

AUDIT TEAM

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**PUBLIC TRANSPORTATION & PARKING
DEPARTMENT
PARKING MANAGEMENT CONTRACT**

MAY 19, 2015

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May 19, 2015

Trustees of the Central Oklahoma Transportation and Parking Authority:

The Office of the City Auditor has completed an audit of the Public Transportation and Parking Department’s administration of the off-street parking management contract between the Central Oklahoma Transportation and Parking Authority (COTPA) and Republic Parking Systems (RPS).

Based upon the results of our audit, we believe that the practices used to administer the third-party contract for off-street parking management were not adequate or effective during the fiscal year ended June 30, 2014. Although this opinion is limited to the stated period, numerous control weaknesses were identified that predate the audit period. Additionally, in certain instances some aspects of testing were extended beyond the audit period in order to fully assess control weaknesses and quantify related losses.

During this audit, we identified operating expense reimbursements and missing revenue that should be recovered by COTPA from RPS:

Expense Description/Recommendation Number	Amount
Unallowable and undocumented expenses – Recommendation 14	\$ 5,028
Parking customer vehicle damage repairs – Recommendation 16	1,591
Duplicate and unreasonable mileage payments – Recommendation 17	3,974
Missing revenue deposits – Recommendation 18	419,648
Total	\$ 430,241

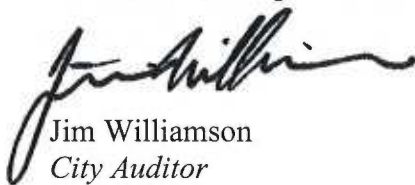
Significant recommendations for improving financial controls and contractual oversight, discussed in more detail in the attached report, are summarized as follows:

- To maximize revenue from daily parking, the department should work with RPS and the Skidata gate access system vendor to address uncollected daily transient ticket percentages. Recommendations 1 and 2.
- The department should work with the Municipal Counselor’s Office and RPS to address inconsistencies, inadequacies, and verbal changes to the management contract terms. Recommendations 1, 3, 5, and 6.

EXECUTIVE SUMMARY: Audit Report 14-03

- Contractually required reviews and approvals of RPS financial information should be carried out to avoid unnecessary operating costs and inefficient operations. Recommendations 4, 8, and 10.
- Ongoing periodic reviews and/or audits of RPS operations should be carried out to assess operational effectiveness and contract compliance. See Recommendations 3, 5, 7, and 11.
- Monthly revenue amounts reported by RPS should be reconciled with bank account deposits and amounts recorded in the PeopleSoft financial system. Recommendation 12.
- The department should work with RPS to address deficiencies in expense documentation processes used at RPS. Recommendations 14 through 17.
- The department should work with RPS to segregate incompatible duties and evidence performance of control procedures within the RPS revenue process. Recommendation 18.

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


Jim Williamson
City Auditor


Marilyn J. Dillon
Audit Manager

**PUBLIC TRANSPORTATION & PARKING DEPARTMENT
OFF-STREET PARKING MANAGEMENT CONTRACT**

AUDIT OBJECTIVE

The objective of this audit was an evaluation of the adequacy and effectiveness of practices used to administer the third-party contract for off-street parking management during the fiscal year ending June 30, 2014.

BACKGROUND, SCOPE & METHODOLOGY

The Public Transportation and Parking Department provides dependable multi-modal public transportation and downtown parking services to the citizens of Oklahoma City¹. Services specifically related to off-street parking are part of the Municipal Off-Street Parking Program, which provides monthly, daily, validation, and event parking. Parking facilities are a critical component of any central business district and often provide visitors and tourists with their first impression of an area. Many parking systems throughout the country are managed by third-party contractors who specialize in parking facility management.

Through the Public Transportation and Parking Department, the Central Oklahoma Transportation and Parking Authority (COTPA) contracts management of off-street parking to a third-party vendor. The current parking management contract with Republic Parking Systems (RPS) covers the period from July 1, 2012 through June 30, 2015 with an option for two, one-year extensions. The contract provides for a yearly management fee of \$48,000 paid in twelve monthly installments of \$4,000 and a quarterly performance incentive bonus of up to \$12,000 per quarter, which is paid based on departmental staff ratings of the contractor in four areas: contract management, personnel effectiveness, facility maintenance, and security. Additionally, RPS is reimbursed monthly for actual operating expenses related to fulfilling their management duties under the contract². In FY 2013-2014, operating expenses totaled \$2.4 million.

Currently, COTPA off-street parking is provided through five garages, and nine surface lots, that offer parking customers over 6,000 parking spaces and a variety of payment methods. In addition, the Century Center, Santa Fe, and the new Arts District garages have retail/office space available for lease. The off-street parking system managed by Republic Parking Systems (RPS) generated gross revenue of \$7.4 million in FY 2013-2014³.

