

DEPARTMENT OF FINANCE
BUREAU OF PARKING
PARKING FACILITY SERVICES DIVISION
REVIEW OF EAST END GARAGE

Office of Public Integrity
Date: November 16, 2015

I. EXECUTIVE SUMMARY

In this review the Office of Public Integrity (OPI) examined records and internal control procedures at the East End Parking Garage. We accounted for all reported cash receipts within the test period. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with City policy.

- ◆ OPI noted a total of 64 key cards that were active in the ELEMENT system that allows access to the garage but not active in the PARIS billing system. As a result, patrons with these cards have the ability to gain access to the garage without incurring a charge.
- ◆ OPI noted that a substantial receivable balance is delinquent over 90 days. Parking management should regularly analyze receivable balances to determine delinquent and uncollectible accounts.
- ◆ OPI analyzed daily spitter tickets issued at the garage for two days in the test period. We noted over half of the spitter tickets issued had portions of the ticket that did not print dark enough to be legible. Without clearly legible information on these tickets, it is difficult to ensure customers pay the correct fees and, the customer service representatives collect and/or report the correct fees.
- ◆ For the 2 days that we analyzed spitter tickets, we noted the exit verifiers calculated the incorrect fee for 27 of the 516 tickets examined. This is an error rate 5.2%.
- ◆ OPI noted that agreements for reduced parking rates and reserved parking negatively affect garage revenue.

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, rotating among the various garages.

B. Background

On October 1, 2010, the Bureau of Parking took over operation of six of the seven garages that the City owned at that time. Currently the City owns nine garages and operates eight of them. This includes the East End

Garage which the City took over ownership from the Cultural Center Commission in May 2013. Prior to this, the City contracted with various parking vendors to operate these facilities.

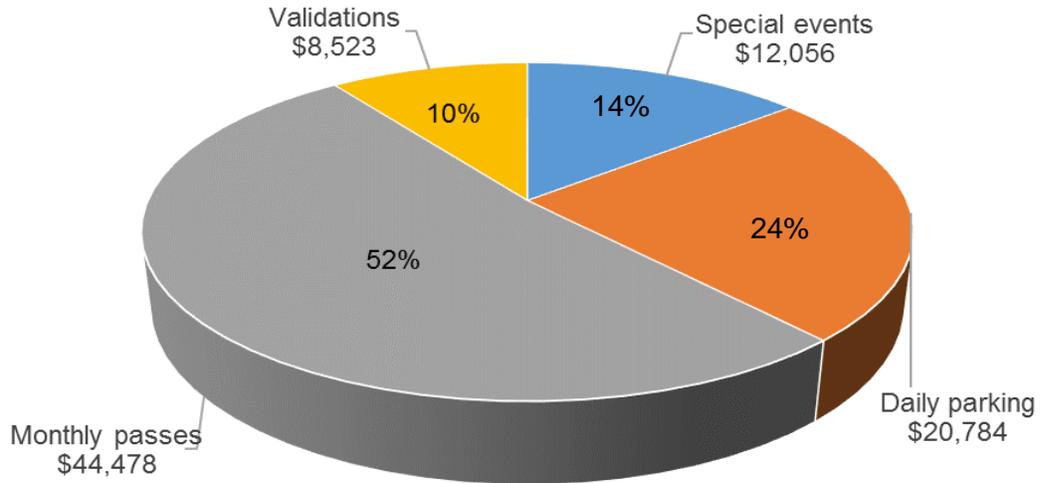
The City entered into a Professional Services Agreement with Allpro Parking, LLC to provide staffing for customer service and light maintenance for the garages. The Professional Services Agreement ran from October 1, 2010 to June 30, 2011 and the Finance Department has extended it to October 31, 2015. Additionally, the City contracted with Acme Powerwashing Inc. to provide cleaning and routine maintenance of the garages. Also, through an existing contract with the Rochester Police Department, the Bureau of Parking utilizes AP Safety and Security Corporation to provide security in the garages.

The Bureau of Parking oversees the management and operation of parking garages including financial reporting. The Bureau of Parking reports directly to the Deputy Mayor.

C. Objective and Scope

The objectives of the review were to determine whether the Bureau of Parking could account for reported cash collections, to determine the adequacy of internal control procedures, and to determine compliance with City policy. This review examined current operations in detail, parking fees collected and reported for the month of March 2015, and the accuracy of the amount deposited with the City. For the month of March 2015, the Bureau of Parking reported gross revenues of \$85,841 for the East End Garage. The following chart summarizes the sources of this revenue:

East End Garage
Revenue Collected and Deposited
March 2015



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.

