

August 19, 2015

REPORT #: 2016-02

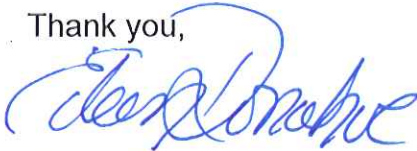
Roubik Golanian, Director of Public Works  
Public Works Department

Dear Roubik,

Enclosed is the final report for the Parking Meter Shop Operational Audit. Internal Audit would like to thank you and your staff for the support and assistance provided to us during the audit.

Should you have any questions, please feel free to contact Jessie Zhang or myself.

Thank you,



Eileen Donahue,  
Internal Audit Manager

Enclosure

CC: Yasmin Beers, Assistant City Manager  
Tad Dombroski, Parking Manager  
Robert Elliot, Director of Finance  
Michele Flynn, Assistant Director of Finance  
Daniel Hardgrove, Deputy Director of Public Works/Maintenance Services  
Scott Ochoa, City Manager  
City Council  
Audit Committee

REPORT #: 2016-02



INTERNAL AUDIT

# **Parking Meter Shop Operational Audit**

**August 19, 2015**

## **Background**

In accordance with Internal Audit's fiscal year 2014-15 audit plan, Internal Audit performed an audit of the City's Parking Meter Shop operations.

The parking meter shop is part of the Maintenance Services Division within the Public Works department and is responsible for the following:

- Collection and maintenance of all on-street single-space parking meters and multi-space digital pay stations in downtown Glendale and Montrose business district, including monitoring and troubleshooting of connectivity of the digital meters and pay stations;
- Repairs of parking meters, including installation and removal of parking meters and poles;
- Performance of parking meter maintenance and repair services for the City of West Hollywood as defined by an established service agreement; and
- Maintenance and collection services for the Glendale Community College (GCC) under an expired agreement with the Glendale Parking Facilities Joint Powers Authority (JPA).

At the time of our fieldwork, the parking meter shop consisted of three Parking Meter Collector/Repairers and one Senior Parking Meter Collector/Repairer, with the

senior collector/repairer reporting on day-to-day activities to the Traffic and Parking Supervisor and to the Parking Manager on digital technical issues and rate setting related matters.

Three types of parking meters are used by the City: (1) multi-space digital pay stations, (2) single-space coin meters, and (3) single-space Liberty digital meters under a pilot program. In addition, the City of West Hollywood operates single-space digital IPS meters. Each type of meter or pay station is supported by a different software application system that the parking meter employees must have knowledge of to accurately perform their duties.

The quantity of parking meters consisted of 56 active multi-space digital pay stations, 11 uninstalled multi-space digital pay stations, 49 single-space Liberty digital meters, and over 1,700 coin meters on the City's downtown streets, Montrose area, and GCC. The City of West Hollywood had in place approximately 2,100 on-street parking meters.

The revenues from the downtown parking meters and multi-space digital pay stations have shown a steady increase over the past five years from \$1.3M in fiscal year 2009 to \$2M in fiscal year 2014. Over this timeframe the percentage of parking revenue paid by credit cards increased from 31% to 55%.

## Objective, Scope and Methodology

The objective of this audit was to evaluate the operational efficiency and effectiveness of the parking meter shop in performing maintenance and collection activities. The audit period covered fiscal year 2015. The scope of this audit did not include parking garages operated by a third party vendor contracted by the City.

In order to accomplish the audit objective, Internal Audit performed the following procedures:

- Reviewed relevant documents; for example, parking meter regulations, policies and procedures, parking meter time limits and hours of operation, operating procedures, training manuals, collection routes, and the parking meter related ordinance and City Council resolution on rates.
- Conducted interviews, participated in ride-a-longs and observed detailed operational processes of the parking meter maintenance and collection activities.
- Performed existence and completeness testing of parking meter and pay station inventory on a judgmental sample basis.
- Tested accuracy of maintenance and repair records reported as key performance indicators (KPIs).
- Performed analytical procedures on the parking meter financial trend and reconciliation between the

revenues received and reported by the multi-space digital pay station management systems.

- Conducted detailed testing of credit card transactions on digital meters and pay stations for accuracy and proper support.

