



June 22, 2016

Special Audit

Control & Tracking of Parking Meter Revenue

Department of Municipal Development – Security & Parking Services Division

Report No. 16-105



**CITY OF ALBUQUERQUE
OFFICE OF INTERNAL AUDIT**

MANAGEMENT AUDIT REPORT
CONTROL & TRACKING OF PARKING METER REVENUE
DEPARTMENT OF MUNICIPAL DEVELOPMENT
REPORT NO. 16-105

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City of Albuquerque - Office of Internal Audit

Control & Tracking of Parking Meter Revenue

Performance Audit

6/22/2016

Audit #16-105

The purpose of this audit was to review and report on the Department of Municipal Development – Security & Parking Services Division's control and tracking of parking meter and pay station revenue. The audit was added to the fiscal year (FY) 2016 audit plan.

Executive Summary

The Security & Parking Services Division (Division) operates a total of 763 single-space parking meters and 72 multi-space pay stations for a total of approximately 1,300 metered parking spaces available to the public.

In 2012 parking meter revenue dropped by seven percent. The Division implemented internal controls in 2013, including better control over access to parking meter and pay station keys and revenue returned to pre-2012 levels.

The Division's current processes may not detect missing revenue and other errors. Significant inconsistencies and internal control weaknesses were noted and involve:

- A. Lack of Reconciliations,
- B. Un-researched/Undocumented Discrepancies and Variances,
- C. Infrequent Collection of Pay Station Revenue,
- D. Potentially Unreliable Pay Station Data,
- E. Limited Pay Station Functionality,
- F. Lack of Parking Meter and Pay Station Monitoring Activities, and
- G. Outdated/Unapproved Policies and Procedures.

Without strong internal controls in the above areas, the Division does not have assurance that the City's parking meter and pay station revenue is complete or accurate.

The Department of Municipal Development generally concurs with all but a portion of one finding and agrees to implement the recommendations of the report.

By continuing to improve internal controls, ensuring the accuracy and completeness of parking meter and pay station revenue, and improving its policies, the Division will strengthen its operations.

Recommendations

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The Division should:

- Conduct reconciliations of the parking meter/pay station collection reports and tickets to the actual funds collected each time collection is made.
- Research and document any discrepancies.
- Collect revenue from pay stations regularly.
- Address communication and collection issues with pay stations.
- Perform monitoring activities, such as trend analysis, on parking meter and pay station revenue.
- Establish and implement written policies and procedures specific to the collection of revenue from the various types of parking meters, reconciling revenue and investigating discrepancies.
- Use the coin and bill boxes from pay stations that have been replaced with single-space meters to exchange with filled pay station boxes during collection.



City of Albuquerque

Office of Internal Audit

June 22, 2016

Accountability in Government Oversight Committee
P.O. Box 1293
Albuquerque, New Mexico 87103

Audit: Control & Tracking of Parking Meter Revenue
Department of Municipal Development
Audit No. 16-105

FINAL

INTRODUCTION

The Office of Internal Audit (OIA) conducted a performance audit of the Department of Municipal Development's (DMD) parking meter revenue. The audit was added to OIA's fiscal year (FY) 2016 audit plan. Information pertaining to the audit objectives, scope and methodology can be found in **Appendix A**.

The Security & Parking Services Division of DMD (the Division) manages the City's single-space parking meters and multi-space pay stations (pay stations). Each pay station serves between 8-10 individual parking spaces.

Single-Space Parking Meter



Multi-space Pay Station



The City operates a total of 763 single-space parking meters and 72 multi-space pay stations (68 original pay stations and 4 newer pay stations from the same supplier as the single-space meters) for a total of approximately 1,300 metered parking spaces available to the public.

Note: For clarity purposes throughout this report, unless otherwise specified, any use of the term “pay station” refers to the main group of pay stations that have been in place since approximately 2006.

The Division is currently in the process of replacing a portion of the pay stations with single-space parking meters, and has reported that 500 new single-space meters will soon be delivered and will be installed in June 2016. These single-space meters will take the place of the various pay stations downtown, west of Broadway Boulevard.

All parking meters and pay stations are solar powered and provide the users with a variety of payment options: Coin (all denominations except 50-cent pieces and pennies) and Debit/Credit cards (Visa, MasterCard, Discover or American Express). The pay stations are also designed to accept one dollar bills.

The current rate for metered parking is 25 cents for every 15 minutes, or \$1.00 per hour. General hours for paid meter parking are Monday through Saturday between the hours of 8:00 am and 6:00 pm. Parking is free anytime outside these hours, including Sundays, and on all federally-recognized holidays.

The City’s parking meter and pay station revenue over the past five fiscal years is listed in the table below.

