**
- **The daily cash collections also were accessible to anyone gaining entry to the vault room. For example, on June 26, 2003, the Internal Audit Manager counted ten coin bags, worth approximately \$10 thousand, in the corner of the vault room;**
- **The corner of the vault room used for cash collection storage was outside of the range of the vault room security camera; and**
- **Inside the vault room, the cash counting area also served as an office for the Parking Meter Collections Supervisor.**

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives establish policies and procedures that:

- Provide sufficient oversight of parking meter cash collections, including assigning and delineating specific responsibility for each stage of the cash collection process;
- Assign specific responsibility and accountability for the receipt and storage of daily cash collections;
- Establish internal controls to safeguard cash and to protect Parking Meter Collection Workers from false allegations of misappropriation by eliminating situations where they directly handle cash; and
- Restrict the use of the vault room for only cash functions.

Status of Corrective Action:

On-Street Parking management implemented numerous changes to increase the physical security over cash collections. New practices implemented included requiring that Parking Meter Collection Workers immediately transfer custody of the locked coin collection cart to the Parking Meter Collection Supervisor³ upon entrance to the vault room. After the custody of each locked coin collection cart is transferred to the Parking Meter Collection Supervisor, daily cash collections become the sole responsibility of the Parking Meter Collection Supervisor. New practices now restrict the use of the vault room to only cash functions and includes daily camera monitoring of the vault room.

³ As evidenced by signed and dated custody transfer records.

Additionally, the new practices make the Parking Meter Collection Supervisor responsible for ensuring that coin collections are immediately stored in the vault. All cash handling functions now must occur in dual custody situations. New security cameras also were installed in the vault room.

4A-2. Lack of a Loss Prevention Plan to Deter Parking Meter Thefts

The Internal Audit Manager noted a series of unresolved parking meter break-ins. This review also noted a questionable management decision of switching from locked coin containers, inside of parking meters, to paper cups. This decision was made in an effort to minimize equipment losses in areas of repeated meter break-ins.

Fiscal 2002/2003 Break-Ins

On-Street Parking files documented the occurrence of two hundred ninety-five parking meter break-ins, during the period August 2002 through September 2002, with an estimated loss of cash and equipment of nearly \$17 thousand.

Management Action

In a memorandum dated September 18, 2002, the Program Manager notified the Public Works Director of the need for additional resources to resolve parking meter break-ins. Additionally, the Program Manager informed the Public Works Director of the decision to discontinue using locked coin containers and to switch to paper cups, in two hundred twenty-nine parking meters. According to the Program Manager, the intent of this decision was to limit the loss of the locked coin containers, with an estimated cost of approximately \$30 each, or an estimated total loss of \$6,870⁴.

Internal Audit Manager's Comments

The use of locked coin containers is a fundamental control in the meter collection process. Discontinuing this practice circumvents the intended internal control of protecting the security of cash, and fails to protect Parking Meter Collection Workers from false allegations of theft.

The Internal Audit Manager strongly disagreed with the decision to discontinue using locked coin containers. The Internal Audit Manager firmly believes that the focus of resources should have been applied to preventing the break-ins and resolving the theft issue instead of simply mitigating the impact of the thefts.

Record of Break-Ins - October 2002 – June 2003

No parking meter thefts were recorded on Parking Meter Collection's "Break-In Records" for the period October 2002 through June 2003. However, since non-secure coin containers (paper cups) were used, no methodology was available to assess if thefts occurred.

Record of Break-Ins - July 2003- August 2003

The Program Manager concurred with the need for locked coin containers in all parking meters. He directed his staff to remove the paper cups and to use locked coin containers in all parking meters. As of July 21, 2003, all paper cups were replaced with locked coin containers.

⁴ Review of actual invoices determined the actual replacement cost of coin containers was \$16.12 a unit, with an estimated total loss for 229 meters of \$3,691.

Following the reinstallation of locked coin containers, parking meter break-ins were again reported. A total three hundred twenty-five break-ins occurred, with an estimated loss of cash and equipment totaling \$10 thousand, for the period July 28, 2003 through August 29, 2003.

Coin Container Inventory Shortage

As a result of the large number of break-ins, by August 20, 2003, the inventory of coin containers was insufficient to replace all of the stolen coin containers. Thirty-two paper cups temporarily were used in lieu of locked coin containers. As of September 5, 2003, all paper cups were replaced with locked coin containers.

Resolution

In late-August 2003, On-Street Parking management worked closely with the Police Department to identify patterns of parking meter break-ins and to develop and implement a police surveillance plan. On August 29, 2003, the Sacramento Police Department apprehended two individuals suspected of committing parking meter thefts.

Additional Management Action

The Program Manager noted that the break-ins occurred primarily with the older, mechanical parking meters. He explained that the newer electronic parking meters contained locks that were more difficult to compromise. The Program Manager stated that he directed his staff to replace approximately⁵ 84 mechanical parking meters with the existing inventory of electronic parking meters

The Program Manager further expressed his intention to replace all of the older locking mechanisms, approximately 3,000⁶ mechanical meters, with the newer, more secure locks. The Parking Meter Repair Shop Supervisor was working to carry out this directive at the time of this report.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives:

1) Develop procedures to protect against break-ins; and 2) Develop a plan of action to promptly address the inevitable occurrence of parking meter break-ins.

Status of Corrective Action:

The Program Manager concurred with this recommendation. He stated that procedures to protect against break-ins were completed on August 29, 2003 and a plan of action for parking meter loss prevention was completed on September 12, 2003. The Program Manger added that the installation of stronger parking meter locks and implementing other loss prevention procedures would be completed by February 1, 2004.

