



Municipality of Anchorage

Ethan Berkowitz, Mayor

Internal Audit Department

November 17, 2015

Honorable Mayor and Members of the Assembly:

I am pleased to present for your review **Internal Audit Report 2015-09; Parking Garage Cash Controls Follow-up; Parking Services Department; Anchorage Community Development Authority**. A brief summary of the report is presented below.

In accordance with the 2015 Audit Plan, we have completed a follow-up audit of the Parking Garage Cash Controls at the Anchorage Community Development Authority. The objective of this follow-up audit was to determine the effectiveness of corrective actions taken by the Anchorage Community Development Authority on the deficiencies contained in Internal Audit Report 2010-05. To accomplish our objective, we reviewed controls over the parking machine keys, note vaults, and safes. We also traced cash receipts to daily deposits and determined if discrepancies between Element reports and actual deposits were properly investigated and documented. In addition, we determined if the parking validation program was properly administered according to applicable contracts and if there was sufficient control over the validators. Finally, we determined whether there were adequate controls over parking garage access cards.

Based on our review, it is our opinion that the Anchorage Community Development Authority's action taken in response to the 2010 audit report improved many of the identified issues. Our follow-up audit revealed that action taken by Anchorage Community Development Authority personnel was effective for 3 of 5 deficiencies and partially effective for 2 of 5 deficiencies. We found that further management action is still required. Specifically, the validation program was not always properly administered and parking garage access cards issued to employees were still not properly controlled

There were five follow-up findings in connection with this audit. The Anchorage Community Development Authority was responsive to the findings and recommendations.

Michael Chadwick, CICA
Acting Director, Internal Audit



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Internal Audit Report 2015-09
Parking Garage Cash Controls Follow-Up
Parking Services Department
Anchorage Community Development Authority

Introduction. In 2010 we performed an audit of Parking Garage Cash Controls at the Parking Services Department (Department) of the Anchorage Community Development Authority (ACDA) and issued Internal Audit Report 2010-05 dated May 6, 2010. We have performed a follow-up audit to assess the effectiveness of corrective action. This report contains the result of our follow-up audit.

Anchorage Community Development Authority's mission is to manage and enhance public parking and facilitate development for a vibrant community. The Department is responsible for operating, managing and controlling on-street and off-street parking throughout the Municipality. The Department operates four parking garages: 5th Avenue Garage, 6th Avenue Garage, 7th Avenue Garage, and JCPenney Garage. According to Department management, the combined parking spaces for the four garages total 2,754 spaces. According to data provided by the Department, for the year ending 2014 total cash collected for these four parking garages was approximately \$5,064,144. The Department uses an automated parking system (Element) 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 follow-up audit was to determine the effectiveness of corrective actions taken by ACDA on the deficiencies identified in Internal Audit Report 2010-05. To accomplish our objective, we reviewed controls over the parking machine keys, note vaults, and safes. We also traced cash receipts to daily deposits and determined if discrepancies between Element reports and actual deposits were properly investigated and documented. In addition, we determined if the

parking validation program was properly administered according to applicable contracts and if there was sufficient control over the validators. Finally, we determined whether there were adequate controls over parking garage access cards.

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 July 2015 through August 2015. The audit was requested by the Assembly.

Overall Evaluation. Management action taken in response to the 2010 audit report improved many of the identified issues. Our follow-up audit revealed that action taken by Department personnel was effective for 3 of 5 deficiencies and partially effective for 2 of 5 deficiencies. We found that further management action is still required. Specifically, the validation program was not always properly administered and parking garage access cards issued to employees were still not properly controlled.

AUDIT FINDINGS FOLLOW-UP

1. Prior Finding: Cash Controls Need Improvement.

- a. **Corrective Action.** The cash control deficiencies noted in our prior audit had been corrected. For example, we found sufficient internal controls over keys and safe combinations were changed when Department employees terminated. In addition, we did not identify any incidences of Parking Services Representatives (PSRs) opening the parking garage gate without receiving the required payment. Finally, we determined that duties were adequately segregated.

