

MANAGEMENT AUDIT REPORT

OF

PARKING DIVISION
DEPARTMENT OF MUNICIPAL DEVELOPMENT

REPORT NO. 10-104



City of Albuquerque
Office of Internal Audit and Investigations

Department of Municipal Development - Parking Division
Report No. 10-104
Executive Summary

Background

The Office of Internal Audit and Investigations (OIAI) conducted a management audit of the Parking Division (Parking) operated by the Department of Municipal Development (DMD). The audit was included in the fiscal year 2010 audit plan.

Parking manages the City of Albuquerque's parking facilities which includes over 4,300 parking spaces in ten parking facilities. From July 1, 2009 through March 31, 2010, parking revenue was approximately \$2.7 million primarily from monthly contractual parking fees, parking meter fees, and special events permitted parking fees. Parking purchased Parkeon Pay and Display meters to replace traditional single-head meters in 2006. The Pay and Display meters dispense a parking permit to customers for allotments of time to park in a designated block or area of parking spaces. The Parkeon meters are capable of accepting coin, currency or payment cards. Parking uses the McGann parking system to track parking access and parking transactions that are recorded by parking structure computers.

Objective:

Is DMD-Parking properly and accurately charging City employees and external organizations for parking in City owned/operated lots and facilities?

- Administrative Instruction (AI) No. 8-11, Monthly Space Allocation and Usage, Section 4, contains unclear instructions related to preemption of established parking space waiting lists.
- DMD-Parking did not retain documentation to support preemption of the parking space waiting list.
- Four City employees have their monthly parking fees paid by their respective departments. AI No. 2-12, Parking Fee Policy, requires all patrons pay parking fees in full. Any exceptions to this policy shall be made only by the Mayor or CAO. For two of the four employees, someone other than the Mayor or CAO approved the payment of monthly parking fees.

Recommendations:

The CAO should clarify the intent of AI No. 8-11 Section 4 and implement a policy to ensure that employee benefits are administered equitably.

DMD-Parking should ensure exceptions to AI No. 8-11 are documented and exceptions to AI No. 2-12 are properly authorized.

Objective:

Are procedures in place to monitor appropriate and authorized access to City parking lots and facilities?

- Seven of 47 (15%) employees who terminated employment with the City from November 2009 through January 2010 had active parking access cards in May 2010.
- Parking did not retain documentation to support a zero-dollar parking payment for a City employee on military leave.

Recommendations: DMD-Parking should implement an effective process to monitor parking access and accurate fee payment. Exceptions should be researched and documented.

Objective: Are accounts receivable processes in place at DMD-Parking to ensure compliance with Generally Accepted Accounting Principles (GAAP) and City policies and procedures?

- Parking accounts receivable policies do not describe required separation of duties, document retention, collection procedures, receivables aging, monitoring and review, establishing an allowance for doubtful accounts or the procedures for writing-off uncollectible accounts as required by AI No. 2-2, Credit, Collection and Accounts Receivable Policy.
- Refundable customer deposits for parking access card deposits were incorrectly recorded as revenue.

Recommendations DMD-Parking should:

- Ensure that internal accounts receivable policies and procedures comply with AI No. 2-2.
- Implement procedures to ensure that parking revenue is recorded in compliance with GAAP.

Objective: Are proper cash handling policies and procedures in place at DMD-Parking?

- Three of 31 (10%) Parking cash handlers did not have current cash handling training.
- Parking fee refunds to three City employees were not processed appropriately through the payroll system to ensure gross wages and income taxes were properly recorded and reported for the affected employees.
- Four City employees received parking paid by their respective departments and the value of the benefit was not reported as taxable income.

Recommendations: DMD-Parking should:

- Ensure all cash handlers' training is renewed every three years.
- Coordinate with the Department of Finance and Administrative Services (DFAS) - Central Payroll to develop a process for parking fee refunds.

The CAO should ensure that City-paid benefits are reported to DFAS-Central Payroll for income-tax reporting.

Objective: Are DMD-Parking payment processing systems including Point of Sale terminals and parking meters in compliance with AI No. 3-16, Credit Card Security?