4A-3 Lack of Physical Inventories

Physical inventories validate the existence of assets, such as cash or equipment used to collect cash, and represent a fundamental managerial control over assets that are highly susceptible to misappropriation.

⁵ Actual physical inventories of the parking meters had not yet occurred, refer to the next finding of this report titled *Lack of Physical Inventories*.

⁶ Estimated by the Program Manager, physical counts by parking meter type, mechanical or electronic, were not available at the time of this report.

This review determined that the following necessary physical inventories did not occur:

- **A daily count of beginning and ending cash in the parking meter collection vault;**
- **An accurate physical count of the number, type, and location of parking meters on City streets;**
- **An accurate physical count of the number and type of parking meters located in the Parking Meter Repair Shop;**
- **A daily count of the beginning and ending number and type of locked coin containers; and**
- **A daily count of the number of coin collection carts.**

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives conduct: daily counts of the beginning and ending cash amounts stored in the parking meter collection vault; a periodic physical count of the number, type, and location of parking meters on City streets; a periodic physical count of the number and type of parking meters located in the Parking Meter Repair Shop; a daily count of the beginning and ending number and type of locked coin containers; and a daily count of the number of coin collection carts.

Status of Corrective Action:

The Program Manager concurred with this recommendation. The Program Manager stated that all inventories were completed by September 12, 2003.

Internal Audit Manager Comments

Prior to this examination, On-Street Parking personnel were unable to accurately identify the actual number of parking meters and the specific, physical location of each parking meter. The cited number of parking meters was based upon estimates obtained from outdated parking meter maps.

Table Two
Summary of the Parking Meter Inventory
December 2003

Description	Number of Parking Meters
Parking Meters on City Streets	5,312
Parking Meters in Inventory	587
Total Number of Parking Meters	5,899

Source: Physical Inventory reports conducted by Parking Meter Repair Shop Workers.

4A-4 Inadequate Internal Controls Over Parking Debit Cards

Revenues from the sale of parking debit cards amounted to approximately \$184 thousand during fiscal year 2002/2003.

This review noted a critical need for:

- **Establishing security over the two debit card reloading machines;**
- **Creating internal controls over the loading of prepaid parking values on debit cards (“loading”);**
- **Conducting daily, physical inventories of parking debit cards⁷; and**
- **Reconciling the daily inventory, sales, and bank deposits**

⁷ Debit cards with no prepaid value and debit cards with prepaid values.

Background

The On-Street Parking Division sells prepaid parking debit cards in \$30 and \$60 increments. Parking debit cards provide the user with the convenience of paying for parking meter expenses with a parking card, rather than coins. The parking debit cards provide the opportunity to park in metered parking spots, in twenty-five cent increments, for up to the value of the parking debit card. The parking debit card also can be reloaded, in prepaid increments of either \$30 or \$60.

Card Loading Process

The prepaid parking values must be physically loaded onto the debit card using a "debit card-reloading machine", which is connected to a computer containing the supporting system software. Staff members load the debit cards with either a \$30 or \$60 prepaid parking balance.

4A-4a Inadequate Safeguards Over the Two Debit Cards Reloading Machines

This review noted inadequate safeguards over the physical security of the debit card-reloading machines. When not loading parking debit cards, the softball-sized machines were left, unsecured, on administrative staff's workstations.

Maximum Capacity of Debit Card Reloading Machines

The two debit card reloading machines had separate maximum capacities to load parking debit cards. One debit card reloading machine had no limitations on its ability to load values on parking debit cards. However, this machine had software compatibility issues and had not been functional since at least July 17, 2003. The other debit card reloading machine has the ability to load values of up to \$65,000⁸ to parking debit cards.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives:

- Take appropriate measures to safeguard the physical security of the debit card reloading machines, which may include securing the machines to the workstations or storing the machines in the administrative safe; and
- Investigate the cost of repairing the nonfunctioning debit card reloading machine and perform a replace or repair analysis for this equipment.

Status of Corrective Action:

The Program Manager stated that, as of October 16, 2003, the debit card reloading machines were stored in the administrative safe. The Program Manager added that his staff was working with the manufacturer to repair the nonfunctioning machine. He estimated a January 2004 resolution date.

4A-4b Need to Assign Responsibility for Loading Parking Debit Cards and Lack of Controls to Track the Value Loaded onto Parking Debit Cards

This review determined that no specific position was assigned the responsibility for loading the parking debit cards. Rather, any staff member had the ability to load parking debit cards at any time. Also, staff members did not monitor the values transferred from the debit card reloading machine with built-in controls over transferred values. Specific authority to load debit cards was not assigned to any specific position. This control verifies that loaded parking debit cards are not misappropriated and serves to protect staff from false allegations of theft.

⁸

The debit card reloading machine employs a hardware device that functions as a bank, containing a fixed value that can be transferred to debit cards. The fixed bank value amount is reduced as value is transferred to debit cards. Accordingly, when the "bank" reaches a zero value amount, a new hardware device must be installed.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives assign specific responsibility and accountability for loading parking debit cards, develop procedures to monitor and track the value of prepaid parking from the debit card reloading machine to the parking debit cards.

Status of Corrective Action:

The Program Manager assigned responsibility and accountability for loading parking debit cards and implemented new practices to trace the value of prepaid parking from the debit card reloading machine to the parking debit cards, completed as of August 5, 2003.

4A-5 Lack of Physical Inventories of Parking Debit Cards

Physical inventories validate the existence of assets and represent a fundamental managerial control over assets that are highly susceptible to misappropriation. **This examination determined that inventory counts did not occur for either parking debit cards with no prepaid value or for cards loaded with prepaid parking values.**

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives perform daily inventory counts for debit cards with no prepaid value and cards loaded with prepaid parking values.