## Summary of Results

We obtained an understanding of the City's on-street parking meter and pay station maintenance and collection operations. Strict procedures were found in place to ensure the safeguards and accuracy of the parking meter revenue received. Specific procedures have been established and are followed for coin collecting, sorting, counting, and sealing. The parking meter shop staff is diligent in carrying out their duties. New employees receive training on the expectations of their job duties and all parking meter shop employees participate in weekly safety trainings. Staff received positive feedback from the City of West Hollywood for providing good maintenance services, and being polite and courteous when interacting with the public.

Preventive maintenance and minor repairs are conducted as part of the regular collection process through visual inspection of the meters and pay stations. The common preventive maintenance activities include cleaning the pay station coin acceptor and printer. Repairs include re-setting the wireless connection, clearing paper jams, changing the discharged batteries, and replacing critical parts for multi-space pay stations and single-space parking meters.

A daily report is completed by each staff to track all productive activities performed each day. These daily reports are compiled as weekly production reports and quarterly work reports which are used to support the KPIs reported for number of parking meters repaired. Collections are scheduled daily except Sundays. Collections are secured in locked containers. The collection schedule is prepared primarily following the geographic location from south to north Glendale. However, the multi-space digital pay station collection schedule is triggered by the quantity of coins, paper status, and unsettled credit card transactions based on system generated collection reports.

One important aspect of the collection function is performing the coin count to generate the deposit. At least two employees are present when coins are counted except on the days when only one staff is working. A security camera records the actions of individuals in the counting room. In order to ensure accuracy, all coins collected are counted by the coin counting machine at least twice. Coins are separated and bagged based on their denomination. The bags are deposited securely with the bank after a predetermined amount is reached in each bag. For example, the pennies are bagged at \$25 per bag, with a total count of 2,500 coins, the quarters are bagged at \$500 per bag with a total count of 2,000 coins, and dollars are bagged at \$1,000 per bag with a total count of 1,000 coins. Any coins not bagged are secured in a safe and carried over to the next coin counting day. The parking meter shop staff is also responsible for creating the treasurer's receipts (TR) for all parking meter revenues based on the coin and credit card collections.

From analytical procedures performed, we noted the revenues from downtown parking meters and multi-space digital pay stations have shown a steady increase for the five years from fiscal year 2009 to 2014. Although the revenues have been increasing, the workload for collection has remained relatively the same due to the fact that the increased revenues resulted primarily from parking meter fees paid with credit cards.

## Conclusion

Overall, we found that the parking meter shop has developed a workflow process that meets its operational needs for conducting maintenance and collection activities with the current staffing in an efficient and effective manner. Through the results of our test work we identified 12 opportunities for improvement which are summarized by risk rating in the charts that follow and included in the Observation, Recommendation, and Management Response Section of this report.

### Priority 1

Critical control weakness that exposes the City to a high degree of combined risks.

- Lack of valid multi-space digital pay station service agreement.

**Priority 2**

Less than critical control weakness that exposes the City to a moderate degree of combined risks.

- Written agreement not in place and the billed rates may not reflect costs.
- No support for parking variances.
- Weak controls over system access and data backups.

**Priority 3**

Opportunity for good or better practice for improved efficiency or reduce exposure to combined risks.

- Credit card receipts not verified to source.
- Redundancy noted in coin counting process.
- Uncertainty exists over PCI compliance.
- Background checks are not conducted consistently.
- Maintenance activities are not appropriately tracked.
- Purchased pay stations are not put in service timely.
- Improvements over inventory of parking meters and high value replacement parts are needed.
- Single-space digital Liberty meters under a pilot program have not been evaluated.

