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# Department of Administrative Services Parking Garage Revenues Audit

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**Audit Period: July 2016 through March 2017**

**Results Summary:**

<b>Objective</b>	<b>Conclusion</b>
<b>Controls Over Cash Revenue</b>	<b>Improvement Needed</b>
<b>Controls Over Credit Card Revenue</b>	<b>Improvement Needed</b>
<b>Controls Over Payments to Contractors for Parking Garage Revenue Services.</b>	<b>Improvement Needed</b>

\* Refer to Appendix A for classification of audit objective conclusions.



## Executive Summary

### Background

The Department of Administrative Services (DAS) manages and maintains the State's real properties. DAS collects revenue for parking garages located at its North High Street Complex, Riffe Center, and DiSalle Center. DAS also collects revenue from state agencies for parking in the Statehouse parking garage. Annual parking revenues are approximately \$1.3 million. DAS contracts with a third party to provide cash collection, counting, depositing, and related services from payment machines for the Riffe Center and DiSalle Center parking garages. The Riffe garage has 395 parking spaces and the DiSalle garage has 328 spaces.

During the audit, OIA identified opportunities for DAS to strengthen internal controls and improve business operations. This audit conforms to the *International Standards for the Professional Practice of Internal Auditing*. OIA would like to thank DAS staff and management for their cooperation and time in support of this audit.

This report is solely intended for the information and use of agency management and the State Audit Committee. It is not intended for anyone other than these specified parties.

### Scope and Objectives

OIA staff was engaged to perform an assurance audit related to parking garage revenue processes. This work was completed March through June 2017. The scope of this audit included the key revenue processes for the Riffe and DiSalle parking garages.

The following summarizes the objectives of the review:

- Evaluate the design and effectiveness of controls over cash revenue.
- Evaluate the design and effectiveness of controls over credit card revenue.
- Evaluate the design and effectiveness of controls over payments to contractors for parking garage revenue services.

### Detailed Observations and Recommendations

The Observations and Recommendations include only those risks which were deemed high or moderate. Low risk observations were discussed with individual agency management and are not part of this report. However, the low risk observations were considered as part of the audit objective conclusions. There were no low risk observations.



## Observation 1 – Controls Over Cash Revenue

A well-designed set of internal procedures and adequate segregation of duties can provide reasonable assurance that theft of cash receipts and record keeping errors will be properly managed or detected. Since July 2016, DAS has contracted with Mile Hi Valet Services Inc. d.b.a Towne Park to provide cash operation services for the parking garages at the Riffe and DiSalle facilities. DAS also contracts with Towne Park to provide special event ticketing and cash handling services at the Riffe garage during non-business hours. The following weaknesses exist:

- Towne Park is responsible for both cash collection and depositing duties. However, the contract does not mandate minimum internal controls such as adequate segregation of duties and safeguarding of cash to mitigate risks.
- Although DAS Fiscal Services performs daily reconciliations between the cash reports from the pay machines in the garages and the daily cash deposit, DAS receives the reports from Towne Park, which reduces independence and reliability over the reconciliation process. The quality of the machine reports (which are receipt tapes) is weak due to Towne Park copying the reports to send to DAS via email.
- In review of the daily reconciliation spreadsheets during the period July 2016 through March 2017, Towne Park's cash deposits routinely do not match machine report totals and there are often unexplained variances. According to DAS, the machine reports do not display accurate or complete information due to equipment malfunctions and inability to generate reports. This resulted in variances every month during the period July 2016 through March 2017 between the machine reports and the cash deposits. Furthermore, Towne Park displays a pattern of not depositing cash daily but is required by the contract to do so.
- For special events at the Riffe garage, Towne Park distributes tickets and collects cash from parking customers upon entrance into the garage. However, DAS Fiscal Services has no knowledge of the schedule of special events to expect deposits after such events. Additionally, there is no monitoring process in place to validate the number of tickets sold and the accuracy of the deposit because Towne Park is solely responsible for signing out, distributing, and logging tickets during special events. Furthermore, DAS does not perform any analysis to determine the number of parking spaces available compared to the number of parking spaces sold, or trending of revenues to determine if deposit amounts are reasonable. According to Section 1.2 of the contract, special events are requested by DAS. However, there is no evidence that DAS requests special events or a definition of a special event. For instance, special events may span several days but the contract does not outline if a special event is one day or several days if an event is multiple days.



- Customer refund processes differ between the Riffe and DiSalle garages and there is not a consistent process to ensure refunds are appropriate. At the DiSalle garage, Towne Park maintains a refund bank to process refunds after receiving approval from DAS. At the Riffe garage, customers complete forms to request refunds from Towne Park which sends money orders to the customers.