In 2008, COTPA contracted with Walker Parking Consultants (Walker) to evaluate the parking management contract and RPS operations under the previous management contract. Results of the Walker review were included in their report dated October 10, 2008. A follow-up on the recommendations included in the Walker report was not included within the scope of this audit.

¹ FY 2015 Public Transportation and Parking Department Strategic Business Plan

² 2012-2015 Parking Management Contract

³ PeopleSoft Financial System

Procedures performed during our audit included an assessment of the current parking management contract; analysis of revenue and expenses reported by RPS during the audit period; assessment of current management procedures and practices to administer the parking management contract; interviews with departmental staff regarding processes, policies, procedures, and controls; and, interviews with RPS staff members. We did not assess the adequacy of processes related to on-street parking meter revenues.

We conducted this audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our audit 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 section of this report includes recommendations intended to provide constructive suggestions for improving the current systems and processes. Included in the body of this report are *management responses* to each recommendation. *Management responses* are attached to this report in their entirety.

RESULTS OF WORK PERFORMED

Practices used to administer the third-party contract for off-street parking management were not adequate or effective during the fiscal year ended June 30, 2014. Although this opinion is limited to the stated period, numerous control weaknesses were identified that predate the audit period. Additionally, in certain instances some aspects of testing were extended beyond the audit period in order to fully assess control weaknesses and quantify related losses.

Parking Management Contract

The management contract has inadequate language to protect COTPA's interests and provide clarity between the parties. A review and comparison of the current management contract, the previous contract version, parking industry best practices, addendums made during the RFP process, and recommendations in the 2008 Walker Parking Consultant report found that the current contract does not address high uncollected ticket percentages, excessive expense variances, mystery shopper services to monitor RPS employees, and internal auditing requirements for RPS.

Uncollected Daily Transient Ticket Percentages

An uncollected ticket is recorded when a daily transient (non event) parker enters the facility and receives a parking ticket that is not accounted for at the end of the business day and may not generate revenue. We analyzed ticket counts reported in the RPS Monthly Operating Reports for FY 2013-2014 and found a significant amount were uncollected (see Table 1).

The four garages issued 194,308 parking entry tickets in FY 2013-2014. Of these, 33,527 tickets, or 17.3%, were uncollected. Using the average price of parking tickets collected in FY 2013-2014, these tickets could represent \$200,000 in potential revenue. However, given the operational and system reporting issues discussed later in this report, quantifying actual, unforeseen revenue loss is not possible.

Table 1
FY 2013 – 2014 Uncollected Daily Transient Ticket Percentages

	Santa Fe	Century Center	Cox Center	Sheridan Walker	System Total
Entry Tickets Issued	83,901	68,703	17,317	24,387	194,308
Uncollected Tickets	9,241	7,713	10,926	5,647	33,527
Uncollected Percentage	11.0%	11.2%	63.1%	23.2%	17.3%

Source: OCA Analysis of RPS Monthly Operating Reports FY 2013-2014

The contract contains no provisions designed to control uncollected daily transient ticket percentages. The Walker report suggested that the contract specify a maximum acceptable limit for the percentage of uncollected tickets at each facility, citing an industry standard of 2%. Several factors can influence the percentage of uncollected tickets such as periods when exit gates are programmed to ‘keep-open’ at the conclusion of large concerts or sporting events, periods when no booth cashier is on-duty and the exit gates are programmed to ‘auto-open’, hotel guest parking, and pass-holder parking.

Uncollected ticket percentages are consistent at the Santa Fe garage (11.0%) and the Century Center garage (11.2%), which seems to be a reasonable degree of ticket loss given system constraints for the periods when the gates are set to ‘keep-open’ for events or are set to ‘auto-open’ when no cashier is on duty. This also applies to the Sheridan Walker garage (23.2%), which does have a higher percentage than Santa Fe or Century Center but also has longer overnight periods and weekends when no cashier is on duty. The Cox Center garage has the highest uncollected ticket percentage (63.1%). The Cox Center has the highest number of events and shorter staffing periods for booth cashiers than Santa Fe or Century Center.

Discussions with RPS staff indicate possible problems with the accuracy of entry and exit counts being reported by the new SkiData gate access system. Using information provided by RPS, we compared totals from the system reports with uncollected ticket percentages reported by RPS in the monthly operating report. We found difficulties in reading and interpreting the SkiData reports. Specifically, there were discrepancies in the total entries and exits reported in the various report sections and a lack of report customization to match the types of parking offered within the COTPA system.

A review of the contract for the SkiData system purchase found that the system should include 10 customizable reports and create a master database of cardholders, events, transactions, and system activity in a format that is compatible with current software used throughout the City. RPS staff stated that they have been unable to customize the reports and do not have access to any system activity databases.