Item	Observation	Recommendation	Management Response
Priority 1	<p>1. The agreement for maintenance of the existing multi-space digital pay stations is not in place. A new agreement is yet to be finalized due to the inability of the parties involved to concur on the language. However, the vendor continues to provide services.</p>	<p>It is recommended that Public Works management continue to coordinate with the City Attorney's office to make every effort to execute a valid agreement with the multi-space digital pay station vendor and seek approval to pay outstanding invoices in full.</p>	<p>Public Works management agrees with the recommendation. Management will continue working with City Attorney's office and the vendor to finalize the agreement. The pricing will be verified against the executed agreement prior to making payment.</p>
	<p>As a result, the City has not made payment on invoices to the multi-space digital pay station vendor since March 2014. Therefore, as of June 2015, the total outstanding balance due was over \$40k, including charges for an extended warranty, replacement parts, and system/wireless transmission services.</p>	<p>As operations continue management should ensure timely execution of future maintenance agreements with the vendor to ensure invoices are reviewed against the agreed upon terms, appropriate for the agreement with payments made in the fiscal year when services are rendered.</p>	<p>The anticipated completion date is September 30, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 2	<p>2. Based on our review and inquiries, it was noted that the City does not have a valid service agreement in place with GCC for parking meter maintenance and collection services for on-campus multi-space digital pay stations, although the JPA verbally authorized continuation of the services and has been paying the City since September 2012; yet JPA expired in 2014.</p>	<p>It is recommended that management continue working with the City Attorney's office to finalize an agreement for providing parking meter maintenance and collection services at GCC. In addition the agreement should clarify fees and billing rates.</p>	<p>Management agrees with the recommendation and has put forth effort to finalize an agreement on the GCC parking meter maintenance and collection services.</p>
	<p>In addition, it was noted the hourly rate billed to other entities such as GCC and the City of West Hollywood for either parking meter maintenance or collection services does not clearly represent true costs of the parking meter collector/repairer position.</p>	<p>Additionally, it is recommended that Public Works submit a request to Finance to include the parking meter collector/repairer position in the next fee study in order to establish an appropriate hourly rate to use in billing services provided to other agencies.</p>	<p>Also, management will work with the Finance Department to establish an appropriate billing rate for the parking meter collector/repairer position for services provided and billed to outside entities.</p> <p>The anticipated completion is September 30, 2016.</p>



Item	Observation	Recommendation	Management Response
Priority 2	<p>3. At some locations variances exist between the actual parking meter rates, time limits and hours of operation in comparison with the City Council adopted fee resolution.</p> <p>Upon inquiry we were informed that these variances were approved; yet, no supporting documentation for the approval was available. Also, it was noted that the parking rate set systematically was not reviewed by a supervisor for accuracy in accordance with the fee resolution and any approved variances.</p>	<p>It is recommended that management ensure that the parking meter rates, time limits and hours of operation following the ordinance and any variances are appropriately authorized and documented.</p> <p>It is also recommended that the parking meter shop maintain supporting documentation for setting up rates and operating hours in the system, especially supporting documentation of the authorized variances. The rate set up should be reviewed by a supervisor for accuracy.</p>	<p>Public Works management agrees with the recommendation. The supporting documentation for the variances between actual practice and the approved ordinance will be provided to the parking meter shop for system recording and document management. In the future, the parking meter shop will be formally notified of any rate changes and provided with appropriate approved documentation.</p> <p>The anticipated completion is December 31, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 2	<p>4. Based on detailed testing and review of access controls of the parking meter management systems, the following were noted:</p> <ul style="list-style-type: none"> <li>▪ The system administrator is not currently receiving separation and transfer notices from Human Resources (HR).</li> <li>▪ Access rights for two separated employees were not removed in a timely manner.</li> <li>▪ The password for accessing one system was shared by all employees and included in a written procedure.</li> </ul> <p>In addition, based on a review conducted jointly with Information Services Department (ISD) staff, it was noted that parking meter and multi-space digital pay station management systems were not backed up locally or off-site.</p>	<p>It is recommended management consider implementing the following to strengthen controls:</p> <ul style="list-style-type: none"> <li>▪ Add the multi-space digital pay station system administrator to HR's separation notification email to update access rights timely.</li> <li>▪ Inactivate access rights for the two separated employees identified.</li> <li>▪ Assign each employee individual log-on profiles to the back office system in order to improve system security and accountability.</li> <li>▪ Exclude log-on credential information from procedures, restrict access rights based on job function, and require periodic changes of users' passwords.</li> <li>▪ Coordinate with ISD to ensure the parking meter data on all systems used are backed up; recovery is working appropriately and tested annually.</li> </ul>	<p>Public Works management agrees with the recommendation. The system administrator will contact HR to be added on the employee separation notice email so that the access to the multi-space digital pay station system will be updated timely. Access has been inactivated for the two separated employees.</p> <p>Parking meter shop staff has been working with ISD for data backup. As part of the backup solution, the local workstation login has been replaced with staff's network login for accountability, and their passwords will be periodically changed following the City's password policy.</p> <p>Parking meter shop staff will work with ISD to set up system and data backup to the City's server or external hard drive with recovery tested annually.</p> <p>The anticipated completion is December 31, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 3	<p>5. Based on the collection walkthrough conducted with staff, it was noted that the TR for credit card revenue received from the multi-space pay stations was created based on the bank's deposit report provided by City Treasurer's office via email without verification against the pay station system credit card processing report.</p>	<p>It is recommended that the TR for credit card collections from the multi-space pay stations be created based on the source documentation, such as pay station system credit card processing reports, and reconciled to the bank report.</p>	<p>Management agrees with the recommendation. The credit card receipts from multi-space pay stations will be verified against the bank's deposit report before TRs are created. The anticipated completion is September 30, 2015.</p>
	<p>As a result discrepancies could exist in the credit card revenues processed at the pay station versus deposited that are not identified for resolution.</p>		