Lack of adequate controls to include segregation of duties, safeguarding assets, accountability, reconciliation and monitoring increases the likelihood of misappropriated cash receipts and inaccurate or untimely deposits without detection. Lack of consistent customer refund processes increases the likelihood of inappropriate refunds.

### Recommendation

Amend the contract or develop procedures to mandate additional controls for cash handling processes to include:

- If machine reports continue to be unreliable, evidence by signature and date that two people collected cash, confirmed the amount of collection, and that the collection amount matches the deposit or DAS Building Manager witnesses the cash pickup and replenishment of the pay station machines.
- A means for securing cash prior to deposit.
- Bank deposit bag is tamper-proof and is a locked bag that can only be opened at the bank.

Independently retrieve pay station cash reports from the service provider's website to perform daily reconciliations to cash deposits.

Continually monitor the contractor's cash handling and reconciliation processes to ensure internal controls are in place and are operating effectively. Investigate unusual activity and resolve all reconciliation variances between pay station machine reports and cash deposits.

Develop and implement the following to improve controls over special events:

- Approve events, at least monthly, including minimum and maximum durations for special events and share the approved events listing with DAS Fiscal Services. Additionally, update contract language to define a "special event".
- Monitor cash deposits after special events to ensure cash is deposited the business day following the event. Reconcile approved events to cash deposits to ensure there are deposits for every approved event and to identify deposits for unapproved events. Document any instances or patterns of contractor non-compliance in order to have adequate support and rationale to suspend or terminate the contract, if deemed necessary
- Perform trending of cash deposits for special events to aid in determining size of events



and parking ticket sales. Implement procedures to determine the estimated number of spaces needed for each special event. Compare revenue received to estimated number of spaces for a reasonableness check of amounts of revenue deposited.

- Distribute tickets to the contractor based on estimated sales prior to approved events. Require contractor to submit actual or copies of tickets sold with daily deposit information. Reconcile tickets sold to deposit to ensure completeness of the deposit. Investigate deposit discrepancies and document resolutions.

Develop and implement controls to help ensure customer refunds are appropriate. For example:

- Update procedures to provide specific instructions to the contractor on handling customer refunds to ensure refunds are processed in a consistent manner.
- Establish a dollar threshold in which DAS must approve refunds and require the contractor to submit customer documentation to DAS to request refunds above the established threshold.
- Reconcile customer refunds to supporting documentation, such as pay station machine reports indicating credits or contractor explanations for cash overages when machines do not dispense or customers do not retrieve change. Identify and resolve discrepancies.

### Management Response

Observation Response:

DAS acknowledges the observations listed above and agrees there is opportunity for improvement over the controls of cash parking revenue. DAS is currently pursuing an effort to update the parking equipment in the Riffe garage which would eliminate the daily cash collection. Special events may still require cash handling. Additionally, we are also considering offering monthly parking only for the Riffe garage; which would alleviate both the daily cash and credit card services. DiSalle is engaged in negotiations to be sold. DAS Properties and Facilities is pursuing contingency plans if the sale falls through. Equipment issues will be resolved at both garages prior to October 1, 2017, to address any reconciliation issues and ensure PCI compliance.

DAS Properties and Facilities will work with Towne Park to get a safe or locked box onsite at the DiSalle garage. This will help with safeguarding of cash and retaining it onsite.

Towne Park does provide daily cash reports, however, DAS does not rely solely on those reports. They are cross-referenced with deposit reports directly from our banking institution and reconciled daily.

Towne Park did frequently have errors in their reconciliation and/or did not deposit timely. Those issues have largely been resolved. We have not had any reconciliation or timely deposit issues since May 1, 2017. We expect any future discrepancies caused by the equipment will be



resolved when new equipment is purchased, or by implementing tighter control procedures.

DAS agrees that Towne Park having complete control over special event tickets is an issue. DAS has already implemented a procedure by which DAS Security controls the tickets. DAS Security logs pertinent details such as who picked up the tickets, at what time, when they were returned, and the beginning and ending numbers. DAS Security will forward those details to DAS Fiscal Services monthly.

While Towne Park did not have a consistent procedure for issuing refunds in each garage during the audit period; Towne Park adopted a common procedure in April, 2017.

Recommendation Response:

DAS agrees that if equipment reports continue to be an issue, we will pursue options to tighten the control over cash collection. At this time, we do not realize an immediate need to include additional Towne Park employees, or to include Building Manager in the cash pickup(s).

