

Report #2022-03

# GLENDALE PARKING FACILITIES AGREEMENT AUDIT

*City of Glendale  
Internal Audit*

12.21.2021

NUMBER OF RECOMMENDATIONS



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**Acknowledgment**

*We would like to thank staff from Public Works and Finance for the support and assistance provided to us throughout this project.*

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This report is also available online at <http://www.glendaleca.gov>

# A. Overview

## Key Outcomes

The City of Glendale (City) and the Glendale Community College (GCC) jointly operate selected parking lots and structures under the terms of the Glendale Parking Facilities Agreement (GPFA). Internal Audit reviewed the applicable parking revenues and operating and maintenance expenses reported by the City and found revenues and expenses were generally complete, adequately supported, and appropriately allocated. Nonetheless, Internal Audit did note six improvement opportunities related to adhering to the terms of the GPFA, enhancing count room security, restricting parking software user access, and improving controls related to documentation.

## Impact Dashboard

This table summarizes the applicable value-added categories (total 10) for the six recommendations based on their priority rankings.<sup>1</sup>

	Value Added Categories			
	Compliance	Cost Saving	Efficiency	Risk Reduction
<b>Priority 1</b> <b>0</b>	0	0	0	0
<b>Priority 2</b> <b>1</b>	1	0	0	1
<b>Priority 3</b> <b>5</b>	3	0	0	5

<sup>1</sup> Each audit recommendation may have more than one value-added category. The Definitions of Priority Rankings and Value-Added Categories are located at Appendix 1.

## B. Action Plan and Target Completion Dates

The action plan and target completion dates are summarized in the table below. Internal Audit will perform quarterly status follow-up to provide assurance that management is taking appropriate and timely corrective action to address audit recommendations.

Ref.	Management Action Plan	Completion Date
<b>Priority 2</b>		
1.	Improve accuracy and consistency in revenue recording by documenting desktop procedures for credit card revenues. <i>Value added:</i> <a href="#">Compliance</a> , <a href="#">Risk Reduction</a>	03/31/2022
<b>Priority 3</b>		
2.	Address GPFA discrepancies by jointly setting parking rates, revising payment due dates, and correcting late payment percentage. <i>Value added:</i> <a href="#">Compliance</a> , <a href="#">Risk Reduction</a>	06/30/2022
3.	Enhance count room security by utilizing a remote backup solution to secure video footage. <i>Value added:</i> <a href="#">Risk Reduction</a>	06/30/2022
4.	Improve user access controls to the parking system by reviewing the access rights for all users for appropriateness. <i>Value added:</i> <a href="#">Risk Reduction</a>	03/31/2022
5.	Improve supporting documentation to revenue recording by including the daily coin counting machine printout. <i>Value added:</i> <a href="#">Compliance</a> , <a href="#">Risk Reduction</a>	Completed
6.	Improve billing accuracy by utilizing actual expenses versus estimates and retaining allocation methodology for future reference. <i>Value added:</i> <a href="#">Compliance</a> , <a href="#">Risk Reduction</a>	06/30/2022

## C. Background

Internal Audit has completed a contract compliance audit of the GPFA. The GPFA is under the administration of Parking Division of the City’s Public Works Department (PWD). This audit focused on the City’s operations, as they relate to the GPFA. According to the GCC personnel, the main campus was closed to in-person learning (due to Covid-19) and the semester parking passes sold were refunded to students. Internal Audit has started to audit the GCC’s compliance with the GPFA, and will complete once semester parking pass sales data becomes available. The GCC audit results will be documented in a separate report.

## **Overview of the GPFA**

The GPFA between the City and the GCC was executed on July 1, 2019. The key GPFA provisions related to this audit include the following:

- **Administration:** The GPFA is administered by two representatives from the City and two representatives from the GCC. The administration will set rates charged for Daily Passes, Semester Parking Permits, parking meter fees for all parking facilities, establish hours of operation, set parking policies, and approve joint operating and maintenance expenses.
- **Expenses:** Each agency is responsible for the operating and maintenance expenses of their own lots. Operating and maintenance expenses subject to share and/or reimbursement must be approved by the administration.
- **Accounting:** Both the City and the GCC are required to segregate GPFA related revenues from any other revenue source.
- **Revenue Sharing:** Both the City and the GCC are entitled to 50% of each other's total adjusted parking revenue. The City is responsible for collecting the revenues (coin and credit card) from all the individual meters and paystations and to reimburse the GCC for 50% of all collections. The GCC is responsible for collecting the revenues from all student semester parking passes and reimburse the City for 50% of all collections.
- **Payments:** Adjusted parking revenue payments are due on a quarterly basis. Payments are due within sixty calendar days of the end of each quarter.