Item	Observation	Recommendation	Management Response
Priority 3	<p>6. Redundancy and inefficiency was noted in the handling of coinage carried over from day-to-day.</p> <p>Through observation, inquiry and review of daily coin count and verification sheets we confirmed that the same pennies and dollars could be counted and re-counted up to 20 to 30 times before forming a full “standard” bag, which means it could take a couple of months before these “loose” coins were deposited to the bank.</p>	<p>It is recommended that the current coin counting, bagging, and depositing processes be reevaluated to reduce the unnecessary re-counting of coins and consideration be given to depositing the parking meter revenue in a timelier manner. Options to consider include:</p> <ul style="list-style-type: none"> <li>• Limiting the carry-over process to non-deposit days only and depositing all coin bags, including mixed coin bags.</li> <li>• Working with the City Treasurer's office to explore the feasibility of daily deposits thus eliminating the carry-over process completely and reducing the stored amount of coins.</li> </ul>	<p>Public Works management agrees with the recommendation and will reevaluate the counting and depositing processes and will consider the options for increased efficiencies.</p> <p>The anticipate completion date is September 30, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 3	<p>7. It is not completely clear if the software application used for the multi-space digital pay station will continue to meet Payment Card Industry (PCI) standards.</p> <p>At present, the vendor confirmed the completion of the 2015 PCI Data Security Standard (DSS) assessment and is pending final Attestation of Compliance report.</p> <p>Uncertainty remains whether the equipment will continue to meet PCI standards in the future due to lack of information provided by the vendor on the actual product deployed by the City in connection with the draft agreement.</p>	<p>It is recommended that management perform due diligence and follow up with the multi-space digital pay station vendor to obtain the current Attestation of Compliance report to ensure that all City deployed parking meter equipment and systems are in the scope of the PCI assessment under the current PCI DSS version.</p> <p>Also, the PCI compliance requirement should be documented in the service agreement with the vendor, including the following as recommended by PCI Security Standards Council:</p> <ul style="list-style-type: none"> <li>▪ Date of compliance assessment</li> <li>▪ System components, services, and environments included in and excluded from the PCI DSS assessment</li> <li>▪ Additional provisions such as: definitions of sensitive or protected information, breach-notification thresholds, and specific identity-theft protection requirements.</li> </ul> <p>These requirements should be periodically monitored and modified for regulation changes.</p>	<p>Public Works management agrees with the recommendation and has received the recently completed Attestation of Compliance report from the vendor. Language will be added to the service agreement regarding PCI compliance. Management will perform due diligence in monitoring the vendor's PCI compliance status for equipment deployed by the City.</p> <p>The anticipated completion date is September 30, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 3	8. Background checks are not required for employees promoted internally to a Parking Meter Collector/Repairer position which is inconsistent with those hired externally.	It is recommended that all employees hired to work in the parking meter shop receive a background check. In addition, it is recommended management work with HR and GPD to evaluate the level of background check required for the current parking meter collector/repairer classification to determine whether a full background check, a less stringent background check, or other form of assurance should be requested.	Management agrees with the recommendations and will work with HR and GPD for further evaluation.  The anticipated completion date is December 31, 2015.

