

May 6, 2010

**Internal Audit Report 2010-05
Parking Garage Cash Controls
Parking Services Department
Anchorage Community Development Authority**

Introduction. The Parking Services Department (Department) is part of the Anchorage Community Development Authority (ACDA). It is responsible for operating, managing and controlling on-street and off-street parking throughout the Municipality. The Department's mission is to provide sufficient, high-quality, customer-focused public parking by managing parking resources in a fair and efficient manner for the benefit of the Municipality's residents. The Department operates four parking garages: 5th Avenue Garage, 6th Avenue Garage, 7th Avenue Garage, and JCPenney Garage. According to ACDA's website, the combined parking spaces for the four garages total 2,700 spaces. According to data provided by the Department, for the year ending 2009 total cash collected for these four parking garages was approximately \$4,191,666. The Department uses an automated parking system (ScanNet) to manage and track daily parking garage cash receipts. In 2007, the Department automated its cash collection system by installing Pay-in-Lane and Pay-on-Foot machines.

Objective and Scope. The objective of this audit was to determine whether there were adequate controls in place over parking garage transactions and cash receipts. To accomplish our objective, we reconciled parking validations, traced cash receipts to daily deposits, and observed parking attendant activities. We also reviewed ScanNet system management reports to determine whether the reports were used by supervisory personnel to monitor various parking garage transactions and cash receipts.

The audit was conducted in accordance with generally accepted government auditing standards, except for the requirement of an external quality control review, and accordingly, included tests of

accounting records and such other auditing procedures as we considered necessary in the circumstances. The audit was performed during the period of November 2009 through February 2010. The audit was requested by the Administration.

Overall Evaluation. Cash controls at the Parking Services Department required improvement. For example, keys and note vaults used to hold cash in the parking machines could not be accounted for. Also, transaction registers in the parking machines could be reset by maintenance personnel who also had access to the cash vaults in the machines. Furthermore, cash receipts reported in the ScanNet system did not always agree with the amount of cash deposited and parking validator machines rented to businesses were not controlled. Moreover, parking access cards issued to Department employees were not controlled. Finally, the Department's cash handling and reconciliation policy drafted in 2005 had not yet been approved and implemented.

FINDINGS AND RECOMMENDATIONS

1. Cash Controls Need Improvement.

- a. Finding.** Cash controls at the Department required improvement. Without strong cash controls and close monitoring of parking garage activity, cash could be lost due to improper procedures or employee misconduct. Specifically, we found the following:
 - **Parking Machine Keys Not Controlled** – Department management did not maintain effective control over parking machine keys. Specifically, a current inventory of keys used to open the internal and external doors of the automated parking machines where cash was stored could not be located. In addition, there was no record of the number of keys initially obtained from the manufacturer, a list of current employees who had received the keys, and whether issued keys were surrendered and accounted for when employees

terminated employment. As a result, it could not be determined who had access to the automated parking machines. For example, in October 2008 a note vault was removed from a Pay-in-Lane machine at the 7th Avenue parking garage. However, management personnel could not determine who took it and how much cash it contained.

- **Note Vaults Not Controlled** – Department staff could not ensure that note vaults used to hold collected cash at the Pay-in-Lane and Pay-on-Foot machines were fully accounted for. Although we were provided a recent inventory list of Pay-in-Lane and Pay-on-Foot note vaults, no record existed showing what was originally purchased. As a result, we could not reliably determine if vaults and cash were missing. For example, in April 2009, management personnel thought they were missing a Pay-on-Foot note vault, but could not make a final determination.
- **Lack of Segregation of Duties** – Two maintenance staff, who had full administrator access to the ScanNet system, also performed maintenance duties on the parking machines and handled cash. Since duties have not been segregated, there is an increased risk of error or potential misappropriation of funds.
- **Quarters and Nickels Not Reconciled** – Quarters and nickels used to replenish Pay-in-Lane coin hoppers were not reconciled to the replenishment log. Since Pay-in-Lane machines have a self-replenishment feature when customers pay with coins, reconciliation can be difficult.