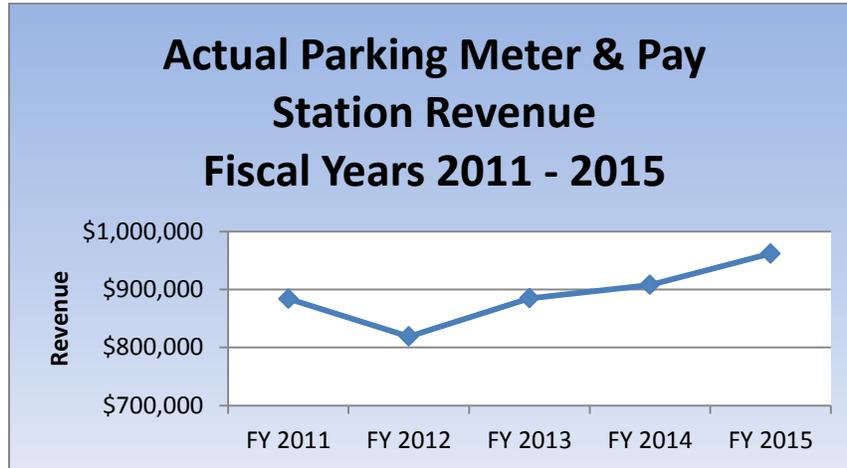
**City of Albuquerque
Parking Meter & Pay Station Revenue
Fiscal Years 2011-2015**

Fiscal Year	Actual Parking Revenue
2011	\$882,993
2012	\$818,096
2013	\$885,075
2014	\$907,838
2015	\$955,655

Source: CABQ budget documents (Actual Revenue)

In fiscal year 2013, the Division underwent significant changes and has worked to further improve operations. The most significant change involved implementing master key controls over the pay stations and parking meters. All pay stations were rekeyed, master keys were secured, and a key issuance log was designed and maintained. Following the changes, parking meter and pay station revenues began to increase and management reported sudden staff turnover

within the Division. The increase in revenue is shown in the graph below.



Source: City of Albuquerque Budget Documents

Locations of Parking Meter/Pay Stations

Parking meters and pay stations are mainly located downtown and in the Central Business District. For collection and tracking purposes, metered parking is divided into seven quadrants (quads). Each quad refers to a specific area of the City (i.e. downtown NE, downtown SE, etc.) and all of the single-space parking meters located within each. All pay stations within the City are grouped together, regardless of location (ex: if a pay station is physically located within quads #1-7, the pay station revenue is not included as part of the quad). Pay stations are listed as quad #8 on revenue collection paperwork.

A detailed breakdown of the City’s parking meter and pay station revenue over the past five fiscal years is shown in the chart below.

**Parking Meter & Pay Station Revenue Detail
 Fiscal Years 2011-2015**

Quadrant	Location	FY2011	FY2012	FY2013	FY2014	FY2015	5-Year Average
Quadrant #1	Downtown NE	\$60,574	\$53,924	\$54,176	\$61,298	\$81,590	\$62,312
Quadrant #2	Downtown SE	\$23,443	\$23,078	\$28,168	\$25,051	\$24,521	\$24,852
Quadrant #3	Downtown NW	\$46,728	\$40,898	\$42,732	\$41,068	\$48,916	\$44,068
Quadrant #4	Downtown SW	\$42,675	\$34,441	\$28,493	\$31,294	\$42,376	\$35,856

**Parking Meter & Pay Station Revenue Detail
 Fiscal Years 2011-2015**

Quadrant	Location	FY2011	FY2012	FY2013	FY2014	FY2015	5-Year Average
Quadrant #5	Mid Central	\$9,018	\$7,370	\$44,198	\$33,586	\$43,708	\$27,576
Quadrant #6	E. Central	\$64,867	\$55,529	\$51,708	\$50,372	\$72,136	\$58,922
Quadrant #7	Girard to Central	\$47,848	\$40,917	\$17,406	\$45,892	\$42,740	\$38,961
Total Parking Meter & Pay Station Revenue		\$295,153	\$256,157	\$266,881	\$288,561	\$355,987	\$292,547
		FY2011	FY2012	FY2013	FY2014	FY2015	5-Year Average
Quadrant #8	Pay Stations	\$587,840	\$561,939	\$618,194	\$619,277	\$599,668	\$597,384
Total Pay Station Revenue		\$882,993	\$818,096	\$885,075	\$907,838	\$955,655	\$889,931

Source: CABQ Budget Documents (Actual Revenue)

Pay Station Collection Tickets

After the collection of revenue from the pay stations, each pay station generates three collection tickets – coin summary, currency summary, and a pay station status ticket. The coin ticket includes the pay station number, date of collection, denomination and number of coins collected in the coin box, and the total value. The currency ticket includes similar information, but rather than coin details, the ticket only lists the number of bills collected. The status ticket lists the functionality of the coin and bill acceptors (“available” indicates operational while “not available” indicates not operational).