- Parking purchased Parkeon Pay & Display parking meters with a technological impact but did not receive Technology Review Committee (TRC) and Information Services Committee (ISC) approval, as required by the TRC policy.
- City departments are not submitting an annual information services plan to ISC for review and approval as required by City Ordinance §2-6-3-1 ROA 1994: Information Services Committee, paragraph (D).

Recommendations: DMD-Parking should ensure that purchases with a likely technological impact are made in compliance with City technology purchasing policies and procedures.

The CAO should either require compliance with City Ordinance §2-6-3-1 paragraph (D) or recommend that the requirement for departments to submit an annual information services plan be rescinded if the requirement is not practical or necessary to the successful operation of City information and technology services.

We noted no exceptions for the following objective during our fieldwork:

Are there performance measures for DMD-Parking to provide parking opportunities so that employment and customer needs are met and can progress toward achievement be determined at mid-year?

Management responses are included in the audit report.



City of Albuquerque
Office of Internal Audit and Investigations
P.O. BOX 1293 ALBUQUERQUE, NEW MEXICO 87103

October 6, 2010

Accountability in Government Oversight Committee
City of Albuquerque
Albuquerque, New Mexico

Audit: Department of Municipal Development
Parking Division
10-104

FINAL

INTRODUCTION

The Office of Internal Audit and Investigations (OIAI) conducted a management audit of the Parking Division (Parking) operated by the Department of Municipal Development (DMD.) The audit was included in the fiscal year (FY) 2010 approved audit plan.

Parking manages the City of Albuquerque's parking facilities including parking service and enforcement for businesses, government agencies and the public. Parking oversees the operation of approximately 4,300 parking spaces in ten City-owned parking facilities. Parking revenue sources include monthly contractual parking fees, parking meter fees and special events permitted parking fees.

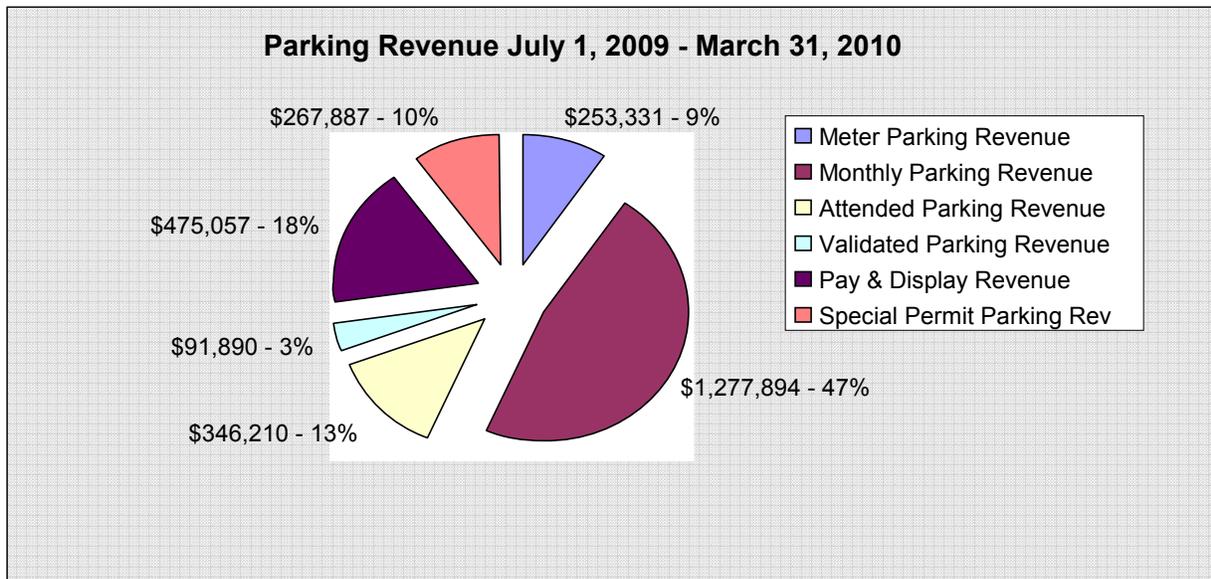


Parking purchased Parkeon Pay and Display meters in 2006 to replace a portion of the traditional single-head meters. The Pay and Display meters dispense a parking permit to customers for allotments of time to park in a designated block or area of parking spaces. The Parkeon meters are capable of accepting coin, currency or payment cards.