Item	Observation	Recommendation	Management Response
Priority 3	9. Based on our review and inquiries, it was noted that maintenance activities are not appropriately tracked. Specifically,	It is recommended that the parking meter shop consult with the vendors to develop effective methods for obtaining reliable maintenance data that can be retrieved systematically.	Public Works management agrees with the recommendations. Vendors will be consulted on tracking and reporting maintenance activities in their systems in order to provide accurate maintenance records. Parking meter shop will work with the vendor to create a guide that is more applicable to the City. In addition, parking meter shop will formally document the preventive maintenance schedule and activities.
	▪ The multi-space digital pay station system is currently not capable of tracking maintenance activities.	It is also recommended that management work with the multi-space digital pay station vendor to document the preventive maintenance procedures applicable to the City.	The anticipated completion is December 31, 2016.
	▪ The coin meter system is capable of tracking maintenance activities with handheld devices, however due to the age of the device only certain repairs are recorded. Further, it was noted the records are not always accurate or reliable.	Further, a preventive maintenance schedule and activities should be formally documented and tracked.	
	▪ A preventive maintenance schedule is not formally established with documented procedures for the multi-space digital pay station. The vendor provided maintenance guide is generic. Further, the actual preventive maintenance activities performed by employees are not documented.		

Item	Observation	Recommendation	Management Response
Priority 3	<p>10. Testwork identified that 11 (or 16%) of the 67 multi-space digital pay stations purchased over 5 years ago have yet to be installed or put in service. In addition, the City pays close to \$8,000 annually for an extended warranty on these 11 pay stations that are not in use.</p> <p>Not utilizing these multi-space digital pay stations increases the risk of potential revenue loss to the City and obsolete technology.</p>	<p>It is recommended that management evaluate the parking meter plans to ensure utilization of the uninstalled multi-space digital pay stations to decrease the risk that technology in these pay stations will become obsolete before use, and to ensure that they are appropriately utilized to the maximize capacity.</p>	<p>Public Works management agrees with the recommendation and will evaluate and make a decision on how to best utilize these multi-space digital pay stations.</p> <p>The anticipated completion is December 31, 2015.</p>



Item	Observation	Recommendation	Management Response
Priority 3	<p>11. Based on testing of inventory data we noted the following:</p> <ul style="list-style-type: none"> <li>▪ New meters are not entered as inventory until they are installed.</li> <li>▪ Periodic physical inventory of parking meters is not conducted.</li> <li>▪ Not all relevant parties including Glendale Police Department (GPD) are notified timely for inventory changes impacting citation operations.</li> <li>▪ An inventory of replacement parts is not maintained even though some have value and are critical parts, such as coin cans, canisters, and credit card readers.</li> </ul>	<p>It is recommended that management consider the following improvement opportunities:</p> <ul style="list-style-type: none"> <li>▪ Enter all new parking meters in the systems once they are shipped to the parking meter shop to ensure the completeness of parking pay station and meter inventory.</li> <li>▪ Coordinate with Finance to conduct periodic physical inventory of parking meters, document the result, investigate oddities, and timely update the changes in the system.</li> <li>▪ Notify GPD for any inventory changes in a consistent and timely manner, and conduct a periodic reconciliation between the inventory maintained by the parking meter shop and the parking citation system.</li> <li>▪ Keep inventory records and conduct a routine physical count of replacement parts that are high dollar value and high risk of theft or loss, such as credit card readers, printers, and coin cans/canisters.</li> </ul>	<p>Public Works management agrees with the recommendation. New pay stations and meters will be entered into systems as inventory once they are received at the parking meter shop. As well, the multi-space digital pay station system has been set up so that a location can be specified for any not-in-service pay station. Complete inventory of all meters will be conducted at least once annually.</p> <p>A periodic reconciliation will be conducted to ensure the parking citation system has an accurate meter inventory record.</p> <p>The parking meter shop will start to keep inventory records on high risk and high value replacement parts. Physical inventory of these items will be conducted at least once a year.</p> <p>The anticipated completion is December 31, 2015.</p>

Item	Observation	Recommendation	Management Response
Priority 3	12. A pilot program for single space digital Liberty meters has been in existence since September 2013 but has not been fully tested or evaluated to ensure the system reflects accurate and reliable data for collection and maintenance. Further, no cost-benefit analysis has been conducted for these meters to determine whether they are beneficial and affordable.	It is recommended that the pilot program for Liberty meters be fully evaluated, prior to making a purchase decision, to determine whether the system provides accurate and reliable information on revenue collection and maintenance activities, and whether adequate revenue can be generated to cover the increased operating cost expected from digital meter technology.	Public Works management agrees with the recommendation and will work with the vendor to ensure system data is accurate and reliable for revenues and maintenance activities. In addition, a cost-benefit analysis will be conducted based on evaluating the overall performance of the single space digital meters prior to making a decision.  The anticipated completion is December 31, 2015.