Pay Station Collection Tickets



Source: OIA photograph

Parking Meter Collection Reports

Unlike the pay stations, the single-space parking meters do not automatically generate a collection ticket. Rather, a collection report may be generated from the manufacturer's web-based management software by the Division staff. After the revenue collection from the meters, the collector swipes an electronic card that records the collection transaction. The collection report lists each meter and the amount of coin it contained at the time the card was swiped.

FINDINGS

The following findings concern areas that OIA believes could be improved by the implementation of the related recommendations.

1. THE DIVISION SHOULD ENSURE THE ACCURACY AND COMPLETENESS OF PARKING METER REVENUE.

The Division does not have sufficient controls in place to ensure that parking meter and pay station revenue is accurate or complete. Significant inconsistencies and internal control weaknesses were noted and involve:

- A. Lack of Reconciliations,
- B. Un-researched/Undocumented Discrepancies and Variances,
- C. Infrequent Collection of Pay Station Revenue,
- D. Potentially Unreliable Pay Station Data,

- E. Limited Pay Station Functionality,
- F. Lack of Parking Meter and Pay Station Monitoring Activities, and
- G. Outdated/Unapproved Policies and Procedures.

Without strong internal controls in the above areas, the Division does not have assurance that the City’s parking meter and pay station revenue is complete or accurate. Therefore, errors and discrepancies in revenue from theft, fraud, or abuse or errors due to lack of oversight may exist and remain undetected.

Each of the above referenced items (A-G) is addressed individually below.

A. Lack of Reconciliations

The Division does not reconcile parking meter/pay station collection receipts to actual funds received each time a collection is made.

Single-Space Parking Meters

Twelve randomly selected dates were reviewed. The Division had compared only one of the single-space parking meter collection reports to the actual funds collected, which included 2 quadrants (November 3, 2014; Quads 1 & 3). The paperwork retained by the Division identified a shortage in quad 1 of **(\$428.38)** and a shortage in quad 3 of **(\$319.55)**. There was no indication that the shortages had been researched as no explanations for the shortages were documented on the paperwork. Of the remaining 11 dates, there was no indication that a reconciliation or verification had been completed by the Division. Available documentation showed discrepancies that ranged from shortages of **(\$793.91)** to overages of \$1,086.49, and are shown in the chart below.

**Comparison of Actual Funds Collected
 to the Parking Meter Collection Reports**

Date	Quadrant	Actual Funds Collected	Parking Meter Collection Reports	Difference Overage/(Shortage)
11/3/2014	1	\$1,187.96	\$1,616.34	(\$428.38)
	3	\$604.91	\$924.46	(\$319.55)
1/27/2015	4	\$479.23	\$487.33	(\$8.10)
3/2/2015	2	\$345.41	\$0.00	\$345.41
	3	\$929.88	\$0.00	\$929.88
4/23/2015	6	\$1,086.49	\$0.00	\$1086.49
5/6/2015	1	\$118.42	\$694.54	(\$576.12)
	4	\$118.47	\$598.57	(\$480.10)
6/9/2015	2	\$105.92	\$0.00	\$105.92

**Comparison of Actual Funds Collected
 to the Parking Meter Collection Reports**

Date	Quadrant	Actual Funds Collected	Parking Meter Collection Reports	Difference Overage/(Shortage)
6/10/2015	2	\$0.00	\$646.15	(\$646.15)
	6	\$0.00	\$273.68	(\$273.68)
6/22/2015	4	\$441.25	\$0.00	\$441.25
	5	\$335.57	\$392.03	(\$56.46)
7/16/2015	2	\$7.50	\$0.00	\$7.50
9/21/2015	2	\$312.59	\$294.50	\$18.09
	7	\$813.07	\$794.65	\$18.42
10/14/2015	4	\$776.44	\$783.39	(\$6.95)
10/30/2015	1	\$1,089.68	\$1,008.05	\$81.63
	6	\$1,042.82	\$1,836.73	(\$793.91)
Totals:		\$9,795.61	\$10,350.42	(\$554.81)

Source: Division deposit paperwork and meter collection reports

Pay Stations

From the statistical random sample of dates selected for review, 12 of the dates involved the collection of pay station revenue. There was no indication that a reconciliation of pay station collection tickets to actual funds collected was completed on any of the dates. A reconciliation could not be performed on the revenue (coin and currency) for several dates because the supporting documentation did not contain the pay station collection tickets. Discrepancies on the dates when collection tickets were available included coin overages and shortages ranging from \$1,715.87 to (\$6.65) and overages in currency of \$1.00. No shortages in currency were found.