For FY2010, Parking estimated that 20% of parking meter revenue would be generated by the Pay and Display meters. Parking uses the McGann Parking System to monitor access to parking lots and facilities and to track parking access cardholders. The McGann System software tracks all parking transactions recorded on parking fee computers.



For the period July 1, 2009 through March 31, 2010, Parking generated revenue of approximately \$2.7 million from the following sources:



AUDIT OBJECTIVES

The objectives of the audit were to determine:

- Is DMD-Parking properly and accurately charging City employees and external organizations for parking in City owned/operated lots and facilities?
- Are procedures in place to monitor appropriate and authorized access to City parking lots and facilities?
- Are accounts receivable processes in place at DMD-Parking to ensure compliance with Generally Accepted Accounting Principles (GAAP) and City policies and procedures?
- Are proper cash handling policies and procedures in place at DMD-Parking?
- Are DMD-Parking payment processing systems including Point of Sale terminals and parking meters in compliance with Administrative Instruction 3-16, Credit Card Security?
- Are there performance measures for DMD-Parking to provide parking opportunities so that employment and customer needs are met and can progress toward achievement be determined at mid-year?

SCOPE

Our audit did not include an examination of all functions and activities related to DMD-Parking. Our scope included a review of the Parking management and financial operations from July 1, 2009 through March 31, 2010.

This report and its conclusions are based on information taken from a sample of transactions and do not intend to represent an examination of all related transactions and activities. The audit report is based on our examination of activities through the completion of fieldwork, July 6, 2010, 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

OIAI reviewed City ordinances, policy and procedures related to parking fees, parking space allocation, accounts receivable and credit and collections, credit card data security, and technology purchases. OIAI also reviewed applicable Generally Accepted Accounting Principles (GAAP) and Financial Accounting Standards Board (FASB) guidance and Internal Revenue Service (IRS) regulations related to the audit scope.

OIAI interviewed Parking personnel who manage or supervise the fiscal and parking operations to gain an understanding of the daily operations of the division. OIAI performed detailed testwork related to the collection and recording of Parking revenues and the effectiveness of Parking's process to monitor appropriate and authorized access to City-owned parking facilities. OIAI reviewed Parking's procedures to purchase the Parkeon Pay & Display meter system and reviewed the Parking performance measures to ensure that the performance measure achievement through mid-year is adequately and accurately supported.

FINDINGS

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

1. DMD-PARKING SHOULD EFFECTIVELY MONITOR PARKING ACCESS AND PARKING FEE PAYMENT.

A. Terminated employees held active parking access cards

OIAI found that seven out of 47 (15%) employees who had terminated employment with the City from November 2009 through January 2010 were still listed as active parking customers in the McGann system in May 2010. The parking access card assigned to one of the former employees was last used in February 2010, which means the former employee might have used City parking without payment for over two months at a cost to the City of approximately \$130. Parking's process of comparing access cards to parking contracts and COGNOS reports does not effectively monitor access to parking lots. Access should be deactivated timely for terminated employees or those who cancel parking contracts.

B. Parking did not retain evidence of an internal review of employee payroll parking deductions

Parking's internal procedures include a review of the COGNOS Parking Payroll Deduction Report to ensure that employee parking payments are accurate. OIAI reviewed the report that included 331 employees for the period ending March 26, 2010 and found that one City employee had a zero payroll parking deduction, which began in July 2009. Parking had not retained documentation that adequately supported the zero payroll deduction for the employee who was on military leave.

Administrative Instruction No. 2-12, Parking Fee Policy, requires that all parking customers will pay parking fees in full based on the current fee structure for the applicable parking structure. Effective internal controls include retention of adequate documentation to support any exceptions to established policies or procedures.

Without an effective monitoring process, DMD-Parking cannot easily determine whether parking access is authorized or if parking fees are being accurately charged.