DAS OPF will work with Towne Park to establish a means of securing the cash prior to deposit in the DiSalle building (i.e., have a safe or locked box onsite). The Riffe garage currently has a locked box onsite. Additionally, DAS OPF will ensure that Towne Park is using a locked bank bag to transport the cash from garage to bank, if they are not already. The conversation with Towne Park will occur on or before July 31.

DAS believes that independently running a Signature Control cash report would not add to a more effective reconciliation process. Towne Park runs the report at the time of cash pickup. DAS would need to simultaneously run the reports or run the reports for the exact same time period down to the minute. Towne Park would still need to provide their reports so we would know when they ran it. DAS proposes a slightly difference in approach; if discrepancies occur, DAS would run the Signature Control reports independently. Additionally, DAS will continue monitoring the daily activity and pursue discrepancies, as we do now.

DAS Fiscal Services will begin receiving a list of events on a monthly basis. DAS will continue monitoring the special event parking, reconciling, and ensuring timely deposits, as we do now. It may be difficult to define a special event in the contract due to the varying nature of them. There is no one definition. In general, there is a standard set for some events where collections begin 60 minutes prior to the event start, and end 30 minutes after it has started.

DAS has taken ownership of the special event tickets and will also be receiving a monthly event listing. With these tighter controls, DAS is confident that the risk of significant revenue loss is greatly reduced, if not eliminated. The level of complexity in a trend analysis to this degree would be very time intensive and still may be inaccurate or inconclusive. While CAPA could, and does, provide a count of tickets sold there is no guarantee that all of those ticket sales result in a 1-to-1 vehicle parked. Additionally, there is no guarantee that customers would park in the Riffe garage. Lastly, it's possible that some spaces are used by people not attending an event (i.e., no



reserved parking for special events, people paying hourly could be utilizing the same spaces that a special event parker would use).

DAS has taken ownership of special event tickets. The data provided by DAS Security will be used to cross-reference the deposit information provided by Towne Park.

Special event parking is typically used for theater events. CAPA provides DAS with a list of upcoming events and requests special event parking for those events. DAS OPF has the final approval of those requests. Events are not defined in the contract because of the varying types. Some may require parking services for one hour, others could be several days.

DAS implemented refund procedures that detail the process. Refunds are initiated by the building manager with DAS. Further, no dollar amount threshold will be set; DAS building managers approve all refunds regardless of dollar amount. The process was adopted by both garages in April, 2017.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	DAS Fiscal Services and Properties and Facilities	October 2017

## Observation 2 – Controls Over Credit Card Revenue

PCI DSS (Payment Card Industry Data Security Standard) is a security standard developed by the major card brands (Visa, MasterCard, Discover, Amex and others) to help protect credit cardholder data. PCI standards hold merchants accountable for the business policies that may lead to data breaches. Merchants are responsible for their employees' actions with regard to card data security and for securing their business environments.

However, DAS parking garage pay stations will not be PCI compliant as of October 2017. The software provider is no longer supporting or operating in the credit card business. This will require DAS to purchase new equipment to comply with PCI Payment Application Data Security Standard 3.0 and to be supported by the manufacturer. DAS' Office of Properties & Facilities worked with a consultant to define specifications for garage equipment that accepts credit cards to comply with PCI standards. DAS has advised that new equipment will be purchased by October 2017.

The credit card reconciliation process involves the comparison of transactions between credit card statements and the associated transactions within an organization's various accounts. This is a necessary step to ensure that credit card statements and balances are correct and accurate.



Discrepancies should be investigated and any necessary corrective action must be taken.

DAS Fiscal Services completes daily and monthly reconciliations of credit card revenues between the garages' equipment reports of credit card activity (which are received daily via email from the service provider), Fifth Third merchant receipts, and OAKS. However, the reconciliations often result in unresolved discrepancies. OIA discussed the variances with DAS who contacted Fifth Third and confirmed all settlements received belonged to DAS' account. The equipment reports contain authorized, rather than settled transactions, which may partly cause the discrepancies, as well as unreliable or inaccurate equipment reports. During the period July 2016 through March 2017, there is a net total unreconciled balance of \$1,610 between Fifth Third merchant receipts and equipment reports.

Non-compliance with PCI standards increases the likelihood that cardholder data is not properly safeguarded, which may result in breaches and monetary losses. Failure to resolve all unreconciled discrepancies increases the likelihood that credit card revenue is inaccurate or incomplete.

