

EXECUTIVE SUMMARY

In this review, we examined records and internal control procedures at the Washington Square Parking Garage. The Office of Public Integrity (OPI) accounted for reported cash collections and internal controls appear adequate. However, we noted the following findings that require management attention to ensure contract compliance.

- ◆ OPI observed that the garage operator reports monthly parking permit and validation revenue when the operator receives payment (cash basis) rather than when it is earned (accrual basis) as required by contract. As a result, the garage operator does not pay the City in a timely manner and the City will not receive any revenue for any uncollected accounts.
- ◆ OPI noted several instances in which the operator allowed vehicles to park in the garage without paying the standard rates. These include reduced monthly parking fees for some GEVA Theatre personnel and free parking to GEVA Theatre box office and café staff, GEVA Theatre cast members, and members of the Downtown Safety Services Team.
- ◆ Public Integrity noted that the operator underpaid the City a total of \$1,891.93. The operator incorrectly calculated sales tax. This resulted in understating after-tax revenue and underpayment to the City. As a result of this review, the operator has already submitted payment for this underpaid amount to the City.

II. BACKGROUND, OBJECTIVES AND SCOPE

A. Assignment

OPI routinely examines parking garage operations and their related revenue in its annual work program. We examine the operations of at least one parking garage annually, however, rotate among the various garages.

B. Background

Ampco System Parking has operated the Washington Square Parking Garage since February 2008. The current operating agreement runs from February 1, 2008 to January 31, 2011 and, upon mutual agreement, allows the City and Ampco to extend the contract for two additional consecutive one-year periods.

The agreement stipulates that the operator pay the City a base rent of 55.76% of monthly gross revenue after sales tax. Additionally, if the gross

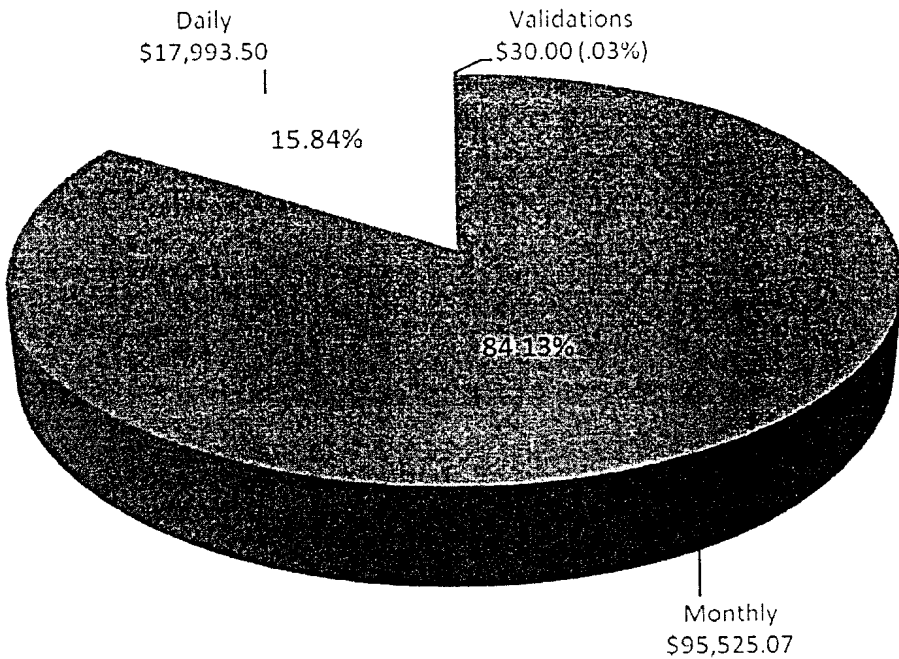
revenue after sales tax exceeds \$1,300,000 during a 12-month contract period, the agreement requires that the operator pay the City 80% of the excess revenue over \$1,300,000. The operator is responsible for collecting sales tax and submitting it to New York State. For the contract year ended January 2009, the operator reported gross revenue, less sales tax, of \$1,424,097.04.

The Department of Finance, Bureau of Parking, Parking Facility Services Division, oversees the management and operation of parking garages by the lessees, including contractual compliance and financial reporting.

C. Objective And Scope

The objectives of the review were to determine whether the operator could account for reported cash collections, to determine the adequacy of internal control procedures, and to determine the extent of compliance with contract provisions. This review examined current operations in detail, parking fees collected and reported for the month of August 2009, and the accuracy of the amount paid to the City. For the month of August 2009, the operator reported gross revenue, including sales tax, of \$113,548.57. Based on this amount of gross revenue, the operator paid to the City \$59,871.99. The following chart details the sources of this revenue.

Washington Square Garage
Sources of Revenue
August 2009



Management is responsible for establishing and maintaining a system of internal accounting and administrative control. Fulfilling this responsibility requires estimates and judgments by management to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of accurate, informative reports that are fairly stated.

Because of inherent limitations in any system of internal accounting and administrative control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any system evaluation to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with procedures may deteriorate.

The recommendations presented in this report include the more significant areas of potential improvement that came to our attention during the course of the examination, but do not include all possible improvements that a more extensive review might develop.