We conducted this audit in accordance with Generally Accepted Government Auditing Standards (GAGAS). 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.

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 accounted for all reported cash collections for the test period. However, we noted the following findings that require management attention to improve administrative and internal controls and to ensure compliance with City policy.

A. Active Key Cards Not Included in Billing System

The majority of patrons who park at the East End Garage are monthly keycard holders. Parking sells keycards to individuals and also sells large blocks of keycards to various business organizations. OPI noted that as of March 31, 2015, Parking deposited \$44,478 for March keycards.

Parking utilizes two independent systems to control keycards. The Parker Accounts Receivable Information System (Paris), located at the Bureau of Parking, is an independent keycard billing and payment system. Additionally, the Element system, located at the garage, controls keycard activation, deactivation and the lift gate mechanisms.

With the Element system, only keycard numbers that Parking activates can enter and exit the garage. Additionally, the system provides an anti-passback feature which tracks whether patrons last used their keycards to enter or exit the garage. This feature prevents more than one person from using a single keycard at the same time, eliminating the possibility of passing the card to other parkers who are then able to park free. When properly functioning and utilized, this system provides control over keycards and also provides assurance that only authorized and paid keycards allow access to the garage.

OPI noted a total of 61 key cards that were active in ELEMENT allowing access into the garage but not active in PARIS for billing. Patrons possessing these keycards have the ability to park in the garage without paying the required fees. For these 61 keycards we noted the following:

1. Due to non-payment, Parking personnel terminated 40 of these key cards in the PARIS billing system but they were left active in

ELEMENT. We verified that these cards were not used to enter the garage after Parking personnel terminated them from PARIS.

2. We noted 11 keycards that, due to non-payment, Parking personnel terminated in the PARIS billing system. The owners of these keycards subsequently made payment on their past due accounts. However, Parking personnel never removed the termination date from PARIS after receiving payment. As a result, the PARIS billing system did not generate bills for these patrons in subsequent months.
3. We found 10 keycards that were active in ELEMENT but there was no billing information in PARIS. Additionally, it appears that there was no application on file for these keycards. We noted that 4 of these 10 key cards have recently been used to enter the garage. Since there is no billing information for these patrons, the City is unable to send out a bill for past parking.

As a result of this review, Parking personnel corrected these discrepancies.

◆ Recommendation

We recommend that the Bureau of Parking exercise care and diligence to ensure that customer information is up-to-date and that every patron that is issued a key card is entered into the PARIS system for billing. Additionally, Parking should periodically complete a reconciliation of keycard payments to active keycards in use to verify the validity of keycards that are activated.

B. Delinquent Accounts Receivable Balances

OPI reviewed an aging schedule of accounts receivable for monthly parkers at the East End Garage. An analysis of this aging schedule indicates a significant amount of outstanding receivables in excess of 90 days. The following table summarizes the outstanding accounts receivable balances:

Review of East End Garage
Aging of Accounts Receivable
At September 1, 2015

Number Of Accounts	Current	30 Days	60 Days	Over 90 Days	Total
454	\$23,912	\$4,900	\$9,181	\$19,838	\$57,831

Of the 454 accounts with a balance due, parking personnel terminated 58 or 14% of them prior to January 1, 2014. The total amount due from accounts terminated prior to January 1, 2014 is \$17,322 or 20% of the accounts receivable outstanding. It appears that these account receivables are uncollectable. As a result, accounts receivable for the East End Garage are significantly overstated.

◆ Recommendation

We recommend that the Bureau of Parking review existing outstanding accounts receivables and write-off account balances deemed as uncollectable.

C. Illegible Spitter Tickets

OPI examined spitter tickets for two days during the test period. During this test work we noted that 126 of the 255 (49%) cancelled spitter tickets issued on 3/13/15 and 201 of the 261 (75%) cancelled spitter tickets issued on 3/31/15 had portions of the ticket that did not print dark enough to be legible. For these spitter tickets, the customer service representative who collected the cash payments, hand wrote the dollar amounts due on the ticket.

Without a clearly legible time-in, time out and amount due stamp on a spitter ticket, it is difficult to ensure that customer paid the correct fee and, that the customer service representative collected and/or reported the correct fee.