**Comparison of Actual Funds Collected
 to the Pay Station Collection Tickets**

Date	Actual Currency Collected	Pay Station Tickets (Currency)	Difference Overage/(Shortage)	Actual Coin Collected	Pay Station Tickets (Coin)	Difference Overage/(Shortage)
7/8/2014	\$3,127	\$3,127	\$0	\$3,211.80	\$3,218.45	(\$6.65)
8/15/2014	\$28	\$28	\$0	\$290.20	\$290.20	\$0.00
8/29/2014	N/A	N/A	N/A	\$35.85	No tickets	Unable to perform reconciliation

**Comparison of Actual Funds Collected
 to the Pay Station Collection Tickets**

Date	Actual Currency Collected	Pay Station Tickets (Currency)	Difference Overage/ (Shortage)	Actual Coin Collected	Pay Station Tickets (Coin)	Difference Overage/ (Shortage)
9/26/2014	\$226	\$226	\$0	\$2,396.75	\$680.75	\$1,715.87
10/31/2014	\$1,024	No tickets	Unable to perform reconciliation	\$2,076.51	\$2,081.05	(\$4.54)
11/3/2014	\$862	\$861	\$1	\$1,556.39	\$1,489.65	\$66.74
11/26/2014	\$862	No tickets	Unable to perform reconciliation	\$1,494.85	No tickets	Unable to perform reconciliation
1/27/2015	\$3,368	\$3,367	\$1	\$4,355.70	\$4,335.65	\$20.05
5/28/2015	N/A	N/A	N/A	\$445.97	No tickets	Unable to perform reconciliation
6/9/2015	N/A	N/A	N/A	\$2,148.31	No tickets	Unable to perform reconciliation
6/10/2015	\$1,345	\$1,344	\$1	\$2,001.24	\$1,862.50	\$138.74
6/22/2015	N/A	N/A	N/A	\$351.64	No tickets	Unable to perform reconciliation

Source: Division deposit paperwork and pay station collection tickets
 N/A indicates that no collection was made.

Pay Station Credit Card Transactions

Due to limited staffing resources, the Division does not perform a reconciliation of pay station credit card transactions. Rather, the Division records the credit card amounts that post to the City's bank statement.

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) developed the *Internal Control-Integrated Framework (COSO Framework)*, to assist organizations in “designing, implementing, and conducting internal control and assessing the effectiveness of internal control.” The *COSO Framework* has gained global acceptance and is considered best practices for internal controls. OIA uses the *COSO Framework* as a standard by which to measure the design and effectiveness of internal controls. Principle 10 of the *COSO Framework*, states that the organization should select and develop control activities that contribute to the mitigation of risks to

the achievement of objectives to acceptable levels. Verifications are control activities that “compare two or more items with each other or compare an item with a policy, and perform a follow-up action when the two items do not match or the item is not consistent with policy. Verifications generally address the completeness, accuracy, or validity of processing transactions.”

Discrepancies may exist and remain undetected without verifying or reconciling the parking meter quadrants/pay station collection receipts to the actual amounts collected. Additionally, the Division is unable to confirm whether all revenue, including credit card revenue, was properly collected or how accurate the meters and pay stations are.

The Division Manager stated that because of excessive workload and limited staffing resources, verifications of parking meter reports and pay station tickets are only performed one to two times per month as a “spot check”. The manager also explained that toward the end of 2014, the Division’s coin counting machine began to malfunction and it was replaced in February 2015. Discrepancies in the months prior to its replacement may not have been accurate. The manager also stated that the Division does not have the staffing levels necessary to reconcile credit card transactions, and has chosen to rely on the amounts posted to the bank statement.

B. Un-researched/Undocumented Discrepancies and Variances

The Division does not maintain documentation to indicate whether discrepancies and variances had been researched or resolved. Twenty-three deposit dates were selected and traced to the City’s bank statement. A discrepancy of (\$462.12) was noted on the coin deposit made September 29, 2014. The supporting documentation retained by the Division did not indicate that the discrepancy was researched or resolved and no explanation was provided. According to the Division’s Cash Management – Internal Controls Policy #11, the Division is to “ensure that bank reconciliations are done promptly and that any discrepancies are properly documented and resolved.”

It is unclear what exactly caused the discrepancy; however, several things may have contributed to it. The deposit paperwork for that day contained a note that the parking meters and pay station funds were combined when counted, which prevented the staff from identifying the accuracy of either the parking meters or the pay stations. Additionally, the deposit paperwork was incomplete and was missing significant items, including a collection ticket from one of three pay stations processed. No further explanation was documented on the deposit paperwork and the employees present at the time are no longer employed with the Division.

C. Infrequent Collection of Pay Station Revenue

The Division had not collected revenue from the pay stations regularly since January

2016. As of April 20, 2016 the pay station collection alert report showed the pay stations collectively contained uncollected revenue totaling approximately \$38,500.