III. RESULTS OF REVIEW

OPI was able to account for all reported cash collections for the test period and internal controls appear adequate. However, we noted the following findings that require management attention to ensure contract compliance.

A. Accounts Receivable Are Not Reported And Paid To The City When Earned

The contractual agreement with Ampco System Parking requires them to account for all revenue on an accrual basis and report the revenue to the City when earned, not when received. Currently, Ampco System Parking does not report and pay the City's percentage of revenue resulting from their customer payments on accounts receivable until they collect the payments from their customers. Collection of these payments on account could potentially occur in a period substantially subsequent to the period that the revenue was earned.

This cash basis accounting delays payment to the City since Ampco System Parking does not pay the City its share of this revenue until they actually collect it which could be several months later. Additionally, this practice increases the possibility that the City could lose revenue due to uncollectible accounts.

◆ Recommendation

The Bureau of Parking should require the operator to adhere to the terms of the contract by properly accounting for and reporting to the City all revenue when earned, using the accrual method of accounting.

B. Free Monthly And Daily Parking

The contractual agreement with Ampco System Parking requires all vehicles entering the garage to pay the standard rates. The agreement allows the operator to have special parking programs if approved by the City in writing. OPI noted several instances in which vehicles parked in the garage without paying the standard rates including the following:

- 1) The operator provided 21 free monthly parking passes to members of the Downtown Safety Services Team. This team is part of a program operated by Downtown Special Services, Inc., a not-for-profit organization created by the Rochester Downtown Development Corporation and provides retired and off-duty law enforcement personnel to patrol the downtown area. The Director of Parking was unaware of this arrangement and, as a result of this review, has notified this group that they must pay the standard rates if they wish to continue to park at the garage. She also offered them monthly parking at a reduced rate at the Mortimer Garage.
- 2) The operator provided 31 reduced monthly parking passes and two free monthly parking passes to GEVA Theatre personnel. Additionally, the operator allows GEVA Theatre box office and café staff and cast members to park free by pulling a ticket upon entering the garage and then signing the ticket when exiting the garage. During the time of our review, there were 20 box office and café staff members, and 15 cast members, although these numbers change frequently. Also, under the current arrangement, box office, café and cast members are only to park free at night. However, OPI noted several occurrences during our test period when they parked free during the day. Bureau of Parking personnel are aware of this situation, but have not as yet attained a formalized agreement with GEVA.

◆ Recommendation

Bureau of Parking personnel should establish written agreements with companies or individuals that are allowed to park for a reduced or no fee rate.

C. Operator Underpaid The City

OPI noted that, since the inception of the contract in February 2008, Ampco underpaid the City a total of \$1,891.93. This occurred because the operator incorrectly calculated sales tax. As noted above, the agreement requires the operator pay the City a base rent of 55.76% of monthly gross revenue after sales tax. The operator overstated sales tax by a total of \$3,392.98 and, as a result, understated after tax revenue by this amount and did not pay the City the required 55.76% of this amount, which is \$1,891.93.

As a result of this review, the operator submitted a payment for this amount to the City.

◆ Recommendation

The Bureau of Parking should closely monitor operator payments and ensure that they are accurate and that the City is receiving all entitled revenue.

IV. DEPARTMENTAL RESPONSE

The response of the Department of Finance to this report begins on the next page.

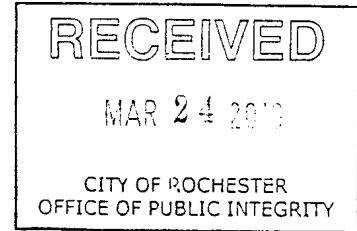


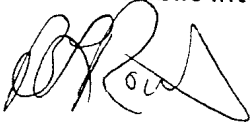
City of Rochester

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Brian L. Roulin, CPA
Director of Finance



TO: Daniel Markese, Office of Public Integrity
FROM: Brian L. Roulin 
DATE: March 23, 2010
SUBJECT: WASHINGTON SQUARE GARAGE AUDIT RESPONSE

The Bureau of Parking, Finance Department, appreciates the annual audits of our parking operators that are done by the Office of Public Integrity. As a result of OPI's past reviews, the garages have become much more automated with pay in lane and pay on foot stations, instead of being cashiered.

The following is in response to this year's audit of Washington Square Garage:

1. Accrual method – It is the goal of the Parking Bureau to take over operation of this garage by the end of 2010. This item will no longer be relevant after that time frame.
2. Free Monthly and Daily Parking
 - a. Downtown Safety Services Team has moved all but 2 vehicles. These vehicles are paying the established monthly rate.
 - b. GEVA Theater – Preliminary discussions have begun to move most of the GEVA Theater staff and volunteers who park in the garage to the Wadsworth lot. This lot has an established rate much less than the garage. Any parkers who wish to remain in the garage will pay the established monthly rate. GEVA staff was also encouraged to talk with the private parking lot owners in the area for reduced rate parking. This issue will be finalized by May 1, 2010.
3. Underpayment to the City - As noted in the review, the operator has already paid for the outstanding amount owed.

Again, thank you for working with us to ensure that the City assets are being controlled properly.

