

AUDIT TEAM

Jim Williamson, CPA, CIA, City Auditor

Janet McWilliams, CPA, Audit Manager

Tim Alvarez, CICA, Senior Auditor

**PUBLIC TRANSPORTATION AND
PARKING DEPARTMENT**

**PARKING MANAGEMENT CONTRACT
FOLLOW-UP AUDIT**

JULY 3, 2018

MAYOR AND CITY COUNCIL

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<i>James Greiner</i>	<i>Ward 1</i>
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July 3, 2018

The Mayor and City Council:

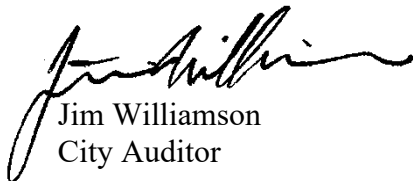
The Office of the City Auditor has completed an audit to evaluate the status of recommendations and related management responses included in our previous report dated May 19, 2015, relating to the Public Transportation and Parking Department's administration of the off-street parking management contract.

Based upon the results of our audit, as of October 31, 2017, we believe that:

- Previous recommendations to improve financial controls and oversight of the third-party contract for off-street parking management have been substantially addressed, except for recommendations to obtain reliable information from the parking system.
- Unallowable expense reimbursements and missing revenue identified in our previous audit and totaling over \$420,000 were substantially recovered from the contractor.

Significant progress has been made in contract development and oversight. Procedures have been established to ensure fundamental monitoring of off-street parking operations. Opportunities continue to exist to improve the reliability of entry and exit count reports from the parking system for use in verifying the accuracy and completeness of the contractor's monthly report. See Status #1, #2 and #7.

The content and emphasis of items included in this report have been discussed with appropriate management representatives to assure a complete understanding of the observations arising from our audit. Management responses are attached to this report in their entirety.


Jim Williamson
City Auditor


Janet McWilliams
Audit Manager

**PUBLIC TRANSPORTATION AND PARKING DEPARTMENT
PARKING MANAGEMENT CONTRACT
FOLLOW-UP AUDIT**

AUDIT OBJECTIVE, BACKGROUND, SCOPE, AND METHODOLOGY

The objective of this audit was to evaluate, as of October 31, 2017, the status of recommendations and related management responses included in our previous Parking Management Contract audit report dated May 19, 2015. That report included the following results:

- Practices used to administer the third-party contract for off-street parking management were not adequate or effective.
- Unallowable expense reimbursements and missing revenue in the amount of \$430,241 should be recovered from Republic Parking Systems (RPS), the parking management contractor. All claims associated with these losses were released upon payment of \$424,184 received in June 2015.

Central Oklahoma Transportation and Parking Authority (COTPA) provides off-street parking through five garages, and two surface lots, totaling over 5,300 parking spaces. Through the Public Transportation and Parking Department (Department), COTPA contracts management of off-street parking to a third-party. The current parking management contract awarded to RPS in August 2017, has a five-year term with an estimated annual management fee of \$135,000 and possible incentive bonuses of up to \$50,000 per year. COTPA reimburses RPS monthly for actual operating expenses. In FY 2017, operating expenses reimbursed to RPS totaled \$2.5 million and off-street parking revenue totaled \$8.5 million.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following sections of this report present the status of prior audit recommendations, which is immediately followed by management's response. Management responses are attached to this report in their entirety.