RECOMMENDATION

DMD-Parking should ensure that internal procedures to review authorized parking access and accurate parking fee payment are performed regularly, but no less frequently than quarterly. Exceptions should be researched and adequately documented.

RESPONSE FROM DMD-PARKING

“DMD concurs and the Parking Division is now reconciling the Payroll Deduction report received monthly from Main Payroll to ensure proper fees for current employee parking, and to verify deactivation for employees who are no longer employed by the City and/or paying for parking.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

AUDITOR’S COMMENT

Administrative Instruction 2-2, Credit, Collections and Accounts Receivable Policy, requires departments to review their internal accounts receivable policies annually. It does not relate to internal parking access and parking fee procedures.

2. THE CHIEF ADMINISTRATIVE OFFICER (CAO) SHOULD CLARIFY ADMINISTRATIVE INSTRUCTION NO. 8-11, SECTION 4, MONTHLY SPACE ALLOCATION AND USAGE.

A. Administrative Instruction No. 8-11 contains unclear guidance

Administrative Instruction No. 8-11 (AI No. 8-11), Monthly Space Allocation and Usage, requires all persons, including City employees, who wish to park in City-owned lots to request a space by registering on an established Parking waiting list. AI No. 8-11 allows for preemption of the waiting lists for ADA accommodations, for short-term medical reasons, for VIP-status employees such as department directors, and for members of the City Council’s or Mayor’s departments. Section (4) of the Pre-Emption of the Waiting List section says that if an employee of the Council or Mayor’s Office leaves City employment, the parking space “held by the employee *will not be grand-fathered in but would be made available to the next employee.*” [Emphasis added.] The intention of Section (4) of the AI is not clear. DMD-Parking cannot appropriately monitor or administer parking space waiting lists if the AI includes unclear guidance.

B. Preempted parking space waiting lists

During a review of established Parking space waiting lists and parking space assignments, OIAI found that a parking space at the 3rd & Marquette lot was provided to an employee of the Mayor’s Office. Appropriate authorization for the preemption was not documented. A parking space was provided to a DMD division manager ahead of 59 other customers on the established parking space waiting list for the Civic Center parking garage. The DMD employee waiting list preemption does not appear to be allowed by AI No. 8-11.

C. Four City employees’ parking fees were paid by their respective departments

During a review of parking charges to City departments for monthly parking fees for City vehicles, OIAI noted that four departments are paying the monthly parking fees for the personal vehicle parked by an employee of the respective departments. Administrative Instruction 2-12

(AI No. 2-12), Parking Fee Policy, requires all patrons pay parking fees in full. AI No. 2-12 states that the Mayor or the CAO may make an exception to the policy and the exception must be made in writing to DMD-Parking management.

City payment for two of the employees' monthly parking fees was approved by the CAO on the Parking Division Lease Contract for Monthly Parking Space. A former City Council President approved the City-paid parking for the third employee in a formal memorandum. The fourth employee's City-paid parking fees were approved on the lease contract by an Accountant I in that employee's department.

The City of Albuquerque Employer-Sponsored Group Benefits booklet does not list a benefit of City-paid parking for employees. This benefit for a disproportionately small number of employees creates the appearance of favoritism and inequitable benefits administration. See finding #6 for additional comments about City-paid parking.

RECOMMENDATION

The CAO should:

- Clarify the administration's intent in regard to preemption of the Parking waiting lists as described in AI No. 8-11.
- Review the implications of City-paid parking benefits for a select group of employees and implement a policy to ensure that benefits are administered equitably.

DMD-Parking should:

- Ensure that preemptions to the waiting lists are adequately documented and allowable under AI No. 8-11.
- Ensure that exceptions to AI No. 2-12 are properly authorized.

RESPONSE FROM CAO

“The Administration will clarify the intent of Administrative Instruction 8-11. A policy will be developed to allow City payment of parking fees for employees whose use of a personal vehicle is needed for City business but is not frequent enough to warrant a take home vehicle.”