According to the Division's management, the pay stations were experiencing significant communication problems and sporadic functionality including incorrect dates and amounts printing on the coin and currency collection tickets.

The Division planned to postpone collection until the problems were resolved; however, the resolution took significantly longer than expected. According to the Division Fiscal Officer, at the beginning of May 2016, revenue from all pay stations was collected.

The pay stations accumulated a significant amount of revenue for the collection staff to openly handle on the street. See finding #3 for more information regarding the collection of pay stations.

D. Potentially Unreliable Pay Station Data

Pay station collection ticket data is not consistently reliable. On April 20, 2016, OIA observed the collection of two pay stations. After collecting coins and currency from the pay station, the collection tickets printed from the machine. The coin ticket showed that zero coins were in the machine, the currency ticket showed that zero currency was in the machine and that the collection date was December 31, 1969. After the employee in charge of maintenance worked on the pay station and reset the modem, the pay station generated new collection tickets. The new currency ticket printed with an amount and the correct date. The coin ticket still showed that zero coin was in the pay station, but the actual coin collected was \$11.40. The currency was accurate.

According to *COSO Framework*, Principle 13 - Organizations should obtain or generate and use relevant, quality information to support the functioning of internal control. "Information is necessary for the organization to carry out its internal control responsibilities to support the achievement of objectives. Obtaining relevant information requires management to identify and define information requirements at the relevant level and requisite specificity." The quality of information depends on whether it is: Accessible, Correct, Current, Protected, Retained, Sufficient, Timely, Valid, and Verifiable.

According to the Division Manager, the pay stations are old and riddled with mechanical issues. Replacement parts are proprietary and expensive, so the Division has chosen not to purchase parts and is replacing the pay stations with single-space parking meters as funding becomes available.

The Division does not have assurance that the collection information for the pay stations is accurate and intentional reporting errors or theft of revenue could be perpetrated and remain undetected.

E. Limited Pay Station Functionality

The Division is unsure of the operational status of its pay stations and does not maintain a list of stations and their functionality. The majority of the City's pay stations are designed to accept coin, currency, and credit/debit cards; however, at the time of the audit, 34 out of the 64 pay stations (53 percent) were not accepting any form of payment. Reasons for limited functionality involve:

- Broken Parts,
- Communication Errors, and
- Collection Capacity Exceeded.

Broken Parts

Over time, some of the pay stations' bill and note [currency] acceptors (BNA) have broken. Since the Division is working to replace all pay stations with single-space parking meters, management has chosen not to replace the broken BNAs. The functionality of the meters has been affected, but the graphics on the pay station housings have been changed and no longer show currency as an acceptable form of payment.

Communication Errors

According to the Division Manager, the City's pay stations are old, outdated and frequently experience intermittent communication problems. The breaks in communication interrupt the station's functionality and affect the payment methods accepted. When communication is restored, which often happens without the Division's intervention, so is the station's functionality. As a result of the intermittent communication, it is difficult to track the methods of payment continually accepted at each station.

Collection Capacity Exceeded

The Division had not regularly collected the coin and currency from the pay stations for several months. As a result, some coin and bill boxes had reached capacity and could not accept additional payments. Although these pay stations were operational, their functionality was affected.

Non-functioning payment options may cause frustration to citizens trying to pay for parking, and likely results in lost revenue to the City.

F. Lack of Parking Meter and Pay Station Monitoring Activities

The Division does not complete trend analyses of parking meter and pay station revenue. OIA completed a 5-year trend analysis of each parking meter quadrant and pay station activity, which is included as **Appendix B**. The analysis identified increases and decreases in revenue that the Division staff could not explain. Management stated that around the time of the increase in revenue, significant improvements were made to the Division's internal controls, including rekeying meters and pay stations and implementing key controls, and following the changes, a major turnover in staff occurred.

The Division Manager and Fiscal Officer explained that due to limited staffing resources, detailed trend analyses have not been completed, but that fluctuations in revenue are monitored and reviewed. By performing additional analyses on parking meter and pay station revenue, the Division could identify and address anomalies and discrepancies. Such information would benefit the Division, and the City as a whole, by helping increase revenue through data-supported decision making.

According to *COSO Framework*, Principle 16 “Monitoring activities identify and examine expectation gaps relating to anomalies and abnormalities, which may indicate one or more deficiencies in an entity's system of internal control. When reviewing and investigating expectation gaps, management often identifies root causes of such gaps.”

G. Outdated Policies and Procedures

Neither the Cash Management – Internal Controls Policies, nor the Division’s Standard Operating Procedures (SOPs) specifically addresses the collection of parking meter revenue. The SOP process that is documented for collecting pay station revenue is not the current process followed by the collection staff. Without up-to-date, written policies and procedures, discrepancies between the documented policies and procedures and the actual day-to-day operations of the Division exist and may impact the Division’s ability to hold employees accountable should issues arise. Establishing and enforcing written policies and procedures will provide the Division with the assurance that employees understand managerial expectations and the many processes and responsibilities of the Division.