- **Transaction Totals in Pay-in-Lane and Pay-on-Foot Machines Could Be Reset** – Cash transaction totals for the Pay-in-Lane and Pay-on-Foot machines could be reset by maintenance personnel. As a result, ScanNet reports may not match money contained in the machines.
- **Safe Combinations Not Safeguarded or Changed** – Safe combinations were not always reset when Parking Services Representatives (PSRs) terminated employment. These safes are located in parking garages and are used to store replenishment funds for the Pay-in-Lane machines. For example, when a PSR was terminated in August 2009, the combination of only one of the three safes was reset. In addition, during a surprise cash count, a PSR retrieved a piece of paper from behind a whiteboard with the safe combination written on it.
- **Money Removed from Safe Without Proper Record** – In November 2009, more than \$3,000.00 of Pay-on-Foot change funds was removed from a safe by an employee and was stored in the employee's desk for six days. We were told that the money was kept in his office to have access to the change funds during the busy holiday weekend when other staff would be off. However, the transfer was not adequately recorded on the safe log showing the amount taken and the reason why the funds were removed.
- **Exits Without Payment** – During our audit we identified numerous incidents where a PSR opened the parking garage gate without receiving the required payment. For example, in November 2009, ScanNet reported 379 exits without payments. Management personnel were unable to provide any documentation to explain why the parking garage gate was opened.

b. **Recommendation.** The Parking Director should improve cash controls at parking garage facilities. At a minimum:

- Parking machines should be re-keyed and the keys should be assigned to employees by number and safeguarded.
- Inventory control for note vaults should be developed, implemented, and followed.
- Access to the ScanNet System and cash should be divided or segregated among different people.
- Self-replenishment feature of Pay-in-Lane machines should be disabled to allow the reconciliation of quarters and nickels.
- Safe combination should be changed when an employee terminates employment, and the safe combinations should be safeguarded.
- Cash should not be removed from the Parking Department facilities. If funds are removed from safes, the amount and the reason for the fund removal should be properly documented and supported.
- When parking garage gates are opened and customers exit without payment, the reason and the number of customers should be documented and supported.

c. **Management Comments.** Management stated,

- **Parking Machine Keys Not Controlled** – “Management concurs. Locks will be changed and keys will be inventoried, reissued and controlled.”
- **Note Vaults Not Controlled** – “Management concurs. Inventory has been done and will be updated as new parts are ordered.”

- **Lack of Segregation of Duties** – “Management concurs. Segregation of duties and ScanNet security access will be enhanced and maintained.”
- **Quarters and Nickels Not Reconciled** – “Management disagrees. Compensating control is already in place for overall revenue on a ‘per pay station’ and ‘per facility’ basis which includes quarters and nickels. Nonetheless, management will consult the equipment vendor on potential alternate equipment programming to enhance coin reconciliation.”
- **Safe Combination Not Safeguarded or Changed** – “Management concurs. Safe combinations will be changed at the directive of the Executive Director designee.”
- **Money Removed from Safe Without Proper Record** – “Management concurs that money in and out of safes must be tracked. A detailed log has been instituted.”
- **Exits Without Payment** – “Management concurs. Employees are now required to detail these exceptions on a daily log.”

d. **Evaluation of Management Comments.** Management comments were generally responsive to the audit findings and recommendations.

2. **Discrepancies Between ScanNet Report and Actual Deposit.**

- a. **Finding.** Cash receipts reported in the ScanNet system did not always match cash deposits from the Pay-in-Lane and Pay-on-Foot machines. For example, between

January 1, 2009, and November 30, 2009, there were 50 discrepancies of more than \$5.00, with some discrepancies as large as \$1,934.00. In most cases, the cause of the discrepancies could not be determined since ScanNet reports were incomplete or inaccurate, and management did little to investigate the causes. For example, in February 2009, a ScanNet report showed that \$1,455.00 should have been deposited. However, the deposit totaled only \$1,310.00 resulting in a \$145.00 shortage. We also found that 7 of 17 (41%) credit card deposits reviewed had discrepancies between ScanNet reports and bank statements. For example, a ScanNet credit card report showed \$1,277.00 was collected. However, the bank statement showed \$1,285.00 deposited resulting in an \$8.00 overage. We did not find any evidence that these discrepancies were investigated.

- b. **Recommendation.** The ACDA Executive Director should implement procedures to investigate all discrepancies between cash deposits and supporting records of accountability.
- c. **Management Comments.** Management stated, “Management concurs and has implemented procedures to investigate all discrepancies between cash deposits and supporting records of accountability.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

3. **Validators Not Properly Controlled.**

- a. **Finding.** Our review of parking validators revealed they were not always properly controlled. These validators were rented to vendors to validate their customers’ parking tickets, and the vendors were billed a specified fee based on validator usage.