EXPECTED COMPLETION DATE

“The administrative policy will be developed as part of the DMD Parking policies and procedures updates, which are to be completed no later than March 1, 2011.”

RESPONSE FROM DMD

“DMD concurs and the Parking Division will ensure that preemptions to the waiting lists are adequately documented and allowable under AI No. 8-11.

“DMD concurs and the Parking Division will ensure that exceptions to AI No. 2-12 are properly authorized.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

AUDITOR’S COMMENT

Administrative Instruction 2-2, Credit, Collections and Accounts Receivable Policy, requires departments to review their internal accounts receivable policies annually. It does not relate to internal parking waiting list procedures.

3. DMD-PARKING SHOULD DOCUMENT ACCOUNTS RECEIVABLE POLICIES AND PROCEDURES IN COMPLIANCE WITH AI NO. 2-2.

Parking’s internal accounts receivable policies do not adequately describe required separation of duties, document retention, collection procedures, receivables aging, monitoring and review, establishing an allowance for doubtful accounts or the procedures for writing-off uncollectible accounts.

Administrative Instruction No. 2-2, Credit, Collections and Accounts Receivable (AI No. 2-2) requires departments’ internal procedures to conform to the City’s policy. The AI requires that departments document their written procedures within 90 days of the AI implementation. The original AI was implemented in September 2003 and revised in December 2009. The AI provides

detailed examples for departments to follow to assist with compliance. AI No. 2-2 requires that departmental accounts receivable, credit and collections procedures are reviewed and documented no less than annually. Parking fiscal personnel were not aware of AI No. 2-2.

Parking might not provide sufficient guidance or instruction to ensure that amounts owed to the City for parking fees are accurately and completely recorded and reported without adequate policies and procedures.

RECOMMENDATION

DMD-Parking should ensure that internal accounts receivable policies and procedures comply with AI No. 2-2.

RESPONSE FROM DMD-PARKING

“DMD concurs and the Parking Division will ensure that internal accounts receivable policies and procedures comply with AI No. 2-2.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

4. DMD-PARKING SHOULD ENSURE THAT CASH HANDLERS’ TRAINING IS RENEWED IN ACCORDANCE WITH AI NO. 2-6.

As of April 2, 2010, training had not been renewed for three of the 31 Parking Division cash handlers within the required three-year period. The cash handling certifications had expired in October and November and December 2009, respectively. It appears that Parking did not monitor the expiration date of cash handlers training. Administrative Instruction No. 2-6, To Provide A Comprehensive Training Program in Cash-Handling Procedures for All Employees Involved with Handling City Monies, requires that all cash handlers complete Department of Finance and Administrative Services (DFAS) -Treasury Division cash handling training every three years. Parking cash handlers were performing their duties without current cash handling certification, which places Parking at greater risk of theft or loss liabilities.

RECOMMENDATION

DMD- Parking should ensure that cash handlers’ training is renewed every three years.

RESPONSE FROM DMD-PARKING

“One of the cash handlers had a current certification but could not provide the documentation at the time. We now have this documentation on file. The other two employees have now renewed their training and all three are current and properly documented.

“The Parking Division will coordinate with Treasury to receive notification of status of cash handling certification for all employee cash handling certifications to enable continuous certifications in the future.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

AUDITOR’S COMMENT

Administrative Instruction 2-2, Credit, Collections and Accounts Receivable Policy, requires departments to review their internal accounts receivable policies annually. It does not relate to internal cash handling training procedures.

5. DMD-PARKING SHOULD ENSURE THAT PARKING REVENUE IS RECORDED IN ACCORDANCE WITH GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP).

Parking manages over 3,300 parking space contracts. Parking customers generally pay a \$15 refundable deposit for use of a parking access card to enter City parking lots. Based on the current number of leased parking spaces and the current amount of the refundable deposit required for applicable parking space contracts, Parking has recorded approximately \$19,000 for parking access card deposits as revenue over the parking space lease periods.