Recommendation 1

Daily transient parker uncollected ticket percentages should be addressed. Specifically, the department should:

- Work with RPS to establish a maximum acceptable uncollected ticket percentage for each garage given operating practices, special events, and cashier staffing
- Work with legal staff to establish remedies for COTPA should reported uncollected ticket percentages exceed the established maximum (see Recommendation 3)
- Request information and testing from RPS to determine whether expanding the hours that Cox Center cashier booths are staffed would help to reduce uncollected ticket percentages at that location

Management Response 1

Agree with recommendation. COTPA and RPS will examine all practices resulting in ticket loss and make necessary changes to reduce ticket loss. In the interim, COTPA has asked RPS to evaluate staffing and determine any impact that staffing changes will have on reducing ticket loss. COTPA and RPS will agree on an acceptable ticket loss policy and work with the Municipal Counselor's Office to implement new policies in the next contract which renews July 1, 2015.

Recommendation 2

The department should require the current SkiData system vendor to assist RPS management in creating customized daily system reports that accurately aggregate parker entries and exits in an appropriately labeled format that matches the types of parking offered in the COTPA system. If customized reports are not feasible, the department should explore the SkiData database functions and determine whether these databases could be used in conjunction with existing software to provide information for monitoring RPS contract compliance and monthly operating report accuracy.

Management Response 2

Agree with recommendation. COTPA will organize meetings with essential personnel at RPS and SkiData (vendor for parking system gate control) and any other appropriate vendors to resolve reporting shortcomings. Due to the dependence on outside vendors and potential coordination of systems, full implementation of this recommendation is estimated to be November 30, 2015.

Inadequate Contract Provisions

Expense Variances

RPS invoices the department monthly for eligible operating expenses related to fulfilling their management duties under the contract. The contract requires RPS to include a variance explanation for all operating expenses exceeding 5% of the total approved budget by category and requires that RPS provide recommendations on ways to correct the variance. Although the monthly operating reports submitted by RPS include a variance report, no recommendations or corrections were noted in the monthly reports for FY 2013-2014. In addition, the contract does not provide remedies for COTPA in the event of operating expense overruns. In FY 2013-2014, RPS went over their proposed budget by \$160,978. In reviewing the variance explanations in the monthly operating reports, we found that many explanations stated that 'budget projections were

not accurate' or 'expenses exceeded budget'. These variances explanations do not provide enough detail as to the cause of the variance or provide recommendations to reduce the variance.

Mystery Shopper Services

RPS provides monthly reports for mystery shoppers to the various parking facilities however the management contract does not require this service, which is an important element in evaluating their customer service and calculating the quarterly performance incentive payment to RPS.

RPS Internal Auditing

RPS conducted one internal audit during FY 2013-2014; however the management contract does not require internal audits or specify the scope or a minimum number that must be completed each fiscal year. Internal audits can aid in detecting operational weaknesses and improve compliance with established controls.

Recommendation 3

The department should work with legal staff to develop a written agreement between COTPA and RPS addressing the following:

- A requirement for RPS to obtain prior approval from COTPA for operating expenses over the total approved budget in order for RPS to be eligible to receive reimbursement for such expenses
- A requirement for and frequency of mystery shopper services. Alternatively, the department could contract for this service directly.
- A requirement for and frequency and scope of RPS internal audits

Management Response 3

Agree with recommendation. COTPA will work with the Municipal Counselor's Office to develop a written agreement requiring RPS to obtain prior approval for non emergency expenses that exceed the approved budget in the next contract which renews July 1, 2015. COTPA will develop a scope and frequency standards for internal audits and will explore the contracting services for mystery shopper services by September 30, 2015.

Recommendation 4

The department should instruct RPS management to provide more detailed expense variance explanations in the monthly operating report and should require that RPS begin making recommendations to correct these variances.

Management Response 4

Agree with recommendation. RPS has been instructed to provide detailed and specific expense variance explanations in the monthly operating report and will submit recommendations to correct variances when applicable. COTPA will review the variances and explanations during regular review meetings with Republic. This recommendation has been implemented.

Differing Contract Versions

The contract distributed during the request for proposal process and executed by RPS is different than the version presented to and approved by the COTPA Board of Trustees. The COTPA board-approved version does not contain the following requirements present in the version executed by RPS:

- Annual independent, third-party audit of RPS revenues and expenses
- Negative drug test as a condition of employment for RPS employees
- A \$500,000 fidelity bond indemnifying COTPA against any dishonest act by RPS or any RPS employee. (The contract version approved by the COTPA Trustees requires a \$50,000 fidelity bond)
- A performance bond of \$250,000 listing COTPA as the payee and conditioned upon full faithful performance by RPS for the contract provisions
- A garage keeper's liability insurance policy of \$500,000 for losses related to fire explosion, theft of an entire vehicle, riots, civil commotions, mischief, or vandalism that are not covered under a general liability policy
- Automobile insurance with a \$500,000 single limit liability for COTPA-owned vehicles that are used by RPS staff

RPS has obtained the bonding and insurance required in the contract version executed by RPS. The department has not requested that RPS obtain an independent, third-party audit of revenues and expenses.