◆ Recommendation

Parking management should identify the cause of the illegible stamps on spitter tickets and correct it.

D. Incorrect Fees Charged for Spitter Tickets

As previously noted, OPI examined spitter tickets for two days during the test period. During this test work we noted the exit verifiers did not always calculate the correct fees due. The following table summarizes these findings:

Review of the High Falls Garage
Miscalculated Fees for Spitter Tickets

Date	Spitter Tickets Collected	<u>Spitter Tickets Incorrectly Calculated</u>		
		Number	Percent	Value
03/13/15	255	11	4.3%	\$17
03/31/15	261	16	6.1%	\$39
Total	516	27	5.2%	\$56

Although the dollar value is immaterial, the percent of tickets miscalculated is significant. Parking personnel indicated that a possible cause is the internal clocks on the exit verifiers are not in sync with the external clocks. Exit verifiers utilize the internal clock to calculate fees due but the time stamped on the spitter ticket comes from the external clock.

◆ Recommendation

The Bureau of Parking personnel should investigate the causes of these discrepancies and correct them.

E. Agreements Negatively Affect Garage Revenue

When the City took over ownership of the East End Garage it agreed to honor all agreements that the Cultural Center Commission had in place. These agreements provide organizations with reserved parking or parking for reduced rates. These agreements include:

1. The City has a contract with YMCA that allows full time employees a reduced monthly parking rate of \$66.78. Additionally this contract allows YMCA to pay a set monthly fee of \$2,404 for member parking. This contract terminates on July 31, 2029 and allows for modest increases every 2 years. Also the City inherited an agreement to charge the YMCA a set fee of \$133.56 per month for parking for the YMCA's part-time employees. The following table compares, for March

2015, the amount that the YMCA would have paid without these reduced rates to the amount they actually paid the City.

Review of the East End Garage
Effect of Reduced Parking Rates for the YMCA
For March 2015

Parking Category	Cost per Regular Garage Rates	Actual Cost Paid per Contract Rates	Difference
Monthly Parkers (64)	\$ 4,608.00	\$4,140.36	\$ 467.64
Validations (YMCA Members)	14,818.00	2,404.00	12,414.00
Validations (Part-Time Employees)	4,562.00	133.56	4,428.44
Totals	\$23,988.00	\$6,811.48	\$17,310.08

As a result of reduced parking rates, for the month of March 2015, the YMCA paid the City \$6,811.48. This is \$17,310.08 less than what the cost would have been based on the regular parking rates.

2. The Cultural Center Commission made an agreement with Sagamore on East, LLC for 50 monthly parking passes for 50% of the standard parking rate which is currently \$72. The City has continued to honor this agreement. As a result, for March 2015, the City billed Sagamore on East, LLC \$1,800 for 50 parking monthly parking passes. Without this reduced rate, the cost of these 50 monthly parking passes would have been \$3,600.

3. There are 38 spaces at the garage reserved for employees of Citizen’s Bank. These spaces are on the 5th and 6th floor and have a sign that states “Citizen Bank Employee Parking only”. Parking personnel indicated that, for convenience, many of the employees park on the lower floors in the garage and, as a result, many of these spaces go unused. However, the signs prevent other monthlies and daily transients from using these spaces.

◆ Recommendation

City management should be aware of the impact that these agreements have on garage revenue and take this into account when negotiating future agreements.

IV. DEPARTMENTAL RESPONSE

The response of the Bureau of Parking to this report begins on the next page.



City of Rochester

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Parking and
Municipal Code
Violations Bureau

TO: Daniel Mastrella, Office of Public Integrity
CC: Leonard Redon, Deputy Mayor

FROM: Laura Miller, Bureau of Parking *Laura C Miller*

DATE: November 6, 2015

RE: Response to East End Garage Review

It was noted in the Results of the Review that:

A Active Key Cards Not Included in Billing System

1. 61 key cards were active in ELEMENT (gate control system) but not in PARIS (billing system). The Parking Bureau deactivated 40 of these key cards due to non-payment. OPI verified these key cards were not used to enter the garage after the accounts were terminated in PARIS.

Response:

The potential for accounts being terminated in the billing software, but not in the gate software, is now eliminated in the East End Garage. The new Parking Access Revenue Control System currently being installed is a unified system where payment in full continues to keep the key card active, while failure to pay before the start of the month will deactivate the key card automatically. Staff will no longer have to reconcile accounts between two separate software systems.