### Recommendation

Although procurement of goods and services can be a lengthy process, DAS should strive to replace the parking garage equipment as soon as possible so that it is PCI compliant and supported by the manufacturer. DAS should continue to define specifications for garage equipment.

Once equipment is replaced and reports are reliable, DAS Fiscal Services should investigate and resolve variances identified between credit card merchant receipts and equipment reports of credit card activity. Consider the following:

- Instead of performing daily reconciliations which may involve many timing differences and more data entry steps, evaluate performing a reconciliation of month-end totals between equipment reports, merchant statements, and monthly OAKS General Ledger reports.
- Develop and implement supervisory review of the daily or monthly reconciliation process to detect any errors and to ensure unreconciled items are identified and resolved timely.
- Work with the credit card service provider to establish separate merchant accounts for the Riffe and DiSalle garages to ease reconciliation and revenue coding processes. Additionally, work with the service provider to ensure the reports include all settled transactions.

### Management Response

Observation Response:

DAS acknowledges the PCI compliance issues. We are actively pursuing various options to



resolve these issues prior to October 1, 2017.

DAS has confirmed that discrepancies between Signature Control reports and Fifth Third are due to equipment issues. Fifth Third has confirmed that all funds received do belong to DAS and came from the garages.

Recommendation Response:

DAS Fiscal Services currently investigates all discrepancies to the extent it is reasonable and appropriate. We investigated discrepancies through-out this audit period. We will continue to follow this best practice.

DAS would prefer to continue our daily reconciliation. Comparing monthly reports would still yield timing differences and would make discrepancies less transparent.

DAS has a supervisory review in place, and has had one for the entire audit period. Our AR Supervisor completes the daily entries as well as the monthly reconciliation. The Fiscal Manager then approves the monthly reconciliations in a quarterly deposit modification. The AR manager attaches the quarterly spreadsheets to the deposit and forwards a request for approval to the Fiscal Manager. The Fiscal Manager reviews and approves, as evidenced by a user ID and time stamp in OAKS FIN. The Fiscal Manager then forwards the agency approved deposit to OBM for final approval. This process was communicated during the audit. DAS believes that the current tiers of management is adequate.

DAS is limited to including more merchant IDs due to the lack of capability with our current equipment. We will certainly keep this suggestion in mind as we pursue options to replace equipment. If DiSalle sells or if Riffe transitions to monthly parking, the need for separate merchant IDs may fade. Still, it will be a consideration as we move forward.

DAS will work with current equipment provided to obtain settlement reports as opposed to authorized, if possible.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	DAS Fiscal Services and Properties & Facilities	October 2017

### Observation 3 – Controls Over Payments to Contractors for Parking Revenue Services

Contract management is a two stage process. The first stage is procurement, which includes



activities associated with identifying the need for a contract, using a process to obtain the needed item, conducting the procurement, issuing a contract, and acquiring the good or service. The second stage is contract monitoring, which includes a variety of steps taken to ensure the department receives what the contractor has promised to deliver under the terms of the contract. Since July 2016, DAS has contracted Mile Hi Valet Services Inc. d.b.a Towne Park to provide cash operation services for the parking garages at the Riffe and DiSalle facilities. DAS also contracts with Towne Park to provide special event ticketing and cash handling services at the Riffe garage during non-business hours.

DAS' monitoring of the Towne Park contract is not adequate to ensure contract deliverables are tracked and non-compliances are resolved in accordance with the terms of the contract. Specifically, DAS issued a Complaint to Vendor notification to Towne Park regarding non-compliance, divulging DAS' concerns and requesting a written plan of action. Nevertheless, Towne Park only provided a verbal agreement that issues on non-compliance would be addressed and would cease. However, in accordance with section S-13 of the contract, DAS is required to document the contractor's corrective actions or lack thereof but has not done so.

Overall, the contract transfers all responsibility to Towne Park for the custody of cash, reconciliation of the pay station equipment reports to cash receipts, and cash deposit transactions. However, the contract does not transfer any risks to the contractor for instances in which cash is lost or stolen or if deposits are not timely.

Additionally, compensation to Towne Park is based on hourly rates. DAS building managers at the Riffe and DiSalle facilities review and approve invoices. However, no supporting documentation is included with the invoices from Towne Park to support the numbers of units billed. As of May 19, 2017, DAS paid Towne Park approximately \$17,000 for services provided since July 2016. However, DAS underpaid Towne Park \$885 (\$393 for services provided at the DiSalle garage, \$351 for services provided at the Riffe garage, and \$141 for special events) because hourly rates on invoices are less than hourly rates in the contract. Additionally, Towne Park invoiced and DAS paid \$775 twice for services provided at the Riffe garage during October 2016. According to DAS, Towne Park refunded the overpayment.