Recommendation 5

The department should work with legal staff to develop a written agreement between COTPA and RPS addressing inconsistencies in the two versions of the contract. If the parties agree that revenues and expenses should be subject to an annual, independent audit, the department should ensure RPS obtains said audit. Alternatively, the department could contract directly for the audit services rather than requiring that RPS do so.

Management Response 5

Agree with recommendation. COTPA will work with the Municipal Counselor's Office to identify and resolve any inconsistencies in contract versions and include updates and corrections in the next contract which renews July 1, 2015. COTPA will see to it that RPS complies with audit requirements set forth by the contract.

Changes to Management Contract Terms

We found that department staff and RPS informally agreed to changes in the parking contract terms after the contract was approved by the COTPA Board of Trustees. In addition, an addendum issued by departmental staff during the RFP process that changed the definitions for reimbursable and non-reimbursable operating expenses was not incorporated into the contract executed by RPS or the version approved by the COTPA Board of Trustees. Failure to memorialize changes to the contract terms could result in a misunderstanding between the parties and may not be authorized. The specific contract terms changed were:

- Expense types considered reimbursable operating expenses were expanded through the RFP addendum
- The requirement for a full-time RPS General Manager was changed through a verbal agreement. This position splits time (50/50) with another local parking system managed by RPS
- The requirement for RPS to manage retail/office space leases was eliminated
- Parking facilities covered under the contract have been added and removed with no formal documentation

In addition, the contract provides COTPA an option to provide some or all of the contractually required insurance policies. Departmental staff has exercised this option to provide property insurance while assigning the remaining required policies to RPS without documentation.

Recommendation 6

The department should work with legal staff to develop a written agreement between COTPA and RPS addressing the modified contract terms listed above (see Recommendation 15).

Management Response 6

Agree with recommendation. COTPA will work with the Municipal Counselor's Office to develop a written agreement and/or update the contract to identify additional reimbursable operating expenses that were included in the RFP addendum and formalize the verbal agreement that RPS is only required to perform maintenance services for retail and office space. In addition, the agreement and/or updated contract will identify all garage and surface lots RPS is required to manage. Implementation of these recommendations will occur with the next contract which renews July 1, 2015. COTPA has requested RPS comply with the original contract requirements allowing for a full time General Manager for the COTPA parking system. RPS is currently advertising and interviewing to fill this position. Implementation of this recommendation should occur by July 1, 2015 or as soon as RPS can fill the position.

Contract Oversight and Monitoring

When utilizing a third-party management agreement, parking industry standards recommend ongoing oversight and review to prevent and/or detect unnecessary and/or inappropriate operating costs, ineffective operations, and non-compliance with the contract terms.

Operational Oversight

Departmental staff does not conduct periodic, ongoing review of RPS management activities and records. Specific items suggested for monitoring and review include:

- Detailed invoices and supporting documentation for operational expenses submitted for reimbursement
- Daily cashier reports, gate system reports, and ticket inventories to verify reported revenue
- Inventory records of COTPA-owned equipment utilized and maintained by RPS
- Accounts receivable records by facility, overall aging of accounts receivable, the collection process for aged balances, and decisions on bad debt write-off

- Records regarding RPS implementation of the contractually required bi-annual preventative maintenance plan for major facility systems (i.e., heating, cooling, electrical)

Recommendation 7

The department should develop procedures, assign responsibility, and maintain documentation of periodic, ongoing reviews of RPS operations. The nature and extent of these reviews could be impacted by any required annual, independent audit and/or RPS internal audits (see Recommendations 3 and 5).

Management Response 7

Agree with recommendation. COTPA will develop procedures for ongoing reviews of RPS operations to include an annual independent audit and/or internal audits of RPS conducted by COTPA. The first internal audit will occur within the first quarter of the next contract year, no later than September 30, 2015. Periodic internal audits will occur thereafter.

Monthly Review Meetings

Monthly financial and operational review meetings between departmental staff and RPS are not being conducted. The management contract requires a monthly meeting to review operating reports, discuss budget variances, and address other issues related to management of the parking facilities. In addition, the Walker Report and industry best practices recommend a monthly review meeting for operational control and oversight when a parking entity utilizes third-party management for daily operations.

Recommendation 8

The department should begin conducting monthly operational and financial review meetings with RPS management and maintain documentation of the substance and outcomes of those meetings.

Management Response 8

Agree with recommendation. COTPA will begin conducting monthly operational and financial review meetings with RPS and develop a system for documentation and outcomes. RPS has been advised of this requirement and the first meeting or conference call will occur by June 30, 2015.

Contractually Required COTPA Policies

The department has not established official, written policies regarding towing and free/no-charge parking. Both policies are required by the terms of the parking management contract.

Recommendation 9

The department should establish a written towing policy and a free/no-charge parking policy that is aligned with bond indenture requirements. In addition, the department should include verifying RPS compliance with these policies as part of its periodic monitoring procedures (see Recommendation 7).