Specifically, we found the following:

- **Validator Inventory Record Not Accurate** – The validator inventory record did not match the ScanNet list used to bill the vendors for 23 of 49 validators.
 - **Maintenance Personnel Have Possession of Validators** – We found three functioning validators in the maintenance shop. These validators could be used to validate parking tickets. In addition, one of the validators had an identical configuration as another validator rented to a vendor.
 - **Missing Validator Contracts** – Management personnel could not provide contracts for 14 of the 24 vendors who had validators.
 - **Validator Contracts Not Current** – Five of the ten validator contracts had expired.
 - **Validator Billings Incorrect** – The Department billed vendors for amounts different from the contracted amount for three of the five current contracts. For example, one contract stated that the customer would be billed \$3.00 per validation. However, the Department billed the customer a flat rate of \$4.00 per validation.
- b. **Recommendation.** To ensure validator accountability, the Parking Director should develop and implement controls, update contracts, and ensure validator billings are correct.

- c. **Management Comments.** Management stated, “Management concurs and has revamped the validator program, with records kept in hard copy and in electronic format.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

4. **Parking Garage Access Card Not Properly Controlled.**

- a. **Finding.** Parking garage access cards issued to employees were not properly controlled. These cards permit users to enter and exit the parking garages without paying the required fees. Specifically, we found the following:
 - **Inaccurate Employee Garage Access Card List** – The list showing which Department employees had parking garage access cards was inaccurate. For example, the list showed one employee was assigned three parking garage cards. However, the employee stated she had only one card in her possession, and did not know why the list showed three cards.
 - **Inaccurate Special Privilege Access Card List** – The list for the special privilege access card, used by PSRs, maintenance staff, and security personnel, was inaccurate. The log showed nine special privilege access cards were issued to the Parking Services staff and security personnel. However, a ScanNet report showed 21 special privilege access cards had been given to employees and security personnel.
 - **No Log for Special Privilege Access Card Transfer** – A log was not maintained showing which PSRs or security personnel had special privilege

access cards at any point in time. PSRs have a special privileged garage access card that is used to raise the parking garage gates. When work shifts change, these cards are passed from one PSR to another PSR. In addition, these cards are transferred to security guards when there is no PSR on duty during nights.

- **Cards Not Deactivated** – Garage access cards were not always deactivated when employees turned them in. For example, one card was turned in more than 20 days ago. At the time of this audit, it still had not been processed. Moreover, in July 2009, management personnel requested that seven access cards, used by PSRs, be deactivated since staff could not verify the cards' whereabouts. As of January 2010, two of the cards were still active and staff could not tell us who had them. However, we discovered that one of the active cards was assigned to a terminated employee and management could not determine if the card had been turned in.

b. **Recommendation.** The Parking Director should improve parking garage access card controls. At a minimum:

- Employee garage card list should contain accurate and up-to-date information.
- All current special privileged access cards should be deactivated and reissued with fresh stock.
- A log should be developed to document when cards are transferred between Department staff and security personnel.
- Garage access cards should be deactivated immediately upon being turned in.

- c. **Management Comments.** Management stated,
- **Inaccurate Employee Garage Access Card List** – “Management concurs. FLEX, ScanNet and hiring/termination paperwork will document these cards.”
 - **Inaccurate Special Privilege Access Card List** – “Management concurs. Project [to deactivate current special privileged cards and reissue with fresh stock] will be completed in spring 2010.”
 - **No Log for Special Privilege Access Card Transfer** – “Management concurs that shared card activity should be monitored and controlled via periodic ScanNet report review.”
 - **Cards Not Deactivated** – “Management concurs and this practice [of immediately deactivating garage access cards upon being turned in] has begun.”
- d. **Evaluation of Management Comments.** Management comments were responsive to the audit findings and recommendations.

5. **Policy and Procedure Not Approved.**

- a. **Finding.** Since 2005, Policy and Procedure (P&P) 6-1, *Cash Handling/Daily Reconciliation Policy*, has been in draft form. Since it is in draft form, there is no requirement that it be followed. For example, the draft P&P states that “Each CSR or

PSR shall be audited at least twice each year.” However, we found that only one CSR audit was performed in the last year and PSRs had not been audited during the last year.

- b. **Recommendation.** The ACDA Executive Director should ensure that P&P 6-1 is approved, implemented, and followed.

- c. **Management Comments.** Management stated, “Management concurs. ACDA Policy and Procedure 6-1 will be amended, updated and submitted to the ACDA Board of Directors for approval on or before the July 8, 2010 scheduled Board meeting.”

- d. **Evaluation of Management Comments.** Management comments were responsive to the audit finding and recommendation.

Discussion With Responsible Officials. The results of this audit were discussed with appropriate officials on March 27, 2010.

Audit Staff:
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