According to the Division Manager, due to staff turnover and limited staffing resources, updating the written policies and procedures has not been a priority. The manager explained that the Division’s processes have been verbally communicated to the staff.

RECOMMENDATIONS:

DMD should:

- Conduct reconciliations of the parking meter collection reports/pay station tickets to the actual funds collected any time quadrants and pay stations are collected.
 - Research and document any discrepancies.
 - Complete and submit an over/short report to City Treasury on discrepancies exceeding \$50.
- Collect revenue from the pay stations regularly and consistently.
- Address the communication and collection issues with the pay stations by:
 - Replacing pay stations with single-space meters;
 - Using available parts from pay stations that have been removed to eliminate the need for the collectors to openly handle cash on the street; and
 - Turning off and wrapping pay stations with excessive mechanical issues.
- Perform monitoring activities, such as detailed trend analyses, on parking meter and pay station revenue.
 - Each quadrant of meters and the remaining group of pay stations should be analyzed individually.
 - Any significant changes, dips, or spikes in revenue should be researched, explained, and documented.
- Establish and implement written policies and procedures specific to:
 - The collection of revenue from the various types of parking meters and pay stations,
 - The reconciliation of revenue, and
 - The investigation of discrepancies.
- Review and update policies and procedures annually to ensure they remain relevant and effective.

RESPONSE FROM DMD

- A. ***“DMD concurs and the Parking & Security Division is now reconciling the reports to the actual funds received as the meters are collected. The Division is reconciling the pay station collection receipts to the actual funds received. All discrepancies will be researched and documented. Discrepancies in meter revenue can be attributed to various factors such as the functionality of the coin sorting mechanism and whether all the meters are collected in any given Quad. Any discrepancies over \$50.00***

will be reported to the Treasury Division and will be researched and documented.”

ESTIMATED COMPLETION DATE

“The Division will develop a written procedure regarding timely reconciliation of reports to the actual funds received and will have the procedure adopted and implemented by August 2016.”

- B. *“DMD concurs and discrepancies will be researched and documented. Any discrepancies over \$50.00 will be reported to the Treasury Division.”*

ESTIMATED COMPLETION DATE

“The Division will create a written procedure to review, research and document any discrepancies and will have the procedure adopted and implemented by August 2016.”

- C. *“DMD concurs and the Parking and Security Division will collect all pay stations on a regular basis.”*

ESTIMATED COMPLETION DATE

“A collection schedule will be adopted and implemented by August 2016.”

- D. *“DMD concurs that the pay station data may be unreliable. The Parking and Security Division is actively working to replace the pay stations with single head meters. As the pay stations are replaced, the Division will continue to use viable spare parts in the remaining pay stations.”*

ESTIMATED COMPLETION DATE

“The pay stations will be replaced as funding becomes available. This should be done by the end of FY 18.”

- E. *“DMD concurs and the Parking and Security Division will maintain an updated list of pay stations and their functionality. DMD concurs that the pay stations have limitations and therefore is actively working to replace them with single head meters. To ensure that the collection*

capacity is not exceeded, the Division will regularly collect the pay stations.”

ESTIMATED COMPLETION DATE

“An updated list of pay stations and their functionality will be created by August 2016. The pay stations will be replaced as funding becomes available.”

- F. *“DMD does not concur as the Division does perform trend analysis to explain increases and decreases in parking meter revenue on a quarterly basis for the Office of Management and Budget and for internal planning purposes. Quarterly revenue projections are performed and are used for planning of the annual budget. The Division will enhance the revenue trend analysis by evaluating each quadrant and will research, explain and document changes in revenue.”*

ESTIMATED COMPLETION DATE

“The Division will incorporate enhanced trend analysis into its quarterly projections starting July 1, 2016.”

- G. *“DMD concurs and the Division will review and update policies and procedures for established practices.”*

ESTIMATED COMPLETION DATE

“August 2016.”

2. THE DIVISION SHOULD IMPROVE INTERNAL CONTROLS PERTAINING TO PARKING METER REVENUE.

The Division’s internal controls for parking meter revenue should be improved including:

- Cash Handling Certifications,
- Master Key Log, and
- Use of Available Tools.

Cash Handling Certifications

At the time of the audit, two of thirty-three employees who may handle or have access

to cash, had not taken the required cash handling course and another three employees' cash handling certificates had expired.

The City's Treasury Division (Treasury) is responsible for receiving, safekeeping and paying out of all moneys belonging to the City in any capacity. To ensure the standardization of policies and procedures, Treasury requires that all employees who may handle, or oversee the handling of cash attend Treasury's cash handling course and recertify every three years.