DAS Fiscal Services has designed a process to validate that vouchers match invoices but had not implemented the process as of the time of this audit. However, the process may not be adequately designed to detect if invoice rates exceed contract rates.

An inadequately structured contract that transfers all cash handling responsibilities to the contractor but none of the risks increases the likelihood that cash is lost or stolen without timely detection or recourse. Failure to obtain written corrective action plans from a contractor and to document the success or failure of such actions lessens the ability to demonstrate a pattern of the contractor's non-compliance with terms and conditions or failure to correct in a reasonable time which may reduce the ability to take steps to suspend or terminate the contract. Lack of



documentation from a contractor to support units billed increases the likelihood of payments to contractor for services that were not provided or that do not meet the terms and conditions of the contract. Finally, lack of a review process to ensure rates billed match contract rates increases the likelihood of incorrect or overpayments to the contractor.

**Recommendation**

Comply with section S-13 of the contract, which requires DAS to obtain an action plan to address noncompliance issues. Document the timeliness of corrective actions and persistent default to assist with termination and suspension of the contract, if necessary.

Although the existing contract is renewed for an additional year, DAS should pursue amending the contract and require all future contracts to include liability provisions including lost profits and cash shortages.

Require the contractor to include a list of the services that were provided, schedule of hours worked, and the cost of each of these services on invoices. Alternatively, amend the contract so that compensation is based on satisfactory performance and timely deposits.

Finally, implement a review process to validate that vouchers match invoices and that invoice rates match contract rates. Identify discrepancies and documentation resolutions.

**Management Response**

Observation Response:

DAS acknowledges the deficiencies noted above. The supplier has been complying with our requests since the CTV was filed. The challenge with transferring all risk to the supplier is that a substantial amount of the errors appear to result from equipment issues, outside of Towne Park's control.

Recommendation Response:

Towne Park has resolved the compliance issues noted in the complaint to vendor. DAS will document the resolutions to the compliance issues. We agree that A) the hourly billed amount must equal the hourly rate listed in the contract and B) the time spent on daily pickups should be distinguishable on Towne Park's invoices.

DAS can discuss potential amendments with Legal. We should keep in mind that although DAS can attempt to amend the contract, Towne Park is not obligated to agree to the new terms.

We will certainly be pursuing a procedure update that ensures Towne Park is only billing us for appropriate hours worked and at the correct hourly rate. We are confident this can be achieved through a procedure change rather than a contract amendment.



DAS will continue ensuring the voucher matches the invoice amount. Additionally, we will expand on this to include comparing rates and hours billed match contract information.

Risk*	Remediation Owner	Estimated Completion Date
Moderate	DAS Fiscal Services	July 2017

Due to the limited nature of our audit, we have not fully assessed the cost-benefit relationship of implementing the observations and recommendations suggested above. However, these observations reflect our continuing desire to assist your department in achieving improvements in internal controls, compliance, and operational efficiencies.

\* Refer to Appendix A for classification of audit observations.



Appendix A – Classification of Conclusions and Observations

**Classification of Audit Objective Conclusions**

Conclusion	Description of Factors
<b>Well-Controlled</b>	The processes are appropriately designed and/or are operating effectively to manage risks. Control issues may exist, but are minor.
<b>Well-Controlled with Improvement Needed</b>	The processes have design or operating effectiveness deficiencies but do not compromise achievement of important control objectives.
<b>Improvement Needed</b>	Weaknesses are present that compromise achievement of one or more control objectives but do not prevent the process from achieving its overall purpose. While important weaknesses exist, their impact is not widespread.
<b>Major Improvement Needed</b>	Weaknesses are present that could potentially compromise achievement of its overall purpose. The impact of weaknesses on management of risks is widespread due to the number or nature of the weaknesses.

**Classification of Audit Observations**

Rating	Description of Factors	Reporting Level
<b>Low</b>	Observation poses relatively minor exposure to an agency under review. Represents a process improvement opportunity.	Agency Management; State Audit Committee (Not reported)
<b>Moderate</b>	Observation has moderate impact to the agency. Exposure may be significant to unit within an agency, but not to the agency as a whole. Compensating controls may exist but are not operating as designed. Requires near-term agency attention.	Agency Management and State Audit Committee
<b>High</b>	Observation has broad (state or agency wide) impact and possible or existing material exposure requiring immediate agency attention and remediation.	Agency Management and State Audit Committee