Status of Corrective Action:

The Program Manager implemented new practices to perform daily inventory counts of parking debit cards, completed as of August 4, 2003.

4A-6 Need to Reconcile Inventory, Sales, and Daily Bank Deposits

No reconciliation occurred to tie together the daily debit card inventory, the daily sales, and the daily bank deposits.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives develop a reconciliation process to tie together inventory, sales, and bank deposits.

Status of Corrective Action:

The Program Manager implemented new, daily procedures to reconcile inventory, sales, and bank deposits, completed as of August 4, 2003.

4A-7 Inadequate Safeguards Over Parking Debit Card Payments

This review noted that checks received for parking debit cards were placed on an unsecured shelf during the business day and remained there until the nightly bank deposit. The placement of payments in a non-secured environment fails to adequately safeguard the revenues from loss or misappropriation.

Checks are the only form of payment that was accepted for parking debit cards.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives establish procedures for placing all payments for goods or services in secured areas. Additionally, the Internal Audit Manager recommends that the Program Manager explore the possibility of accepting cash and credit cards for payment.

Status of Corrective Action:

The Program Manager implemented new processes that require that all payments received be immediately placed in a secured area, completed as of August 5, 2003. The Program Manager explained that On-Street Parking was in the process of implementing a new system that would allow payment by credit cards. Additionally, the Program Manager stated that he was examining the cashiering requirements of accepting cash payments.

4B. SEPARATION OF DUTIES⁹

Defined & Purpose

Separation of duties is the managerial control of assigning different people the responsibilities of authorizing transactions, recording transactions, and safeguarding assets. This control reduces the opportunity of any person to be in a position to both perpetrate and conceal errors or irregularities in the normal course of an individual's duties.

Practices

This review noted inadequate separation of duties for the following key responsibilities:

4B-1 Parking Meter Collection Workers had access to the coin collection vault.

Prudent business practices dictate that the individuals collecting cash, the Parking Meter Collection Workers, do not have direct access to cash stored in the collection vault.

This review noted that:

- a. During a period of extended leave by the Parking Meter Collection Supervisor, a Parking Meter Collection Worker functioned in an "out-of-class" capacity as the cash collection custodian and maintained cash collection responsibilities; and**
- b. Parking Meter Collection Workers were granted access to the coin collection vault to remove parking meter keys for daily route collections.**

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives establish procedures that require Parking Meter Collection Workers to collect coins only in a locked coin collection cart and then directly transfer the custody of the coin collection cart to the Parking Meter Collection Supervisor or a designated alternative position in the vault room. The designated alternative position must be a position that is not involved in the actual parking meter coin collection process. These procedures would establish specific staff positions and alternate positions, in the event of leave, which are permitted access to the coin collection vault.

Status of Corrective Action:

The Program Manager implemented the following new practices:

- 1. Restricting access to the coin collections vault;
- 2. Designating the Parking Meter Collection Supervisor as the individual responsible for the contents of the vault, which includes checking out parking meter keys to the Parking Meter Collection Workers;
- 3. Establishing the Parking Meter Repair Shop Supervisor as an alternative position granted authority to the coin collection vault; and
- 4. Changing the combination to the vault.

The new practices were completed by August 4, 2003.

⁹ Codification of Statements on Auditing Standards, AU Section 319.110.9, *Consideration of Internal Control in a Financial Statement Audit, Control Activities.*

4B-2 On-Street Parking Administrative Sales staff had direct access to parking meter debit card inventory maintained in the administrative safe.

Prudent business practices dictate a separation of duties between a custodian of the inventory and the individuals conducting sales. This control reduces the opportunity of any person to be in a position to both perpetrate and conceal errors or irregularities during their normal business activities, in this case the sale of parking debit cards. Additionally, access to the administrative safe should be limited to individuals with custodial responsibilities only.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives:

- Assign custodial responsibility for the inventory of parking debit cards to a position not associated with debit card sales;
- Ensure that the inventory is stored in a secured area; and
- Maintain daily inventory records that sufficiently document the beginning of the day inventory, the inventory released for sale, inventory returned at the end of each business day, and a physical count of parking debit cards at the end of each business day.

Status of Corrective Action:

The Program Manager concurred with this recommendation and established a custodial position responsible for the inventory of the parking debit cards, as of August 4, 2003. According to the Program Manager, this position is held accountable for the physical inventory of parking meter debit cards and is restricted from sales activity. The Program Manager stated that the combination to the safe had been changed, on August 5, 2003, and was no longer accessible by administrative staff that sells parking debit cards.

4C. INFORMATION PROCESSING¹⁰

Defined & Purpose

Information processing activities are a variety of controls performed to check the accuracy, completeness, and authorization of transactions. Information processing controls help ensure that transactions are valid, properly authorized, and accurately processed.

4C-1 Lack of Detailed Parking Meter Cash Collection Data

On-Street Parking personnel record cash collection information by parking meter collection route, not by individual parking meter. The City of Sacramento is divided into fourteen parking meter collection routes. Twelve of the fourteen routes are further subdivided into three to four zones. Parking meter collections are picked-up and counted by zone, but only recorded by route (the sum of the zones). The existing system does not report the cash collections by individual parking meters.

Although many of the electronic parking meters have the capacity to record individual meter collection data, no system currently exists to retrieve the data¹¹. Additionally, the City's mechanical parking meters, estimated at approximately 3,600 meters, do not have the capacity to record collection information.

¹⁰ Codification of Statements on Auditing Standards, AU Section 319.110.9, *Consideration of Internal Control in a Financial Statement Audit, Control Activities.*

¹¹ According to the On-Street Parking Program Specialist, On-Street Parking has a "DOS" based parking meter data collection system, Metertrax. However due to compatibility issues, the system was never installed.