Financial Accounting Standards Board Accounting Standard Codified 210-10-45-8 (FASB ASC) defines deferred revenues as those received ahead of the realization event or circumstance. Refundable deposits are referred to as an example of deferred revenues, which should be classified as a liability on financial statements. The City of Albuquerque Parking Division Lease Contract for Monthly Parking Space, Section 7: Access Card, states that the \$15.00 deposit will be refunded to parking customers unless the customer does not provide a two-week lease cancellation notification. Parking fiscal personnel were not aware of the proper accounting treatment for the parking access card deposits. As a result of the misclassification of parking access card deposits, Parking has overstated revenues and understated liabilities.

RECOMMENDATION

DMD-Parking should implement procedures to ensure that parking revenue is recorded in accordance with GAAP.

RESPONSE FROM DMD-PARKING

“DMD concurs and the Parking Division has initiated procedures to verify that refundable deposits made by all customers are now reported to a liability account.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

AUDITOR’S COMMENT

Administrative Instruction 2-2, Credit, Collections and Accounts Receivable Policy, requires departments to review their internal accounts receivable policies annually. It does not relate to internal accounting procedures.

6. DMD-PARKING SHOULD ENSURE THAT REFUNDS TO EMPLOYEES AND PAID PARKING BENEFITS COMPLY WITH INTERNAL REVENUE SERVICE (IRS) GUIDANCE.

A. Parking fee refunds were processed incorrectly

While testing monthly parking fee revenues, OIAI noted several entries that appeared to be refunds to parking customers. Detailed testing of the refunds showed that Parking refunded fees to three City employees with petty cash or an accounts payable check. The parking fees had been paid by each employee via a pre-tax payroll deduction. Parking fiscal personnel were not aware of the special treatment of reimbursements of pre-tax payroll deductions that is required by the IRS and DFAS-Central Payroll. The affected employees' gross taxable wages and related federal and state income taxes, Social Security and Medicare taxes were not properly reported for the parking fee refunds.

Internal Revenue Code §132(f) allows a pre-tax payroll deduction for qualified transit benefits including parking fees. If parking fees are deducted from an employee's wages on a pre-tax basis, any refund of the fees should be generated through the payroll system to ensure the employee's taxable wages and related federal and state taxes are calculated and reported accurately. Per discussion with DFAS-Central Payroll, pre-tax payroll deductions such as employee monthly parking fees should not be refunded through accounts payable. If the City owes an employee a reimbursement for a pre-tax payroll deduction, Parking should notify the Human Resources Department-Insurance and Benefits Division to coordinate the reimbursement through the payroll system.

B. Four City employees are not reporting paid parking benefits as taxable income

As noted in finding number 2 (B) above, monthly parking fees for four City employees were paid by the employees' departments. The Internal Revenue Service (IRS) Publication 15-B, Employer's Tax Guide to Fringe Benefits, says that fringe benefits paid by an entity are taxable income to the employee. The value of City-paid parking benefits should be reported to DFAS-Central Payroll to be included in the affected employees' taxable income that is reported to the IRS. Parking fiscal personnel were not aware of the payroll tax implications of City-paid parking benefits. If the employees are not reporting the value of the City-paid parking in their taxable wages, the employees could face IRS fines and penalties.

RECOMMENDATION

DMD-Parking should coordinate with DFAS-Central Payroll to develop an efficient process for refunds or reimbursements of employee pre-tax payroll deductions for monthly parking fees.

The CAO should ensure that City-paid parking benefits are reported to DFAS-Central Payroll for income tax reporting.

RESPONSE FROM DMD-PARKING

“DMD concurs and the Parking Division will coordinate with DFAS-Central Payroll to implement a plan to conduct reimbursements through payroll.”

EXPECTED COMPLETION DATE

“The Parking Division is currently working on this issue and expects to have the requirement fulfilled no later than December 31, 2010.”

RESPONSE FROM CAO

“The CAO will ensure that City paid parking benefits are reported to DFAS – Central Payroll for income tax purposes.”

EXPECTED COMPLETION DATE

“The CAO expects that this process development will be completed no later than December 31, 2010.”