Management Response 9

Agree with recommendation. COTPA will establish written policies with the assistance of the Municipal Counselor's Office addressing towing and free/no-charge parking. These policies will be included in the next contract which renews July 1, 2015.

Document Approvals

The management contract requires RPS to submit the following documents to the department for approval on a fiscal year basis:

- Annual budget of revenue and expenses, including an analysis of year-over-year increases and variance explanations for the previous year's budget
- Staffing and salary schedules for RPS employees
- A schedule including costs of the benefits provided to RPS employees
- Insurance certificates and performance bonds
- The current RPS operations manual

Contractually required reviews are not being carried out and specific departmental staff members are not assigned review responsibility and approval authority. Failure to conduct these reviews could result in unnecessary and/or inappropriate operating costs, inefficient operations, and a failure to detect RPS non-compliance with the contract terms.

Recommendation 10

The department should develop procedures for the annual receipt, review, and approval of the contractually required items; and should assign review responsibility and approval authority to the appropriate individuals within the department.

Management Response 10

Agree with recommendation. COTPA will develop procedures and policies with the assistance of the Municipal Counselor's Office for the annual receipt, review, and approval of any contractually required items. COTPA will identify department staff responsible for approval of documents. These procedures will be developed and implemented by September 30, 2015.

Quarterly Inspections and Performance Incentive Payments

The management contract requires unscheduled inspections of each parking facility prior to payment of the quarterly performance incentive. Payment of the performance incentive bonus is based on contract management, personnel effectiveness, facility maintenance, and security. Although the department maintains a summary sheet of the scores assigned, there are no detailed records supporting or outlining how staff determined these scores. In addition, the department is not conducting unscheduled site inspections of each facility.

Unlike the previous contract, the current management contract does not specify minimum criteria or performance levels for each facility prior to the payment of the performance incentive. A minimum standard or required performance level would provide a baseline for departmental staff evaluations and prevent payment of performance incentive bonuses if one facility scored significantly below others in the system.

Recommendation 11

The department should establish a detailed scoring system for each of the performance incentive components, begin conducting unscheduled onsite inspections of each facility, and maintain records supporting scores prior to payment of the performance incentive. In addition, the department should establish minimum criteria and performance levels that must be achieved by each facility, which should be incorporated into a written agreement between COTPA and RPS (see Recommendation 6).

Management Response 11

Agree with recommendation. COTPA will enhance the current performance incentive criteria to include minimum criteria and begin conducting unscheduled onsite inspections for each facility and maintain records supporting scores.

Revenue Monitoring and Reconciliation

We found deficiencies in departmental processes for verifying the accuracy and completeness of parking revenues reported by RPS. Although the department receives daily revenue summaries from RPS that are reconciled against bank statements and the PeopleSoft financial system, the amounts are not reconciled to monthly operating reports from RPS.

We compared departmental reconciliations of daily revenue reports and bank statements against the revenue reported by RPS in the monthly operating reports for FY 2013-2014 and found a shortage of \$188,362 in reported revenue that was not deposited in the COTPA bank account. Ultimately, missing revenue deposits totaling \$419,648 were identified during this audit (see Recommendation 18).

Recommendation 12

The department should reconcile amounts reported as revenue on the monthly operating report to deposit amounts recorded on the monthly bank statement and in the PeopleSoft financial system.

Management Response 12

Agree with recommendation. This process is already in place. Implementation is complete.

Other Issue**Non-budgeted Expenses**

Section 1.5 of the management contract with RPS requires COTPA consent prior to RPS contracting for repairs greater than \$1,500. To provide for economical purchasing, department personnel indicated that they informally require RPS to follow COTPA and City purchasing policy stipulating three quotes for non-budgeted, repair expenses with an estimated cost between \$2,500 and \$24,999.

In FY 2013-2014, there were 43 vendor transactions for non-budgeted repairs totaling \$103,920. Ten of these purchases were greater than \$2,500. An examination of the three largest transactions totaling \$56,508, or 54% of the FY 2013-2014 non-budgeted repair costs, found that three quotes were not obtained for any of the purchases.

Recommendation 13

The department should ensure RPS obtains three quotes for non-budgeted, repair expenses between \$2,500 and \$24,999.

Management Response 13

Agree with recommendation. RPS will be advised of the requirement in writing and the requirement will be included in the next contract which renews July 1, 2015.

RPS Processes and Procedures

Our audit included testing of RPS processes and procedures for proper documentation, control, reconciliation, and reporting of expenses and revenues.

RPS Operating Expenses

We tested operating expenses that were submitted by RPS to COTPA for reimbursement during FY 2013-2014.