## **City Parking Revenues and Reimbursable Expenses**

For the audit period of July 1, 2020 to June 30, 2021, the City collected a total of \$16,287 in GCC related parking revenues. This amount was much lower than the \$332,922 collected in the prior fiscal year mainly due to Covid-19. These parking revenues included coin collections from the individual meters located on City owned lots as well as the credit card and coin collections from the five paystations located at the GCC main campus. Internal Audit noted that these amounts were properly recorded to a separate account, adequately supported, and accurately allocated between the City and the GCC.

Although owned by the GCC, the five paystations at the GCC main campus are serviced and maintained by the City. The City in turn invoices the GCC on an annual basis for the costs incurred to provide those services. For the period July 1, 2020 to June 30, 2021, the City billed the GCC in the amount of \$24,577. Although some discrepancies were found (See Item #6 in Section E below), Internal Audit noted the annual invoice to the GCC was also generally properly supported and accurate.

## **D. Objective, Scope and Methodology**

The objective of this audit is to determine whether controls are in place to ensure the City's applicable parking revenues and operating and maintenance expenses are complete, supported, and properly allocated in accordance with the GPFA.

The scope of the audit covered the period of July 1, 2020 to June 30, 2021.

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

- Interviewed City and GCC parking personnel regarding the GPFA and corresponding processes.
- Reviewed revenue transactions for the audit period.
- Conducted detailed testing of sampled transactions to ensure the 50/50 revenue allocations between the City and the GCC were accurate and complete.
- Reviewed the fiscal year 2021 annual reimbursement billing from the City to the GCC to ensure the operating and maintenance expenses are accurate and adequately supported.

As a result of these audit procedures performed, six observations were identified and are detailed in the Observations, Recommendations, and Management Responses Matrix beginning on the following page.

## E. Observations, Recommendations, & Management Responses Matrix

Ref	Observation	Recommendation	Management Response
<b>1.</b>	<b>Credit Card Revenue Recording Procedures</b>		
<b>Priority 2</b>	<p>Total credit card revenue for the months of August to November 2020 was initially understated due to incorrectly netting credit card revenues against credit card fees. This was due to PWD staff being unaware of the proper revenue recording procedures, in part due to lack of desktop procedures.</p> <p>These errors were subsequently self-corrected by the PWD in the third quarter of fiscal year 2021.</p>	<p>PWD management develop desktop procedures to document how credit card revenues should be identified and recorded.</p>	<p>Agreed and will implement by March 31, 2022.</p>

Ref	Observation	Recommendation	Management Response
<b>2. Adherence to the GPFA</b>			
<b>Priority 3</b>	<p>The following discrepancies were noted with respect to the GPFA:</p> <ul style="list-style-type: none"> <li>a. Section 7.02 states that the amounts to be charged for Daily Passes, Semester Student Parking Permit Fees, and the parking meter fees for the City Parking Facilities should be set by majority vote by both the City and the GCC. However, both parties have continued to set rates independently.</li> <li>b. Section 6.01 states that the Adjusted Parking Revenue payments are due on a quarterly basis, and payments are due within sixty (60) calendar days of the end of each quarter. However, both the GCC and the City have verbally agreed to submit payments twice a year, not quarterly.</li> <li>c. Section 6.03 states that interest for late payments will accrue at the rate of "one-half of one percent (.005%) per month or fraction thereof on the amount owed from the date on which the payment first became late until paid." However, one half of one percent should be .005 or .5%.</li> </ul>	<p>PWD management review these discrepancies with the GCC representatives and document discussions and decisions within meeting minutes; and make GPFA amendments as necessary.</p>	<p>Agreed and will implement by June 30, 2022.</p>



Ref	Observation	Recommendation	Management Response
<b>3. Video Footage Remote Backup</b>			
<b>Priority 3</b>	<p>There are a number of security cameras covering the interior and exterior of the coin count room. However, the camera systems standalone digital video recorder is housed within the same facility and the data is not backed up.</p>	<p>PWD management utilize a remote backup solution so that video footage is secure and independent of the space being monitored.</p>	<p>Agreed and will implement by June 30, 2022.</p>