Employees who have not maintained current cash handling certificates may not be properly trained or be aware of Treasury's requirements, which could result in improper cash handling and losses in parking meter revenue. According to the Division's management, due to limited staffing resources, the Division had not realized that the three employees' cash handling certificates had expired and had not previously considered the course necessary for the two employees who had never attended.

Master Key Log

The master key log is designed to record basic information, but does not capture the date the master keys are returned. A contractor was issued master keys to the upper housing of the pay stations on March 22, 2016, and did not return the keys until a month later – at the request of the Division. Access to the upper housing of the pay stations does not grant access to the coin and currency boxes.

The *COSO Framework*, Additional Considerations states, "Entities develop and maintain documentation for their internal control system for a number of reasons. Effective documentation assists in capturing the design of internal control and communication...Documentation provides evidence of the conduct of internal control [and] enables proper monitoring...."

Additionally, *COSO Framework*, Principle 5 states that organizations should hold individuals accountable for their internal control responsibilities in the pursuit of objectives. "Accountability refers to the delegated ownership for the performance of internal control in the pursuit of objectives considering the risks faced by the entity. Accountability is interconnected with leadership, insofar as a strong tone at the top contributes to internal control responsibilities being understood, carried out, and continually strengthened across the entity."

According to the Parking Enforcement and Operations Supervisor, the key log is admittedly rudimentary, was designed to capture basic information, and has not been modified. By redesigning the master key log, the Division will capture additional information that will assist the Division with key control, and may also assist with

scheduling collection routes. Permitting anyone to retain master keys to pay stations or parking meters for an extended period of time undermines the controls that have been established and implemented by management. If the contractor had lost the key, the Division may not have known, and the necessary actions for handling lost keys may not have occurred.

Available Tools

Information that could be used by the Division as a tool to improve operations and the overall management of parking meters and pay stations is inaccurate or outdated including:

- The location coordinates listed in the single-space meters' support software and
- A map of all parking meters and pay stations.

The location coordinates (latitude and longitude) programmed into the back-office support software for the majority of the parking meters are identical and also incorrect. In addition, the Division could not provide a current map showing all of the quadrants and locations of parking meters and pay stations at the time of the audit. According to the Parking Enforcement and Operations Supervisor, accurate longitude and latitude coordinates were provided to the single-space parking meter vendor, but the vendor has not yet updated the information.

By ensuring that information is accurate and up-to-date, the Division may better utilize the tools and functionality available for improving operations and managing its parking meters and pay stations.

RECOMMENDATIONS:

DMD should:

- Review the expiration dates of the cash handling certifications more frequently to ensure that employees attend recertification classes prior to the expiration of certifications.
- Redesign the parking meter/pay station master key log to include more detailed information including:
 - Date & time the key was issued,
 - Name of the individual issuing the key,
 - Name of the individual receiving the key,
 - Name of the person returning the key,
 - Name of the person receiving the key, and
 - Date & time the key was returned.
- Contact the vendor of the single-space parking meters and request that the longitudes and latitudes of all meters be updated with the correct coordinates that Parking provided.

- Create and maintain an accurate map of all quads and pay station locations.

RESPONSE FROM DMD

- A. *“DMD concurs and the Division will ensure that all cash handling certifications are maintained and valid by conducting regular reviews of all required certifications and expiration dates.”*

ESTIMATED COMPLETION DATE

“As all staff in the Division are currently cash handling certified. The Division will conduct regular reviews beginning July 1, 2016.”

- B. *“DMD concurs and the Division will redesign the key log that was implemented in 2013 to capture additional information that will enhance key control.”*

ESTIMATED COMPLETION DATE

“July 1, 2016.”

- C. *“DMD concurs and the Parking and Security Division has contacted the vendor to update the longitude/latitude information in the database. A map has been created that accurately reflects the locations of the quads and pay stations. The map will be revised as the pay stations are removed and replaced with single head meters.”*

ESTIMATED COMPLETION DATE

“This will be completed by July 29, 2016.”

3. THE DIVISION SHOULD IMPROVE ITS PROCEDURES PERTAINING TO THE COLLECTION OF PAY STATION REVENUE.

When the pay stations were originally installed, the collection process did not require the collectors to handle cash. In the past, full coin and currency containers were exchanged with empty containers during collection. However, the pay stations and collection containers have been damaged over time, requiring collectors to empty and return the containers rather than replacing them.

When collecting from the pay stations, the collection staff are required to open the coin and bill boxes, access and handle the funds openly on the street, place the funds into a tamper-resistant bank bag and seal the bag. Requiring the collection staff to openly handle large amounts of cash and coin on the street may increase the risk of loss or theft.