RESULTS OF WORK PERFORMED

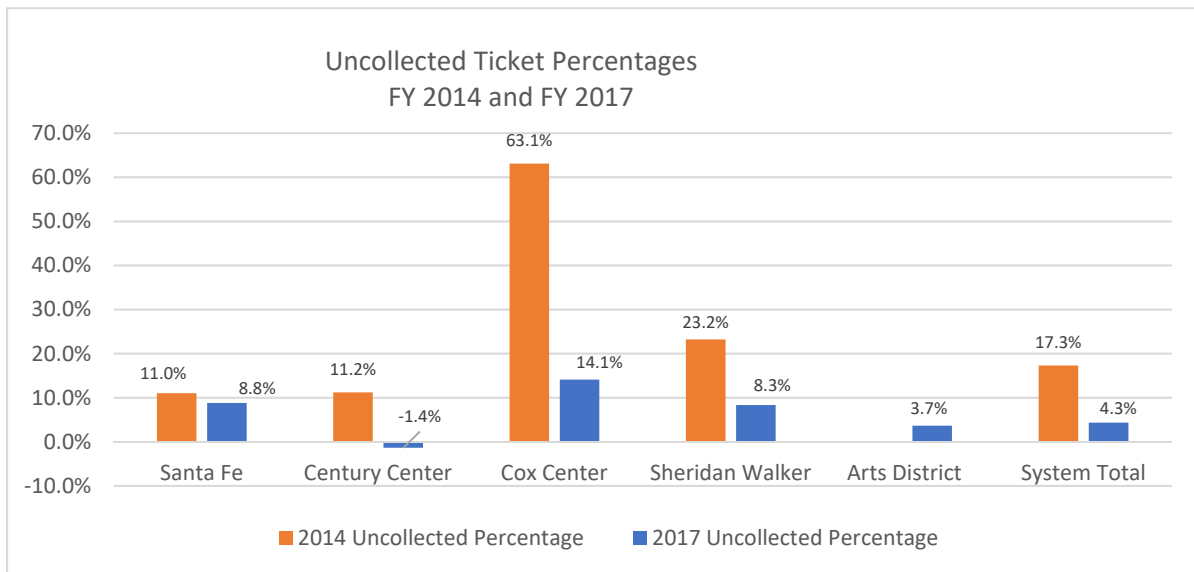
Previous recommendations to improve financial controls and oversight of the third-party contract for off-street parking management have been substantially addressed, except for recommendations to obtain reliable parking system information for use in verifying RPS' monthly operating report.

Parking Management Contract

Status 1

Continuing to Address. The parking management contract has been revised to address high uncollected ticket percentages; establishing a maximum allowable uncollected ticket percentage of 5% for the Santa Fe, Century Center and Arts District garages and 15% for the Cox Center and Sheridan Walker garages. The contract also provides for a penalty in the event uncollected tickets exceed these percentages. As reflected in Exhibit 1, the system-wide percentage of uncollected daily transient tickets has improved since our last audit from 17.3% to 4.3%. However, see Status 2 below, regarding reliability of parking system reporting.

Exhibit 1



Source: COTPA Parking Division

COTPA contracted with Chance Management Advisors, Inc., to assess COTPA's off-street parking operations. In their April 2017 report, the consultant stated that the industry standard for uncollected tickets is one-half of one percent (.5%). Per terms of their contract, COTPA and RPS have agreed to work toward reducing the maximum allowable uncollected ticket percentage to 1%, the timing of which to be determined by COTPA.

Management Response 1

Agree with status report. In addition, COTPA Trustees have been advised of progress made in reducing uncollected ticket percentages. During certain large events, parking exit gates are left open or set to "auto exit" for one to two hours at the end of an event to allow for parking customers to exit the garage as quickly as possible. The decision to open the garage when large events are ending was made in the interest of customer satisfaction; but does negatively impact ticket collection. Management will continue to work towards achieving a 1% lost ticket percentage in the Santa Fe, Century Center and Arts District garages while working towards a 5% lost ticket percentage for the Cox center garage and the Sheridan Walker garage.

Status 2

Continuing to Address. RPS submits a monthly operating report which includes parker entries, exits and uncollected tickets. The Department does not have access to reliable system generated entry and exit count reports for use in verifying RPS' monthly operating report. Minutes of the July 2017, monthly operating meeting with RPS indicate continued communication with the parking system vendor regarding improving entry and exit count reports. However, difficulties in reading and interpreting the system reports remain and discrepancies in the total entries and exits reported limit the ability to verify the uncollected ticket percentages reported by RPS in Exhibit 1 above. See Status 7.

Management should continue to work with representatives from RPS and the parking system vendor to improve the reliability of entry and exit count reports (or use data obtained from the system) to verify the accuracy and completeness of RPS' monthly operating report.

Management Response 2

Agree with status report. Management continues to work with SkiData, the parking equipment manufacturer, to address the reporting. Custom reports have been created and are being reviewed for accuracy.