Unallowable Operating Expenses

We found that RPS submitted the following expenses that were not allowed under the contract terms:

- Expenses totaling \$562 were paid by RPS and reimbursed by COTPA without sufficient documentation or support in FY 2013-2014.
- RPS was reimbursed for \$56 in late fees and extended warranties on small tool purchases in FY 2013-2014.
- In FY 2012-2013 and FY 2013-2014, two RPS employees made personal purchases totaling \$2,249 using RPS corporate charge cards. RPS discovered the purchases and obtained a refund of \$1,586 from one employee. The remaining \$663 in undetected personal purchases was passed onto COTPA as an operating expense.
- RPS was reimbursed \$414 for candy and soda purchases in FY 2013-2014.
- As discussed under Recommendation 4, the department agreed verbally with RPS to a 50/50 split of the duties and salary of the General Manager with RPS operations at another local parking facility. We found bonus payments to the General Manager of \$3,333 in FY 2013-2014. Per RPS management, these costs should have been charged to the other local parking facility managed by RPS.

Inadequate Expense Documentation

We also noted deficiencies in RPS documentation relating to other expenditures that we were able to reasonably determine were valid and allowable under the contract. These deficiencies included:

- Payments to traffic control personnel and employee petty cash reimbursements supported by a mock invoice generated by RPS rather than a signed document from the employee with evidence of supervisory approval.
- Travel expenses for which the business purpose was not documented.

Recommendation 14

The department should require RPS to refund \$5,028 to COTPA for the unallowable costs identified above. The department should also require RPS to strengthen their procedures regarding documentation, review, and approval of expenses that will be submitted to COTPA for reimbursement. Specifically, RPS management should be instructed that:

- All expenses must be documented with detailed vendor invoices and summary statements are not adequate.
- If it is not clear, the business purpose for the items purchased should be noted directly on the invoice.
- Customer refunds must be processed using the official RPS form which should be completed in full and signed by the parker to verify receipt of the funds.
- Should an invoice or receipt be lost or not available, RPS should develop a 'lost receipt form' evidencing: the purpose and amount of the expenditure, the signature of the employee originating the expenditure, and the signature of the authorizing supervisor.
- Expense records should evidence management review and approval of each invoice prior to payment.
- Employee travel and training expenses should include detailed invoices and document the reason for the expense.
- Invoices containing purchases made by an employee on RPS corporate charge accounts should not be approved by the same employee.
- Petty cash reconciliations should evidence review and supervisor approval. Employees assigned a petty cash fund should not approve their own reconciliations.

Management Response 14

Agree with recommendation. COTPA will provide written instructions to RPS and will include these items in internal and/or external audits to confirm RPS is in compliance. Written instructions will be provided and agreed to by Republic by July 1, 2015. Internal audits will begin no later than September 30, 2015 and will be ongoing.

Questionable Operating Expenses

During our testing, we identified the following FY 2013-2014 expenditures submitted by RPS to COTPA for reimbursement that are not clearly defined as allowable under the contract:

- Break-room supplies totaling \$690.
- \$1,464 in expenses for employee appreciation activities such as meals and shopping cards.
- Management bonuses totaling \$13,458.

Recommendation 15

The department should reach a written understanding with RPS regarding these questionable operating expenses (see Recommendation 6). If the parties agree these expenses are allowable, the department should establish a yearly expenditure limit for the costs.

Management Response 15

Agree with recommendation. COTPA will establish yearly expenditure limits to include in the next contract which renews July 1, 2015.

Parker Vehicle Damage Claims

RPS submits parker vehicle damage claims to COTPA as part of the monthly operating expense reimbursement invoice. During FY 2013-2014, two parking customers were reimbursed by RPS for vehicle damage claims totaling \$1,591. According to Article 1.2.2 of the management contract, RPS is required to notify COTPA in writing within 24-hours of any damage or injury sustained at a facility to persons or property. Departmental staff was not notified of these claims and did not review the incident reports or the repair estimates prior to payment.

A review of the incident reports found that these expenses related to damages caused by the negligence of RPS employees and vehicle operator error, therefore these costs are not considered a reimbursable operating expense.

Recommendation 16

The department should require RPS to refund COTPA \$1,591 for the unallowable costs identified above. The departmental should also require RPS to provide a 24-hour written notice of all damage or injury claims. In addition, RPS should be required to submit vehicle damage claims separately from normal operating expenses when invoicing COTPA for reimbursement.

Management Response 16

Agree with recommendation. COTPA will require RPS to refund the unallowable costs and work with the Municipal Counselor's Office to establish policies and procedures for all damage or injury claims. The new procedures will be included in the next contract which renews July 1, 2015.

Employee Mileage Reimbursements

RPS utilizes a form for eligible employees to submit mileage reimbursement requests that are paid out of petty cash and passed onto COTPA as an operating expense. Multiple managers at RPS have a petty cash fund, employees are not assigned to a specific supervisor with regard to mileage reimbursement submittals, and employees do not submit mileage reimbursement claims for specified time periods (i.e., weekly, monthly, per pay period, etc.).

An examination of all FY 2013-2014 employee mileage reimbursements revealed two employees were paid twice for mileage totaling \$174. In addition, three RPS employees were reimbursed a total of \$3,800 for mileage amounts that were unreasonably high given the average number of miles submitted by other employees in the same job classification. RPS could not explain these higher than average mileage reimbursements and evidence of supervisory review and approval was incomplete.