The Division may not have sufficiently addressed the potential situations that its meter collection staff may be exposed to when collecting revenue from pay stations. The collection process for the pay stations is not accurate or up-to-date. The Division's internal policies and procedures do not specifically address what measures the collection staff should take if unexpected events occur (physical violence/mugging; pay station ticket lists an amount, but the container is empty; etc.). The Division collection staff may be subject to accusations of theft and the collection truck is susceptible to damage or break-in.

The Division truck used during parking meter collection routes is not fitted with a secure lock box on the interior of the truck or in the bed of the truck to hold the sealed bags. Rather, the bank bags are placed in the cab of the truck and are visible through the window.

According to the Division Manager, there is currently no other way to collect pay stations and avoid openly handling cash; however, various measures and precautions have been discussed with the staff. The Division Manager and Fiscal Officer were unaware that the collection truck did not have a secure location in which to store the collected funds and stated that there used to be a large steel box with a lockable, hinged lid that could be secured in the bed of the truck.

RECOMMENDATIONS:

DMD should:

- Use the coin and bill boxes from pay stations that have been replaced with single-space parking meters to exchange with filled boxes during collection;
- Install a lock box on the interior of the truck or in the bed of the truck in which collected revenue may be secured; and
- Contact the Department of Finance and Administrative Services – Risk Management Division for a safety evaluation of its collection processes.

RESPONSE FROM DMD

“DMD concurs and will continue to utilize the coin and bill boxes from pay stations that have been replaced for collection as they become available. The

Division Manager and Fiscal Officer were unaware that the lockbox had been removed and will arrange for the boxes to be reinstalled in the collection trucks. The Department will work with industry professionals and the City's Risk Management Division to review the process of, and make recommendations on, the meter collection and repair work."

ESTIMATED COMPLETION DATE

"The coin and bill boxes will continue to be replaced as they become available. The lock boxes will be reinstalled by mid-July 2016. Review and recommendations will be completed by the end of FY17."

CONCLUSION

In 2012, Parking Meter Revenue dropped by seven percent. The Division implemented internal controls in 2013, including better control over access to parking meter and pay station keys, and revenue returned to pre-2012 levels. Additionally, some staff left the Division after the addition of these key controls.

The Division's current processes may not detect missing revenue and other errors. The Division should reconcile parking meter and pay station revenue reports/tickets to the funds actually collected each time a collection is made. All discrepancies should be researched and resolved.

Aging pay stations have resulted in malfunctions and the inability to accept payments. Although the Division is replacing old pay stations with new single-space parking meters, the new meters are not consistently providing accurate information.

The Division must develop policies and procedures to address collection and reconciliation processes for all of the meters and pay stations in its inventory. Revenue should be tracked and analyzed so unexplained fluctuations are identified promptly.

By continuing to improve internal controls, ensuring the accuracy and completeness of parking meter and pay station revenue, and improving its policies, the Division will strengthen its operations.

We greatly appreciate the assistance, involvement and cooperation of the Division management and staff. Their willingness to be straightforward throughout the audit process reflects their dedication and commitment to improve the Division and the City of Albuquerque.

Contract Auditor

REVIEWED:

Internal Audit Manager

APPROVED:

Debra Yoshimura, CPA, CIA, CGAP
Director, Office of Internal Audit

APPROVED FOR PUBLICATION:

Chairperson, Accountability in
Government Oversight Committee

APPENDIX A

OBJECTIVE

The audit objectives were to determine:

1. Are proper cash handling policies and procedures, regarding parking meter/pay station revenue, in place at the Security & Parking Services Division?
2. Are internal controls sufficient, in place, and operational to monitor and ensure authorized access to and control of parking meter revenue?
3. Does the Security & Parking Services Division have policies and procedures in place that will help to ensure the physical safety of its employees?

SCOPE

Our audit did not include an examination of all functions and activities related to Parking Meter Revenue. Our scope was limited to the objectives above.

This report and its conclusions are based on information taken from a sample of transactions and do not represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork on April 25, 2016 and does not reflect events or accounting entries after that date.

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.

METHODOLOGY

Methodologies used to accomplish the audit objectives include but are not limited to the following.

- Reviewed the Division's policies and procedures,
- Analyzed parking meter revenue for FYs 2011-2015,
- Conducted interviews with Division management and staff,

- Calculated the population of possible collection dates within the audit period using a calendar,
- Generated a statistical, random sample using “The Number” sampling software to provide a 90 percent confidence level,
- Applied the random sample generated to the total population to determine the sample,
- Traced the sample of parking meter revenue deposits to the City’s bank statement,
- Observed and documented the parking meter/pay station revenue collection and counting processes,
- Confirmed meter inventory for two quadrants,
- Reconciled parking meter revenue, and
- Other methodologies as needed.

APPENDIX B