Status 3

Implemented. Contract provisions have been updated to require prior approval from COTPA for operating expenses over the total approved budget for each line item. Requirements for RPS to perform certain internal audits including an annual operational audit at COTPA's request (but not more frequently than annually) have also been included in the contract. Requirements for mystery shopper services were not included in the contract as management prefers to contract directly for customer satisfaction surveys.

Management Response 3

Agree with status report.

Status 4

Implemented. RPS includes more detailed explanations for budget variances over 5% in their monthly operating report. Management meets with RPS monthly to discuss operations including whether operational or budgetary changes are necessary to address these budget variances.

Management Response 4

Agree with status report.

Status 5

Implemented. Inconsistencies between the version of the previous contract executed by RPS and the version approved by the COTPA Board of Trustees have been addressed. Insurance and employee drug testing requirements have been included in the current contract. A requirement for RPS to obtain an annual, third-party audit was eliminated from the contract as management prefers to contract directly for this service biennially.

Management Response 5

Agree with status report.

Status 6

Implemented. Informal changes to the previous parking contract agreed upon by Department and RPS staff have been addressed in the current contract. Informal changes incorporated into the contract include expanded definition of allowable operating expenses; a full-time RPS General Manager; parking facilities covered under the contract; and RPS insurance requirements. RPS management of retail/office space leases was not included in the contract.

Management Response 6

Agree with status report.

Contract Oversight and Monitoring

Status 7

Continuing to Address. Management has strengthened operational oversight through reviews of RPS' monthly operating report and supporting documentation. Issues addressed during these reviews include:

- Operational expenses are adequately supported by detailed invoices and approvals.

- Revenues are supported by daily revenue summaries, ticket summaries, short-term parking summaries and monthly parking reports.
- Account receivable recorded by facility, overall aging of balances owed, and collection process for aged balances, including write-off decisions.
- Security provided and repairs/maintenance performed.

However, reliable system generated entry and exit count reports are not available for use in verifying RPS' monthly operating report. See Status 2.

Management Response 7

Agree with status report. Management is involved in operational oversight daily and through special nonscheduled meetings with RPS in addition to regular monthly review of operating reports and supporting documentation. Management continues to work with SkiData, the parking equipment manufacturer, to address the reporting. Custom reports have been created and are being reviewed for accuracy.

Status 8

Implemented. Management conducts monthly operational and financial review meetings with RPS. The substance and outcome of these meetings is documented.

Management Response 8

Agree with status report. COTPA's Parking Manager and the accountant for the parking system are in regular attendance at these meetings.

Status 9

Implemented. Free/no-charge parking guidance aligned with the bond indenture and a towing policy have been established. The contract specifies when free/no-charge parking is allowable and RPS operating procedures state that towing fees are the responsibility of the vehicle's owner. Management reviews for compliance with these guidelines during their review of RPS' monthly operating report.

Management Response 9

Agree with status report.

Status 10

Substantially Implemented. The contract requires RPS to annually submit a detailed budget for the subsequent agreement year including staffing, salary and benefit schedules; standard operating procedures; and copies of insurance policies, if requested. These documents were

obtained and reviewed by management during the August 2017 contract process. However, the Department has not assigned responsibility for or developed procedures to ensure the annual receipt, review and approval of these required documents.

Management Response 10

Agree with status report. It has been determined by the Department Director that the Parking Services Manager is responsible for reviewing and approving the required document(s). The Parking Services Manager will begin noting approvals on such documents to include the date and signature.

Status 11

Implemented. The August 2017 contract contains minimum criteria and performance levels that must be achieved for RPS to receive the performance incentive fee.

Management Response 11

Agree with status report.

Status 12

Substantially Implemented. Management reconciles revenues recorded in the PeopleSoft financial system to revenues on the monthly operating report submitted by RPS and to actual bank deposits. However, these reconciliations do not reflect the preparer and date, nor are supervisory reviews documented.

Management Response 12

Agree with status report. Future reconciliation will be notated as indicated and signed/approved by the reviewing supervisor.

Status 13

Implemented. Management stated that RPS' compliance with the contractual requirement to obtain three quotes/bids for items purchased over \$2,500 is assessed during management's review of RPS' monthly operating report and supporting documentation. We did not identify any invoices over \$2,500 during our audit testing.