7. DMD-PARKING SHOULD COMPLY WITH CITY TECHNOLOGY PURCHASING POLICIES AND PROCEDURES.

DMD-Parking purchased Parkeon Inc. Pay and Display parking meters that are capable of accepting payment in coin, currency and payment card. The Parkeon Pay and Display meter technology relies on wireless network communications to transmit payment card data to a local banking system. The Parkeon Pay and Display parking meters are in compliance with Payment Card Industry-Data Security Standards (PCI-DSS), which require proper and adequate data security for technology-based payment systems. The Parkeon Pay and Display meter purchase was not submitted for review and

approval by the Technical Review Committee (TRC) and the Information Services Committee (ISC). The initial purchase order in the amount of approximately \$500,000 for 14 meters was dated September 2006.

DMD-Parking did not comply with City technology purchasing guidelines that require TRC and ISC approval for technology purchases greater than \$25,000. ISC should be aware of potential threats to customer data security and City revenue security, as governed by Administrative Instruction 3-6, Credit Card Security. A data security risk exists because the Parkeon Pay and Display meter technology relies on wireless network communications to capture and transmit payment card data to banking institutions.

RECOMMENDATION

DMD-Parking should prepare all required documentation of submission of the Parkeon purchase to the TRC and ISC after the fact for inclusion in ISC governance processes. All future DMD-Parking purchases that likely have a technological impact should be made in compliance with City technology purchasing policies and procedures.

RESPONSE FROM DMD-PARKING

“The Division concurs with this recommendation. Certification of PCI-DSS for the Parkeon purchase in 2006 has been submitted to the TRC and ISC as required.”

“Future such acquisitions will be routed through the TRC and ISC for approval, as required.”

EXPECTED COMPLETION DATE

“Per Administrative Instruction 2-2 all Division policies and procedures modifications need to be updated. DMD Parking will update our policies and procedures to address the findings of this audit as soon as possible but no later than March 2011.”

AUDITOR’S COMMENT

Administrative Instruction 2-2, Credit, Collections and Accounts Receivable Policy, requires departments to review their internal accounts receivable policies annually. It does not relate to technology purchasing procedures.

8. THE CAO SHOULD EITHER REQUIRE COMPLIANCE WITH ORDINANCE §2-6-3-1 (D) OR RESCIND THE REQUIREMENT FOR CITY DEPARTMENTS TO SUBMIT AN ANNUAL INFORMATION SERVICES PLAN.

During testing of the Parkeon Pay & Display Parking meter purchase, OIAI learned that City departments have not been required to submit annual information services plans to the ISC for review and approval. City Ordinance §2-6-3-1 ROA 1994: Information Services Committee, paragraph (D) requires that departments submit an annual information services plan for review and approval by the ISC. It appears that this requirement is not being enforced.

The ISC review of annual information services plans would mitigate the risk of significant changes in the type and level of information services provided City-wide.

RECOMMENDATION

The CAO should either require compliance with Ordinance §2-6-3-1 paragraph (D) or recommend that the requirement for departments to submit an annual information services plan to the ISC be rescinded, if such a requirement is not practical or necessary to the successful operation of City information and technology services.

RESPONSE FROM CAO

“The CAO expects that all equipment purchases by the Parking Division, will comply with Ordinance § 2-6-3-1 paragraph (D).”

EXPECTED COMPLETION DATE

“This requirement will be incorporated into the update of the Division policies and procedures required under Administration Instruction 2-2. The CAO expects that these changes will be in place as soon as possible, but no later than March 2011.”

AUDITOR'S COMMENT

The recommendation does not relate to equipment purchases. Ordinance §2-6-3-1 requires City departments to submit an annual information services plan.

CONCLUSION

Based on the testwork performed, we believe that opportunities exist for DMD-Parking to strengthen internal controls over parking access monitoring and to implement accounting and purchasing procedures that are in compliance with GAAP, FASB, IRS guidance and City policies and procedures, and ensure City-paid parking benefits are reported for income tax purposes. The CAO should clarify the intent of AI No. 8-11 and review Ordinance §2-6-3-1 (D).

We greatly appreciate the assistance and cooperation of DMD-Parking Division personnel during the audit.

Budget Auditor

REVIEWED:

Internal Auditor

APPROVED:

APPROVED FOR PUBLICATION:

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