Internal Audit Manager's Comments

The Internal Audit Manager believes that feedback from the strategic placement of parking meter comes in the form of cash collection data. The Internal Auditor further believes that the collection data recorded by route does not provide sufficient detailed information to determine if operational objectives are being accomplished.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives develop a system to gather detailed cash collection information from parking meters.

On-Street Parking Response

The Program Manager concurred with need to develop a system to gather cash information from parking meters. The Program Manager noted that the use of mechanical meters restricted his division's ability to collect individual parking meter collection data.

4C-2 Lack of Information Regarding the Use Parking Meter Debit Cards

The current parking meter system fails to provide information regarding: 1) the meter where prepaid parking debit cards are used; and 2) the value of prepaid parking debit cards used.

The existing parking meter system does not report the parking meter location or the dollar amount of prepaid parking debit card usage. Additionally, no system existed to quantify the value of parking debit cards used or the liability for parking debit cards unused.

**Table Three
Computation of Unused Prepaid
Parking Debit Cards Liability**

Value of Prepaid Parking Debit Cards Sold	-	Value of Prepaid Parking Debit Cards Used	=	Value of Prepaid Parking Debit Cards Unused
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Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives develop a system to gather data regarding the location where parking debit cards are used, the value of parking debit cards used, and the value of unused parking debit cards.

On-Street Parking Response

The Program Manager concurred with need to develop a system to gather information regarding the location and usage of parking debit cards. However, the Program Manager cited system limitations as preventing this data from currently being collected.

4C-3 Redundant Systems in the Parking Meter Repair Shop

The Parking Meter Repair Shop maintains both a computerized and manual system for repair shop activity. The Parking Meter Repair Shop Supervisor cited data retrieval problems and system reliability problems as the primary reasons for maintaining redundant computerized and manual information systems.

Internal Audit Manager's Comments

The Internal Audit Manager believes that the information system that provides the Parking Meter Repair Shop with the best combination of efficient, effective, and reliable information should be used. In this instance, the redundant systems fail to add value to the function of the Parking Meter Repair Shop.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives develop a comprehensive information system that meets the needs of the Parking Meter Repair Shop.

On-Street Parking Response

The Program Manager concurred with this recommendation and is in the process of installing a new information system for the Parking Meter Repair Shop. The Program Manager estimated that this new system would be installed by March 31, 2004.

5. EIGHTEEN PERCENT OF PARKING ENFORCEMENT OFFICER POSITIONS ARE VACANT

Seven¹² of thirty-nine approved Parking Enforcement Officer positions were vacant, as of September 23, 2003. The Program Manager cited unusually high employee turnover, including retirements and promotions to other municipal departments, as the cause for these vacancies. The Program Manager also noted that five employees were on modified/light duty due to injury.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives take immediate action to expedite the process of filling vacant Parking Enforcement Officer positions.

On-Street Parking Response

The Program Manager stated that he had begun the recruitment process during September 2003 and expected to have the positions filled by January 2004.

6. PROGRAM REVIEWS

The following specific programs were reviewed at the request of the Program Manager:

- 6A. Vehicle Immobilization Program**
- 6B. Disabled Placard Abuse Program**
- 6C. Residential Permit Parking Program**

6A. Vehicle Immobilization ("Boot") Program

The Boot program attaches a device locked to the wheel of a parked vehicle to prevent that vehicle from being driven. This program encourages settlement of outstanding parking citations and is only used for vehicles with five or more delinquent parking fines.

6A-1 Decrease in Scheduled Booting Activity

This review noted a rise in uncollected parking fines during calendar year 2003. A review of the daily schedules of Code Enforcement Officers for calendar year 2003 noted a steady decline in the number of days scheduled for the booting of vehicles, from twenty days in January 2003 down to three days in July 2003. The Program Manager attributed this drop in the booting activity directly to the shortage of Parking Enforcement Officers.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives increase usage of the Boot program, particularly during periods when unpaid parking fines are increasing.

¹² The seven vacant positions consist of 3 full time positions and 8 half time positions.

On-Street Parking Response

The Program Manager stated that he anticipated an increase in booting activity when additional Parking Enforcement Officers are hired. The Program Manager further stated that booting activities would be increased and scheduled for at least two days a week. He indicated that the change would be effective as of September 15, 2003.

6A-2 Investigate Technical Advances to Increase Booting Productivity

This review noted the time-intensive process involved in locating vehicles that are to be booted. The Program Manager explained that On-Street Parking personnel are reviewing new technology for the boot program that uses a camera to scan license plates and identify pre-established criteria within the State's Department of Motor Vehicles database, such as listing vehicles with five or more delinquent municipal parking fines.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives actively investigate technological advances, such as use of camera to scan license plates (mobile license plate recognition), and provide the City Manager with a cost-benefit analysis of the new technology

On-Street Parking Response

The Program Manager concurred with this recommendation and stated his intent to provide the City Manager with a cost-benefit analysis of new technologies by January 30, 2004. The Program Manager additionally explained that new advances in technology frequently have more than one benefit. He stated that the technology of using cameras to scan license plates would 1) greatly assist in recording and locating abusers of the City's two-hour parking policy, and 2) assist in reducing worker's compensation claims of Enforcement Officers resulting from repeated strain disorders associated with the process of manual tire chalking.

6B Disabled Placard Abuse Program

The purpose of the Disabled Placard Abuse Program is to reduce the misuse of disabled placards.