Recommendation 17

The department should require RPS to refund COTPA \$3,974 for the unallowable costs identified above. The department should also require RPS to: assign each eligible employee to a specific manager for mileage claim submittals, require employees to submit all miles during the same period on a single form, and require RPS managers to document their review and approval of all mileage forms. Alternatively, the department could work with RPS to establish a set monthly mileage stipend by job classification.

Management Response 17

Agree with recommendation. COTPA will work with RPS to establish an acceptable limit on mileage per job classification and require proper forms and procedures be followed for reimbursement to occur. COTPA will request the refund from RPS by May 15, 2015 and will require RPS to establish an acceptable mileage limit and acceptable documentation standards by September 30, 2015.

Revenue Recording, Reconciliation, and Accounts Receivables

During our review, we noted deficiencies in RPS revenue processing (cash handling) and revenue recording procedures.

Revenue Deposits and Recording

As previously discussed in Recommendation 12, missing revenue was identified during this audit. We randomly selected a sample of days at different facilities during the fiscal year and compared the daily cashier reports, actual parking tickets collected, daily revenue reports, gate access system reports and actual deposits noted on COTPA bank statements. We found two missing event revenue deposits from April 8, 2014 that totaled \$1,233.

A subsequent investigation revealed that an RPS employee was failing to deposit funds. The theft was reported to the Oklahoma City Police Department by RPS. Ultimately, missing revenue deposits were identified during this audit as follows:

Table 2
Missing Revenue Deposits

Calendar Year	Amount
2012	\$ 80,571
2013	55,303
2014	283,774
Total	\$ 419,648

The specific RPS revenue control weaknesses noted were:

- Staff verifying cashier safe drops and daily cashier reports have sole possession of the cash and the revenue control documents.
- Staff responsible for compiling cashier reports into daily revenue composite reports is also responsible for taking deposits to the bank.
- Staff responsible for entering amounts into the RPS accounting software system is not verifying the amounts against receipted deposit slips.
- RPS employees and supervisors do not initial or sign revenue control documents evidencing their performance of established procedures.

Recommendation 18

The department should require RPS to reimburse COTPA \$419,648 for the missing revenue discussed above. The department should also require RPS to segregate duties involving custody of cash from responsibilities for reconciling or recording revenue, compare amounts posted to the RPS accounting system to receipted deposit slips, and direct RPS staff members completing

revenue control procedures to initial or sign related documents as evidence of performance of their duties.

Management Response 18

Agree with recommendation. COTPA will request reimbursement from RPS by May 15, 2015. RPS will provide COTPA with cash handling/revenue processing procedures. This will include an action plan regarding separation of duties and the requirement to sign specific documentation. The requested procedures and action plan will be reviewed and approved by COTPA by July 31, 2015.

Accounts Receivable Collections and Bad Debt

RPS has not received direction from the department regarding collections or bad debt (i.e., allowable aging of account prior to deactivation of parking privileges, collection records to be maintained, and the procedures for bad debt write-off of uncollectable accounts). In addition, RPS does not use a third party collection agency for past due accounts. The decision to write-off an account rests with RPS Area Managers and departmental staff does not review or monitor bad debt prior to write-off. In FY 2013-2014, RPS classified \$18,116 in monthly card accounts and \$1,960 in validation ticket accounts as uncollectible and wrote-off a total of \$20,076 in bad debt. Without adequate guidance and oversight, accounts receivable collections may not be maximized.

Recommendation 19

The department should provide RPS a written policy regarding collection of past due accounts and consideration should be given to the use of a third-party collection agency. In addition, department staff should review and approve all accounts selected for write-off as bad debt.

Management Response 19

Agree with recommendation and will implement policies for RPS to follow regarding past due accounts in the next contract which renews July 1, 2015.

RPS Reporting

The management contract requires that RPS submit reports to the department in an electronic format with graphing capabilities. Currently, reports are received in Adobe PDF format which prevents downloading of the information into a spreadsheet. The proper electronic report format would provide the department with the ability to graph information and aid in monitoring revenue collections and expenditures.

Recommendation 20

The department should require RPS to submit reports in an electronic format with graphing capability such as Microsoft Excel that is compatible with current City software systems.

Management Response 20

Agree with recommendation. RPS is providing reports in Microsoft Excel. Implementation is complete.



MEMORANDUM

The City of
OKLAHOMA CITY



TO: Jim Williamson, City Auditor

THROUGH: James D. Couch, City Manager *JDC*

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

DATE: May 12, 2015

SUBJECT: 14-03 Public Transportation and Parking Department Off-Street Parking Management Contract

Following are management's responses to recommendations outlined in the recent Off-Street Parking Management Contract Audit.