- b. **Evaluation of Corrective Action.** Effective.
 - c. **Recommendation.** Not Required.
 - d. **Management Comments.** Not Required.
2. **Prior Finding: Discrepancies Between ScanNet Report and Actual Deposit.**
- a. **Corrective Action.** Cash receipts reported in Element (formerly ScanNet) matched cash deposits from Pay-in-Lane and Pay-on-Foot machines. We found that the cause of the discrepancies identified in our previous audit report were investigated, documented, and corrected. We also found that credit card revenue discrepancies between Element reports and bank statements were reduced significantly.
 - b. **Evaluation of Corrective Action.** Effective.
 - c. **Recommendation.** Not Required.
 - d. **Management Comments.** Not Required.
3. **Prior Finding: Validators Not Properly Controlled.**
- a. **Corrective Action.** Although the validators are now being inventoried annually, the validation program was not always properly administered. 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:

- ***Missing Validator Contract*** – Management personnel could not provide a contract for 1 of 11 vendors who had a validator. In addition, ACDA staff did not bill the vendor for the validator usage.
 - ***Validator Contracts Not Current*** – Five of 10 validator contracts had expired. In addition, we were not able to determine if 3 of 10 validator contracts were expired or not, since the terms were not specified.
 - ***Validator Contract Not Approved*** – Seven of 10 validator contracts were not signed by the ACDA Executive Director for approval.
 - ***Validator Billing Incorrect*** – Three vendors were not billed the \$150 minimum monthly charge required by the validator agreements when the validators were not used for the month.
- b. **Evaluation of Corrective Action.** Partially effective.
- c. **Recommendation.** To ensure validator accountability, the Parking Director should develop and implement additional controls, update contracts, and ensure validator billings are correct.
- d. **Management Comments.** Management concurred and stated, “These findings have been immediately addressed where immediate attention was needed. In addition the overall effectiveness of the validation program will be fully reviewed and revised in 2016, to ensure the recommendations of the initial findings have been fully implemented and effective. Part of the effort to increasingly find operational alternatives to the validation program has been to reduce the use of the validators. For example in the past few years a pilot program of ‘First Hour Free’ at the JCP garage

was successful in providing a discount to parkers while eliminating the use of large number of validators and achieving the same benefit. The program was recently adopted as a long term solution.

- “Missing Validator Contract: Management is in concurrence with this finding, a long standing agreement for the particular validator was not able to be located or verified. Due to the inability to find an existing agreement immediate steps will be taken and have begun to be taken to ensure a new agreement is in place for the continued use of the validator and or the program will be determined to be terminated for this specific account. Expected completion by end of calendar year 2015.
- “Validator Contracts Not Current: Management is in concurrence with this finding. All contracts have been reviewed and updated to ensure there are not ambiguous terms of the agreements, if the agreement is on-going with no termination date it will be specified. Policy will be implemented to ensure annual review of the 11 validator agreements to ensure they remain updated. Over time the direction of the parking services department will be looking into alternative programs to the current validator practice that would allow for more flexibility and control over the vendors and accounts that utilize the programs offered. Contracts have been updated and program revisions expected in calendar year 2016.
- “Validator Contracts Not Approved: Management is in concurrence with this finding; long standing contracts had not always had approval from the Executive Director. Current ACDA policy dictates any contracts with a value over \$1,000 would require Executive Director approval due to the nature of the validation program a true dollar amount would have been dictated after the

contract was signed and based on use, most agreements to not meet this threshold but do have the potential to do so based on vendor use. Management will take immediate action to review existing contracts, ensure they are updated and a proper evaluation of value is given along with final approval in line with the existing standing ACDA policy.

- *“Validator Billing:* “Management is in concurrence with this finding, exceptions have been made to the required minimum payment as a customer service function to not penalize those vendors with infrequent use of the program. As part of the on going cleanup of the contracts we will ensure that the perception of inaccurate billing is addressed and that any exceptions are documented going forward. Management will resolve the perceived non compliance with an over haul and revision of the standing contracts as part of the review of addressing the policy and standard operating procedures to ensure the contracts in place are truly reflective of the agreements made with each individual account.”

- e. **Evaluation of Management Comments.** Management comments were responsive to the audit findings and recommendation.