My review noted the time consuming process for Parking Enforcement Officers in locating and citing abusers of Disabled Placard Program. The Program Manager noted that On-Street Parking was in the final stages of implementing a new computer program to assist Parking Enforcement Officers in locating individuals potentially abusing disabled placards. The Program Manager also noted that greater Enforcement Officer flexibility in assessing, approaching, and citing apparent disabled placard abusers was being reviewed.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives continue to pursue technological solutions to increase the productivity of the program. Additionally, the Internal Audit Manager recommends that the Program Manager grant Parking Enforcement Officers greater flexibility in assessing, approaching, and citing apparent disabled placard abusers.

On-Street Parking Response

The Program Manager concurred with this recommendation. The Program Manager noted that a new computer program designed to assist Parking Enforcement Officers in locating individuals potentially abusing disabled placards was operational during September 2003. Additionally, the Program Manager noted that Parking Enforcement Officers were granted greater flexibility in assessing, approaching, and citing apparent disabled placard abusers. The Program Manager stated, at the Parking Enforcement Officer's discretion, placard and individual identification could be matched on the spot to assess the validity of the use of the disabled placard.

6C Residential Permit Parking

The City of Sacramento established the Residential Permit Parking Program for the benefit of residents who experience difficulty parking near their residences, due to all-day commuters and inadequate off-street parking. This program allows individuals in residential permit areas to park within two blocks of their specific permit area.

The Program Manager stated that prior to this audit, widespread use of counterfeit permits was recognized as a major problem with this program. As a result, the Program Manager developed a new permit style that uses a picture of a landmark in the permit area and a hologram to discourage counterfeiting.

Additionally, the Program Manager stated that misuse of a permit could result in the revocation of the resident's parking permit.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives continue to pursue solutions that will encourage compliance with the requirements of the Residential Permit Program.

On-Street Parking Response

The Program Manager noted that the redesigned permits are expected to reduce counterfeiting of permits and encourage compliance with the Residential Permit Program. The Program Manager stated that as residential permits expire, the new permits are now distributed to participants.

7. OTHER MATTERS

Removing Parking Meter Hoods on the Weekends

Parking meter hoods are locked canvas bags that cover parking meters for commercial or special events purposes to prevent public parking at specific parking spaces. A daily fee is charged for parking meter hoods.

This review noted that parking meter hoods scheduled for Friday evening removal were removed instead on Monday morning. This practice reduces the number of available public parking spaces, such as in construction zone parking, and prevents the City of Sacramento from collecting meter revenue for the "hooded" parking meter. However, this review did note that hood removals following special events, such as concerts in Chavez Park, were removed in a timely manner.

Recommendation

The Internal Audit Manager recommends that the Program Manager or his representatives modify their procedures to remove all parking meter hoods as scheduled.

On-Street Parking Response

The Program Manager stated that all parking meter hoods would be removed, as scheduled, effective September 12, 2003. Additionally, the Program Manager explained that a new procedure for construction zone parking was in process. New signs, not parking meter hoods, would be used for construction zone parking. The new signs would delineate when parking was prohibited, open up a public parking after 5 p.m., and allow for parking on the weekends.

Additional Internal Audit Manager's Comments

Due to the serious nature and number of internal control weaknesses noted in this report, the Internal Audit Manager recommends a follow-up examination to determine if newly implemented procedures and controls operate as intended

Appendix



DEPARTMENT OF
PUBLIC WORKS

ON-STREET PARKING DIVISION
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CALIFORNIA


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December 15, 2003

MEMORANDUM

TO: Martin Kolkin, Internal Audit Manager

FROM: Dennis J. Kubo, Program Manager 

CC: Gene Moore, Maintenance Services General Manager
Marty Hanneman, Traffic Engineer

**SUBJECT: ON-STREET PARKING AUDIT REPORT
WRITTEN REPONSES TO THE AUDIT FINDINGS**

Recommendations #1 #2 #3

1. The Internal Audit Manager recommends that the Program Manager or his representatives establish annual objectives that outline strategies for implementing programs, delivering services, managing resources, responding to and prioritizing community needs, and evaluating the accomplishment of desired results.
2. The Internal Audit Manager recommends that the Program Manager or his representatives perform a comprehensive examination to determine the number, type, and placement of parking meters needed to support the On-Street Parking Division's annual operational objectives.
3. The Internal Audit Manager recommends that the Program Manager or his representatives perform a comprehensive written update of all divisional policies and procedures.

Response:

- On-Street Parking recognizes the tremendous importance of developing and implementing a parking master plan for the City of Sacramento. Staff proposes to develop a scope of work and distribute a request for proposals to secure the services of a qualified consultant and to address each of the three audit recommendations.

- Given the magnitude of this endeavor and the need to develop a plan that will serve the city well for the long-term, staff feels the utilization of an expert external consultant is both necessary and cost effective. The consultant would ensure input from affected community and business leaders; research and benchmark with other cities and agencies both in terms of parking placement strategy and parking policies and procedures; and share data with the City Council to assist them in determining the appropriate role and purpose of parking controls in Sacramento. The consultant's product would lead to a much more defined, strategic, and unified approach to parking decision-making within the city, helping the City to better balance parking turnover and revenue.
- Timeline: January 31, 2004 Develop and distribute request for proposals / scope of work
 April 2004 Draft report prepared by consultant
 July 2004 Business Plan / Final Report completed
- Staff is currently developing written policies and procedures and will be reviewed and defined by the consultant.
- Timeline: March 2004

Recommendation # 4-A-1

1. The Internal Audit Manager recommends that the Program Manager or his representatives establish policies and procedures that:
 - a. Provide sufficient oversight of parking meter cash collections, including assigning and delineating specific responsibility for each stage of the cash collection process;
 - b. Assign specific responsibility and accountability for the receipt and storage of daily cash transactions;
 - c. Establish internal controls to safeguard cash and to protect Parking Meter Collection Workers from false allegations of misappropriation by eliminating situations where they directly handle cash; and
 - d. Restrict the use of the vault room for only cash functions.