1. Agree with recommendation. COTPA and Republic Parking Systems (RPS) will examine all practices resulting in ticket loss and make necessary changes to reduce ticket loss. In the interim, COTPA has asked RPS to evaluate staffing and determine any impact that staffing changes will have on reducing ticket loss. COTPA and RPS will agree on an acceptable ticket loss policy and work with the Municipal Counselor's Office to implement new policies in the next contract which renews July 1, 2015.
2. Agree with recommendation. COTPA will organize meetings with essential personnel at RPS and SkiData (vendor for parking system gate control) and any other appropriate vendors to resolve reporting shortcomings. Due to the dependence on outside vendors and potential coordination of systems, full implementation of this recommendation is estimated to be November 30, 2015.
3. Agree with recommendation. COTPA will work with the Municipal Counselor's Office to develop a written agreement requiring RPS to obtain prior approval for non emergency expenses that exceed the approved budget in the next contract which renews July 1, 2015. COTPA will develop a scope and frequency standards for internal audits and will explore the contracting services for mystery shopper services by September 30, 2015.
4. Agree with recommendation. RPS has been instructed to provide detailed and specific expense variance explanations in the monthly operating report and will submit recommendations to correct variances when applicable. COTPA will review the variances and explanations during regular review meetings with Republic. This recommendation has been implemented.
5. Agree with recommendation. COTPA will work with the Municipal Counselor's Office to identify and resolve any inconsistencies in contract versions and include updates and corrections in the next contract which renews July 1, 2015. COTPA will see to it that RPS complies with audit requirements set forth by the contract.

6. Agree with recommendation. COTPA will work with the Municipal Counselor's Office to develop a written agreement and/or update the contract to identify additional reimbursable operating expenses that were included in the RFP addendum and formalize the verbal agreement that RPS is only required to perform maintenance services for retail and office space. In addition, the agreement and/or updated contract will identify all garage and surface lots RPS is required to manage. Implementation of these recommendations will occur with the next contract which renews July 1, 2015. COTPA has requested RPS comply with the original contract requirements allowing for a full time General Manager for the COTPA parking system. RPS is currently advertising and interviewing to fill this position. Implementation of this recommendation should occur by July 1, 2015 or as soon as RPS can fill the position.
7. Agree with recommendation. COTPA will develop procedures for ongoing reviews of RPS operations to include an annual independent audit and/or internal audits of RPS conducted by COTPA. The first internal audit will occur within the first quarter of the next contract year, no later than September 30, 2015. Periodic internal audits will occur thereafter.
8. Agree with recommendation. COTPA will begin conducting monthly operational and financial review meetings with RPS and develop a system for documentation and outcomes. RPS has been advised of this requirement and the first meeting or conference call will occur by June 30, 2015.
9. Agree with recommendation. COTPA will establish written policies with the assistance of the Municipal Counselor's Office addressing towing and free/no-charge parking. These policies will be included in the next contract which renews July 1, 2015.
10. Agree with recommendation. COTPA will develop procedures and policies with the assistance of the Municipal Counselor's Office for the annual receipt, review, and approval of any contractually required items. COTPA will identify department staff responsible for approval of documents. These procedures will be developed and implemented by September 30, 2015.
11. Agree with recommendation. COTPA will enhance the current performance incentive criteria to include minimum criteria and begin conducting unscheduled onsite inspections for each facility and maintain records supporting scores.
12. Agree with recommendation. This process is already in place. Implementation is complete.
13. Agree with recommendation. RPS will be advised of the requirement in writing and the requirement will be included in the next contract which renews July 1, 2015.
14. Agree with recommendation. COTPA will provide written instructions to RPS and will include these items in internal and/or external audits to confirm RPS is in compliance. Written instructions will be provided and agreed to by Republic by July 1, 2015. Internal audits will begin no later than September 30, 2015 and will be ongoing.
15. Agree with recommendation. COTPA will establish yearly expenditure limits to include in the next contract which renews July 1, 2015.

16. Agree with recommendation. COTPA will require RPS to refund the unallowable costs and work with the Municipal Counselor's Office to establish policies and procedures for all damage or injury claims. The new procedures will be included in the next contract which renews July 1, 2015.
17. Agree with recommendation. COTPA will work with RPS to establish an acceptable limit on mileage per job classification and require proper forms and procedures be followed for reimbursement to occur. COTPA will request the refund from RPS by May 15, 2015 and will require RPS to establish an acceptable mileage limit and acceptable documentation standards by September 30, 2015.
18. Agree with recommendation. COTPA will request reimbursement from RPS by May 15, 2015. RPS will provide COTPA with cash handling/revenue processing procedures. This will include an action plan regarding separation of duties and the requirement to sign specific documentation. The requested procedures and action plan will be reviewed and approved by COTPA by July 31, 2015.
19. Agree with recommendation and will implement policies for RPS to follow regarding past due accounts in the next contract which renews July 1, 2015.
20. Agree with recommendation. RPS is providing reports in Microsoft Excel. Implementation is complete.