2. OPI noted 11 key card accounts that were terminated in the billing system for non-payment. Upon payment, the termination dates were not removed from the accounts. As a result, the PARIS billing system did not generate invoices for these accounts.

Response:

The potential for accounts to be inactive after payment is made is eliminated with use of the new Parking Access Revenue Control System. Key cards are tied directly to account balances: when the account is paid in full, the key card activates the gates. When the account is unpaid, the key card will not activate the gates. Staff will no longer have to manually activate or deactivate key cards based on payments or lack of payments.

3. 10 key cards were found to be active in ELEMENT but there was no billing information in PARIS. There were also no applications on file for these key cards. 4 of the 10 key cards were found to have been recently used in the East End Garage.



Response:

The 10 key cards have been deactivated in ELEMENT. Additionally, ELEMENT is no longer used to manage gate access in the East End Garage and Paris will no longer be used to bill monthly patrons. Future enrollees to the monthly parking program in the East End Garage will have to register online in the new Parking Access Revenue Control System. Their online enrollment will create their account and generate an email notice to the Bureau of Parking. Staff will then activate the account and provide the customer with a hang tag gate pass. The pass will only operate the gates if the monthly parking fees are paid. Continued monthly use of the pass will be dictated by whether or not payment is made. The customer will have full online access to his or her account to keep information up-to-date.

B. Delinquent Accounts Receivable Balances

1. OPI reviewed an aging schedule of accounts receivable for monthly parkers at the East End Garage. Of the 454 accounts with a balance due, parking personnel terminated 58 or 14% of them prior to January 1, 2014. The total amount due from accounts terminated prior to January 1, 2014 is \$17,322 or 20% of the accounts receivable outstanding. It appears that these account receivables are uncollectable. As a result, accounts receivable for the East End Garage are significantly overstated.

**Review of East End Garage
Aging of Accounts Receivable
At September 1, 2015**

Number Of Accounts	Current	30 Days	60 Days	Over 90 Days	Total
454	\$23,912	\$4,900	\$9,181	\$19,838	\$57,831

Response:

The Bureau of Parking agrees that the past due balances that exist prior to January 2014 should be written off as uncollectable. The Bureau of Parking will submit a formal request to the Director of Finance for permission to proceed with marking the accounts uncollectable.

C. Illegible Spitter Tickets

During a two day test period, OPI observed tickets that had been stamped with ink too light to be legible. Tickets were found to have hand-written time and amounts on them, penned by the customer service representatives.

Response:

The faulty gate equipment that produced illegible spitter tickets has been removed. New gate equipment has been installed, with state of the art digital printing for spitter tickets.

D. Incorrect Fees Charged for Spitter Tickets

OPI examined spitter tickets for two days during the test period. During this test work it was noted the exit verifiers did not always calculate the correct fees due.

Response:

A possible cause of this is the internal clocks on the exit verifiers are not in sync with the external clocks on the entry ticket spitter. The equipment has been removed from East End Garage, and new equipment at the entry and exit lanes will sync to the same clock, eliminating this issue.

E. Agreements Negatively Affect Garage Revenue

When the City took over ownership of the East End Garage it agreed to honor all agreements that the Cultural Commission had in place. These agreements provide organizations with reserved parking or parking for reduced rates.

- YMCA: contract through 2029, modest increases every two years
\$68.78 / month for each full-time employee
\$2,404 / month for unlimited YMCA Member parking
\$137.56 / month for unlimited part-time employee parking

Effect of Reduced Parking Rates for the YMCA
For March 2015

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As a result of reduced parking rates, for the month of March 2015, the YMCA paid the City \$6,811.48. This is \$17,310.08 less than what the cost would have been based on the regular parking rates.

- Sagamore on East, LLC: 50 monthly parking passes for 50% of the standard parking rate, currently \$72.
- Citizen's Bank: 38 reserved spaces with signage announcing, "Citizen Bank Employee Parking Only." These spaces are on the 5th and 6th floors, however, many of the employees park in more conveniently located spaces, leaving these reserved spaces unused. The signs prevent other monthly and transient customers from using these spaces.

Response:

The Bureau of Parking recommends the City discontinue the use of agreements for reduced rates or reserved parking.