Response:

On Street Parking completed the recommendations identified by the Internal Auditor Manager:

- a. 07-28-03 Coin bags from daily routes are stored in the locked safe. Tie clips are used to secure bags when placed in the safe prior to counting. Dual custody is performed during each step of the meter cash handling and counting process.

- b. 07-28-03 Daily inventory of transactions (transfer of custody) are recorded by the supervisor when the Parking Meter Collector deposits coin bag(s) brought into the vault room from the field.
- c. 08-05-03 Daily beginning and ending safe inventory is performed and documented by the supervisor. Policy and procedures are completed. Coin carts and coin containers are checked out daily by the supervisor and secured in a locked storage room when not in use. Daily inventory is documented. Daily monitoring of the vault room by management staff is performed using two security cameras.
- d. 07-29-03 The Parking Meter Collections Supervisor's workstation was relocated outside the vault room.

Recommendation #4-A-2

- 1. The Internal Audit Manager recommends that the Program Manager or his representatives:
 - a. Develop procedures to protect against break-ins;
 - b. Develop a plan of action to promptly address the inevitable occurrence of parking meter break-ins.

Response:

On-Street Parking has completed the recommendations identified by the Internal Audit Manager. During the thefts, staff took the initiatives that included: filing police reports upon discovery, documented the location and number of meters, used a traffic camera to perform surveillance on a meter where thefts were occurring, more frequent coin collections, installed 84 electronic meters replacing mechanical meters, began replacing and installing new meter locks, searched for a security firm to monitor high theft areas, met with SPD and developed a game plan which two suspects were apprehended, and developed and implemented written procedures on parking meter loss prevention.

New technology, replacing mechanical parking meters with new electronic parking meters, affords effective theft-prevention and losses through high security locks and reduce cash losses (coins) with optional cashless debit card use.

Recommendation # 4-A-3

- 1. The Internal Audit Manager recommends that the Program Manager or his representatives conduct:
 - a. Daily counts of the beginning and ending cash amounts stored in the parking meter collection vault;
 - b. A periodic count of the number, type, and location of parking meters on City streets;

- c. A periodic physical count of the number and type of parking meters located in the Parking Meter Repair Shop:
- d. A daily count of the beginning and ending number and type of locked coin containers;
- e. A daily count of the number of coin collection carts.

Response:

On-Street Parking has completed the recommendations identified by the Internal Audit Manager:

- a. 08-05-03 Daily safe inventory is performed and documented by the supervisor.
- b. 08-05-03 Current inventory of all parking meters located on city streets are recorded on a spreadsheet. Currently developing a new program to enhance meter inventory capabilities.
- c. 09-12-03 Inventory of all parking meters in the meter shop is recorded and will be included in the new inventory program.
- d. 08-04-03 The coin carts and coin containers are inventoried and checked out daily and documented by the supervisor. When coin carts and coin containers are not in use, they are secured in a locked storage room.

Recommendation #4-A-4a

- 1. The Internal Audit Manager recommends that the Program Manager or his representatives:
 - a. Take appropriate measures to safeguard the physical security of the debit card reloading machines; which may include securing the machines to the workstations or storing the machines in the administrative safe; and
 - b. Investigate the cost of repairing the non-functioning debit card-reloading machine and perform a replace or repair analysis for this equipment.

Response:

On-Street Parking has completed the recommendations identified by the Internal Audit Manager.

- a. The Duncan and MacKay re-loaders are locked in the administrative safe when not in use.
- b. The software for the MacKay re-loader is programmed using *Windows 98* application. On-Street Parking converted all PC's to *Windows 2000*.

- c. Current application is not compatible and the manufacturer is in the process, with assistance from Microsoft, to reprogram the re-loader. Complete by 01-31-04.

Recommendation 4-A-4b

1. The Internal Audit Manager recommends that the Program Manager or his representatives assign specific responsibility and accountability for loading parking debit cards, develop procedures to monitor and track the value of prepaid parking from the debit card reloading machine to the parking debit cards.

Response:

On-Street Parking has completed the recommendations identified by the Internal Audit Manager by establishing a debit card custodian responsible for reloading parking debit cards. Access to both parking debit card re-loaders is restricted to one custodian. The value of the re-loader is documented, including the inventory or debit cards reloaded. Both parking debit card machines are stored in the administrative safe when not in use. A printout listing the number of debit cards re-loaded is now kept on file.

Recommendation 4-A-5

1. The Internal Audit Manager recommends that the Program Manager or his representatives perform daily inventory counts for debit cards with no pre-paid value and cards loaded with pre-paid parking values.

Response:

On-Street Parking has completed the recommendation identified by the Internal Audit Manager. Debit card custodian established and is responsible for performing and documenting daily beginning and ending counts of all parking debit cards with no pre-paid and pre-paid value.

Recommendation #4-A-6

1. The Internal Audit Manager recommends that the Program Manager or his representatives develop a reconciliation process to tie together inventory, sales, and bank deposits.

Response:

On-Street Parking has completed this recommendation identified by the Internal Audit Manager by developing procedures and documentation form to capture daily inventory, sales, deposits, and values of cards charged together. In addition, all cash transactions for permit replacement and other meter fees are recorded. Each staff maintains a daily

debit card transaction form to document card sales, exchanges/refunds in addition to collected meter fees which are reconciliated at the end of the day.

Recommendation #4-A-7

1. The Internal Audit Manager recommends that the Program Manager or his representatives establish procedures for placing all payments for goods and services in secured areas. Additionally, the Internal Audit Manager recommends that the Program Manager explore the possibility of accepting cash and credit cards for payment.