Management Response 13

Agree with status report.

RPS Processes and Procedures

Status 14

Implemented. RPS has strengthened procedures for documenting and reviewing expenditures submitted to COTPA for reimbursement. The Department ensures these improvements continue through reviews of RPS' monthly operating report and supporting documentation.

Management Response 14

Agree with status report.

Status 15

Addressed. The contract does not define ancillary employee costs (e.g., break room supplies, employee appreciation activities, and bonuses) as reimbursable expenses. Expenses for which the business purpose is not clear are resolved during the monthly financial and operational meeting with RPS.

Management Response 15

Agree with status report.

Status 16

Implemented. Management stated that RPS' compliance with the contractual requirement to provide 24-hour notice of damage or injury claims is assessed during management's review of RPS' monthly operating report and supporting documentation. We did not identify any damage or injury claims during our audit testing.

Management Response 16

Agree with status report.

Status 17

Addressed. Mileage reimbursements for RPS employees are no longer reimbursable expenses under the contract.

Management Response 17

Agree with status report.

Status 18

Implemented. RPS has adequately segregated duties involving custody of cash from responsibilities for reconciling or recording revenue, amounts posted to the RPS accounting system are compared to receipted deposit slips, and RPS staff members completing revenue control procedures initial and sign documents to evidence performance of their duties.

Management Response 18

Agree with status report.

Status 19

Addressed. RPS includes an aged accounts receivable listing in the monthly operating report. The Department reviews the listing with RPS during the monthly financial and operational meeting and approves accounts selected by RPS for write-off as bad debt. Management believes timely deactivation of access cards relating to past due accounts mitigates the value of employing a third-party collection agency.

Management Response 19

Agree with status report.

Status 20

Implemented. The Department requires RPS to submit the monthly operating report and supporting documentation in electronic format.

Management Response 20

Agree with status report.



MEMORANDUM

The City of OKLAHOMA CITY



TO: Jim Williamson, City Auditor

THROUGH: James D. Couch, City Manager

FROM: Jason Ferbracher, Public Transportation and Parking Director *JMF*

DATE: June 21, 2018

SUBJECT: Audit 18-01A Parking Management Contract Follow-Up Audit

Following are management's responses to the Management Contract Follow-Up Audit.

1. Agree with status report. In addition, COTPA Trustees have been advised of progress made in reducing uncollected ticket percentages. During certain large events, parking exit gates are left open or set to "auto exit" for one to two hours at the end of an event to allow for parking customers to exit the garage as quickly as possible. The decision to open the garage when large events are ending was made in the interest of customer satisfaction; but does negatively impact ticket collection. Management will continue to work towards achieving a 1% lost ticket percentage in the Santa Fe, Century Center and Arts District garages while working towards a 5% lost ticket percentage for the Cox center garage and the Sheridan Walker garage.
2. Agree with Status Report. Management continues to work with the SkiData, the parking equipment manufacturer, to address the reporting. Custom reports have been created and are being reviewed for accuracy.
3. Agree with status report.
4. Agree with status report.
5. Agree with status report.
6. Agree with status report.
7. Agree with Status Report. Management is involved in operational oversight daily and through special nonscheduled meetings with RPS in addition to regular monthly review of operating reports and supporting documentation. Management continues to work with the SkiData, the parking equipment manufacturer, to address the reporting. Custom reports have been created and are being reviewed for accuracy.
8. Agree with status report. COTPA's Parking Manager and the accountant for the parking system are in regular attendance at these meetings.

9. Agree with status report.
10. Agree with Status Report. It has been determined by the department director that the Parking Services Manager is responsible for reviewing and approving the required document(s). The Parking Services Manager will begin noting approvals on such documents to include the date and signature.
11. Agree with status report.
12. Agree with status report. Future reconciliation will be notated as indicated and signed/approved by the reviewing supervisor.
13. Agree with status report.
14. Agree with status report.
15. Agree with status report.
16. Agree with status report.
17. Agree with status report.
18. Agree with status report.
19. Agree with status report.
20. Agree with status report.