4. **Prior Finding: Parking Garage Access Card Not Properly Controlled.**

- a. **Corrective Action.** Parking garage access cards issued to employees were still not properly controlled. These cards permit users to enter and exit the parking garages without required fees. Specifically, we found the following:
- ***Lack of Accountability of Employee Garage Access Cards*** – For 7 of 20 cards issued to PSRs, Department staff were not able to verify where they were or

who had possession of them. These missing cards were still active cards and granted master access privileges to the parking garages. On June 23, 2015, Department management conducted an inventory of cards issued to the PSRs. They also requested that all PSR cards that were not inventoried be deactivated as soon as possible. However, as of August 4, 2015, these cards were still active and had not been found.

- ***Garage Access Cards Not Always Deactivated*** – Garage access cards were not always deactivated when employment was terminated. For example, we found a temporary employee was terminated on June 5, 2015. The card was not deactivated and the card information in the system was not updated showing the termination. Later, the card was given to another temporary employee. However, the card was never updated with the new employee's information. The new temporary employee was terminated on July 21, 2015. When we asked to see the card, Department staff could not find it. However, we noted that the card was still active in the card information system. In August 2015, the card was found when it fell out of a safety vest. In another case, a temporary employee was terminated on July 17, 2015. However, as of July 30, 2015, the card was still active, under the temporary employee's name, and Department staff was unable to find the card.
- ***Garage Access Cards Provided for Free*** – The Department provided some former employees and other individuals parking garage access cards, with master access to all of the parking garages, without collecting the monthly fee. According to the Department, the cards were provided to these individuals as part of a program to provide user feedback regarding the parking garages and the overall parking system. Although we found some evidence that these cards were approved, Department management stated that additional verbal approvals

were provided but were not documented. There was no Policy and Procedure (P&P) regarding this program and little evidence of user feedback.

- b. **Evaluation of Corrective Action.** Partially effective.
- c. **Recommendation.** The Parking Director should improve parking garage access card controls to help ensure accountability. Specifically, garage access cards should be deactivated immediately upon employee termination and the employee garage card list should contain accurate and up-to-date information. Moreover, the Parking Director should ensure that a P&P is developed for the user feedback program and should ensure that approval for parking garage access cards is properly documented.
- d. **Management Comments.** Management concurred and stated, “A number of initiatives are underway to aid in Controlling Garage Access Cards. Currently the Customer Service department is conducting a full audit and re-carding project that overhaul all the access cards currently deployed in the field. This will be effective in deactivating all old cards and ensure any past practices are not allowing for continued access in the parking system. This project began in fall 2015 and is expected to complete in spring 2016. In addition to the re-carding project.
- *“Lack of Accountability of Employee Garage Access Cards: At the time of the Audit Management was conducting an internal audit of the employee garage cards to ensure all cards issued to employees as well as the cards issued to PSR’s for field operations were accounted for. Management is in concurrence with this finding and has taken action to ensure the accuracy of the cards used for field operations for PSR’s and those that needed deactivation were deactivated. The Cards issued to PSR’s for field operations are also secured in our Key Safe with a check in and log out procedure in*

addition all employee issued cards were fully audited to ensure reports were accurate and no other potential slippage existed outside of the 7 cards that were identified in the field audit.

- “Garage Cards Not Always Deactivated: Management is in concurrence with the finding of the field audit, however overall does not agree that the findings are common practice. The cards issued to temporary employees were not in line with the current policy and procedure for issuing employee cards. This deviation from standard practice was the cause behind the finding; the deviation from policy has been addressed by the Management team and has the expectation that if current standard policy and procedure is followed no further issues will arise regarding the deactivation process.

- “Garage Cards Provided for Free: Management is in concurrence with this finding and will revisit the program as well as ensure adequate documentation is in place along with a written policy and procedure immediately, the pilot program will be revisited in July 2016 and at that time it will be determined if it will be a continued effort to receive operational feedback or if the program was unsuccessful.”

- e. **Evaluation of Management Comments.** Management comments were responsive to the audit findings and recommendations.

5. **Prior Finding: Policy and Procedure Not Approved.**

- a. **Corrective Action.** We found that ACDA’s P&P 6-01, *Cash Handling/Daily Reconciliation Policy*, was approved and implemented in May 2010.

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- b. **Evaluation of Corrective Action.** Effective.
- c. **Recommendation.** Not Required.
- d. **Management Comments.** Not Required

Discussion With Responsible Officials. The results of this audit were discussed with appropriate Municipal officials on September 28, 2015.

Audit Staff:
Scott Lee