Response:

On-Street Parking completed this recommendation identified by the Internal Audit Manager. Staff are assigned their own locked bank bag and lock key used to secure any checks or credit card transaction receipts, received during the day. The secured bank bags provides security for the pre-set number of debit cards issued to staff available for sale, and debit cards received as exchanged or refunded. On-Street Parking now accepts credit card payments for all transactions.

Recommendation #4-B-1

1. The Internal Audit Manager recommends that the Program Manager or his representatives establish procedures that require Parking Meter Collection Workers to collect coins only in a locked coin collection cart and then directly transfer the custody of the coin collection cart to the Parking Meter Collection Supervisor, or designated alternative position in the vault room. The designated alternate position must be a position that is not involved in the actual parking meter coin collection process. These procedures would establish specific staff positions and alternate positions, in the event of leave, which are permitted access to the coin collection vault.

Response:

On-Street Parking has completed the recommendation identified by the Internal Audit Manager. Parking Meter Collection workers no longer have access to the coin collection vault and do not have the combination to the safe. Parking Meter Collections Supervisor is the designated individual responsible for the contents of the vault. Daily beginning and end of the day inventories are performed and the issuing of parking meter keys are distributed by the supervisor and kept in the safe when not in use.

The locked coin collection carts are inventoried at the beginning and end of each day and documented by each Parking Meter Collections Worker and the Parking Meter Collections supervisor.

The Parking Meter Repair Supervisor is the alternate position granted authority to the coin collection vault. The vault combination was changed to limit access into the coin collection safe.

Recommendation 4-B-2

1. The Internal Audit Manager recommends that the Program Manager or his representative:
 - a. Assign custodial responsibility for the inventory of parking debit cards to a position not associated with debit card sales;
 - b. Ensure that the inventory is stored in a secured area; and
 - c. Maintain daily inventory records that sufficiently document the beginning of the day inventory, the inventory released for sale, inventory returned at the end of each business day, and a physical count of parking debit cards at the end of each business day.

Response:

On-Street Parking completed the recommendations identified by the Internal Audit Manager by establishing: (1) a custodial position responsible for the inventory of the parking debit cards that is not associated to debit card sales; (2) Administrative staff have their own locked bank bag to secure checks and parking meter debit cards; and (3) Administrative staff are assigned specific responsibility over parking debit cards checked out for sale. Staff allocated pre-determined number of cards beginning each day and reconcile and return (unsold, exchanged and refund cards) them to the parking debit card custodian. All transactions are recorded on a daily inventory sheet which are both signed by the custodian and employee.

Recommendation #4-C-1

1. The Internal Audit Manager recommends that the Program Manager or his representatives develop a system to gather detailed cash collection information from parking meters.

Response:

- a. On-Street Parking recognizes the importance to develop a system to record cash collection information from individual parking meters. The existing coin-operated mechanical parking meters are obsolete (some over 20 years old) and do not have the capability to acquire data collection information as recommended by the Internal Audit Manager.
- b. On-Street Parking needs to obtain funding to replace all mechanical parking meters with electronic parking meters that provides the audit trail for collections. Electronic parking meters can be field audited at time of collection. The new meters internally record revenue data that can be captured through an "electronic audit" using a special hand-held device. Captured meter revenue data can be reconciled to daily bank deposits in conjunction with the collection of meter coins. Electronic parking meter technology provides rapid meter rate changes and audit information used to determine proper meter locations and usage patterns.

- c. Meter Replacement:
 - Replace all mechanical meters on street
 - Replace all outdated, existing electronic meters on street
 - Maintain 100 new electronic meters and 50 electronic mechanisms in meter shop inventory
 - TOTAL: 5,400 meters \$2,500,000 - \$3,000,000

Recommendation #4-C-2

1. The Internal Audit Manager recommends that the Program Manager or his representatives develop a system to gather data regarding the location where parking debit cards are used, the value of parking debit cards used, and the value of unused parking debit cards.

Response:

On-Street Parking concurs with the recommendations from the Internal Audit Manager and a system can be developed and implemented if all parking meters installed on the streets are converted from mechanical to electronic parking meters. Electronic parking meters accept coins (cash) or electronic pre-paid parking debit cards. Electronic parking meters provide instant audit capabilities. The mechanism found in the electronic parking meter provides on-board storage capturing audit and maintenance information, such as the amount of money a meter collected, coin counts, meter usage patterns, violation information, and can perform field revenue audits within three seconds to determine approximate occupancy and "cash" use of debit cards. The debit cards are available only in increments of \$30 or \$60. The card is inserted into the meter and removes money from the card in .25 cent increments until the parker removes the card or reaches the meter's time limit. On-Street Parking recognizes the importance of capturing this information but requires approval of recommendation #4-C-1 to replace outdated mechanical parking meters and electronic parking meters that exceeded its lifecycle (10 years old) with new electronic parking meters.

Recommendation #4-C-3

1. The Internal Audit Manager recommends that the Program Manager or his representatives develop a comprehensive information system that meets the needs of the Parking Meter Repair Shop.

Response:

On-Street Parking recognizes the importance of this recommendation identified by the Internal Audit Manager. On-Street Parking is currently working on developing a new computerized program that would require entering information into one system eliminating the need to maintain both a computer database and manual system. The Department of Public Works Maintenance Services Division's technology staff are developing the program. The new MP5 program will maintain parking meter inventory, record all maintenance history activity for each meter, create work orders, record labor costs, and generate updated GIS maps.

Time Frame:

- Phase I 09-01-03
- Develop user codes and business processes.
 - Program demonstration
- Phase II 12-09-03
- Begin program on 01-05-04
 - Customize report database
 - Set up training
 - Load software and go live
- Phase III 02-20-04
- Create parts and objects for assets
- Phase IV 03-31-04
- Preventive maintenance and billing
- Cost: \$20,000
- 5 licenses @ \$3,500 = \$17,500
 - 6 month tech support for 5 licenses = \$1,016
 - Tax: \$1,435 Annual Cost thereafter: \$4,500

Recommendation #5

1. The Internal Audit Manager recommends that the Program Manager or his representatives take immediate action to expedite the process of filling vacant Parking Enforcement Officer positions.

Response:

- a. On-Street Parking contacted Human Resources and begun the recruitment process to fill all vacant Parking Enforcement Officer positions. The prior list expired on 08-12-03. The City Manager's Office authorized approval to fill the 7.0 FTE vacant positions. The recruitment process was initiated in September 2003 and the vacant positions are expected to be filled by December 1, 2003.

b. Time Frame:

- 09-22-03 - position announcement advertised for two weeks
- recruitment period closed on 10-03-03

- 10-10-03 - screened 207 applications and selected most qualified to participate in oral examination

- 10-29/30-03 - oral exams
- 11-07-03 - eligible lists established by Human Resources
- 11-12-03 to 11-17-03 - oral interviews performed with candidates in rank 1 – 3

- 12-15-03 - begin training new employees
- 01-19-04 - training complete, new officers assigned beat areas with Field Training Officers

Recommendation #6-A-1

1. The Internal Audit Manager recommends that the Program Manager or his representatives increase usage of the Boot Program, particularly during periods when unpaid parking fines are increasing.

Response:

On-Street Parking concurs with the recommendation provided by the Internal Audit Manager. Two Parking Enforcement Officers permanently assigned to the Boot Program were temporarily re-assigned to regular parking meter beats as a result of 7.0 FTE vacant Parking Enforcement Officers positions and 4.5 FTE Parking Enforcement Officers on modified "light" duty resulting from on-the-job injuries.

As a result of the audit recommendation, the Boot team will work approximately two days during the week and will become fully operational when additional Parking Enforcement Officer vacancies are filled, trained, and working assigned beats beginning January 2004.

Recommendation #6-A-2

1. The Internal Audit Manager recommends that the Program Manager or his representatives actively investigate technological advances, such as use of camera to scan license plates, and provide the City Manager with a cost-benefit analysis of the new technology.

Response:

- a. On-Street Parking concurs with the Internal Audit Manager's recommendation and has been exploring new technology, prior to this audit, a mobile license plate recognition system integrating global positioning technology to provide a complete parking enforcement system. A camera mounted on a vehicle reads license plates on every parked vehicle, records the vehicle location and position, and stores information in its on-board computer. This system will enhance productivity by increasing citations, manage time zones, increase beat areas, provides rapid identification of scofflaw vehicles reducing the collection process of unpaid citations, and reduces Worker's Compensation claims resulting from repeated strain disorders associated with manual tire chalking.
- b. Two additional boots performed per day:
 - Average \$350.00 in outstanding fine amount X 4 days X 52 weeks = \$145,600 outstanding revenue collected per year.

- 30% increase –or \$79,800 in meter overtime citation revenue collected each year.
(3,000 citations X \$35.00 fine amount X 76% citation fines collected = \$79,800 per year)
- c. Unit Cost: \$140,000 for two units (1st unit - \$72,600 2nd unit - \$66,000)
Price includes shipping, handling, installation, and training.
- d. Company: Auto Vu Technologies
300 St. Sacramento, Suite 415
Montreal, Quebec H2Y1X4
- e. Time Frame: March 2004, if funding is approved. When P.O. is received, units
can be installed within 30 days.

Recommendation #6-B

1. The Internal Audit Manager recommends that the Program Manager or his representatives continue to pursue technological solutions to increase the productivity of the program. Additionally, the Internal Audit Manager recommends that the Program Manager grant Parking Enforcement Officers greater flexibility in assessing, approaching, and citing apparent disabled placard abusers.

Response:

On-Street Parking concurs with the Internal Audit Manager's recommendation. Operational procedures were immediately changed allowing Parking Enforcement Officers assigned to the Disabled Placard Abuse Program the flexibility and discretion in assessing, approaching and citing DP abusers. Officers using their professional judgement determines whether to immediately cite an individual or, based upon unique circumstances, perform one or more observations prior to approaching and citing a DP abuser. In addition, a new database is now operating to assist enforcement staff in recording all DP activities.

Recommendation #6-C

1. The Internal Audit Manager recommends that the Program Manager or his representatives continue to pursue solutions that will encourage compliance with the requirements of the Residential Permit Program.

Response:

On-Street Parking, prior to this audit finding, has redesigned new residential and visitor parking permits that will reduce the counterfeiting and encourage compliance residents/parkers with the City's residential permit parking program. Further staff will amend the residential permit program regulations to incorporate additional penalties for permit abuse relating to commuter parking and permanently establish an enforcement team to cite and void permits for misuse.

Recommendation #7

1. The Internal Audit Manager recommends that the Program Manager or his representatives modify their procedures to remove all parking meter hoods as scheduled.

Response:

On-Street Parking concurs with the Internal Audit Manager's recommendation. As of 09-12-03, On-Street Parking modified its procedures and all hoods would be removed as scheduled. In addition, since many of the hoods that carry over into the weekend issued for construction activities, On-Street Parking developed new procedures by substituting "hooding meter heads" with installing temporary construction zone signs that are mounted on the parking meter post. The new signs are posted when a construction project is longer than five days. New Construction Zone signs delineate when parking is available are mounted on the meter post eliminating the need to "hood" meters making parking available after 5:00 PM and all day parking on Saturday's.