Ref	Observation	Recommendation	Management Response
<b>4. Digital IRIS User Access</b>			
<b>Priority 3</b>	<p>Digital IRIS has several role-based user profiles. The role with the most permissions is the “administrator” role. There were a total of 13 users who were assigned this role. However, not all 13 users require administrator access.</p> <p>Additionally, Internal Audit identified two active user accounts that belong to separated employees.</p>	<p>PWD management perform the following:</p> <ul style="list-style-type: none"> <li>a. Obtain an understanding of the various Digital IRIS roles and assign users access based on their job functions accordingly.</li> <li>b. Immediately deactivate the accounts for the two separated users.</li> <li>c. Regularly review the active user listing and timely deactivate users who no longer require access.</li> </ul>	<p>Agreed and will implement by March 31, 2022.</p> <p>b. (Completed) the access for the two users who no longer require access has been deactivated.</p>

Ref	Observation	Recommendation	Management Response
<b>5.</b>	<b>Coin Counting Machine Printout</b>		
<b>Priority 3</b>	<p>The meter shop's coin counting machine generates a daily total of the coins counted. This is an independent system generated source document which validates the daily total reported within Munis. Although this printout is retained by the meter shop, it is not scanned and included with the other supporting documentation that is uploaded to Munis, as the City's official record.</p>	<p>PWD management include the daily coin counting machine printout to the Munis supporting documentation.</p>	<p>Implemented - coin counting machine printouts are now included as a part of the Munis upload.</p>

Ref	Observation	Recommendation	Management Response
<b>6. Annual Operation and Maintenance Billing</b>			
<b>Priority 3</b>	<p>The City’s annual operation and maintenance billing to the GCC is itemized by various components such as labor and repairs. Upon review of the fiscal year 2021 annual operation and maintenance billing, Internal Audit noted the following discrepancies, which resulted in an overbilling of \$779:</p> <ul style="list-style-type: none"> <li>a. The fully loaded labor rate of \$120 per hour was based on the fiscal year 2018 fee schedule instead of the \$123 per hour found in the fiscal year 2021 fee schedule.</li> <li>b. Cellular fees were estimated and billed at \$25 per paystation per month. However, the actual charges related to cellular fees was \$18 per paystation per month.</li> <li>c. Spare parts and supply costs were estimated to be \$2,469 per year based on a historical analysis that was no longer available for review. Instead, Internal Audit re-calculated an allocated cost of \$1,690 for GCC’s 5 paystations based on the fiscal year 2021 actual spare parts and supplies paid for all paystations.</li> </ul>	<p>PWD management perform the following:</p> <ul style="list-style-type: none"> <li>a. Utilize actual data versus estimates whenever the actuals are readily available. Additionally, supporting documentation and methodology used for these calculations should be retained for future reference.</li> <li>b. Resolve the overbilled amount, obtain agreement on the recommended billing methodology from the GCC representatives, and document the acknowledgment in the meeting minutes.</li> </ul>	<p>Agreed and will implement by June 30, 2022.</p>

## Appendix 1: Definitions of Priority Rankings and Value-Added Categories

### Definitions of Priority Rankings

The priority rankings are assigned by internal auditors based on their professional judgment. They are also agreed to by management based on their evaluation of the alignment with the strategic goals, priorities and available resources. A timeline has been established based on each priority ranking:

- a. **PRIORITY 1** - Critical control weakness that exposes the City to a high degree of combined risks. Priority 1 recommendations should be implemented within **3 months** from the first day of the month following report issuance or sooner if so directed.
- b. **PRIORITY 2** - Less than critical control weakness that exposes the City to a moderate degree of combined risks. Priority 2 recommendations should be implemented within **6 months** from the first day of the month following the report issuance or sooner if so directed.
- c. **PRIORITY 3** - Opportunity for good or better practice for improved efficiency or reduce exposure to combined risks. Priority 3 recommendations should be implemented within **9 months** from the first day of the month following the report issuance or sooner if so directed.

### Definitions of Value-Added Categories

The four value-added impact categories are defined based on their impact from the audit recommendations:

- a. **COMPLIANCE** - adherence to laws, regulations, policies, procedures, contracts, or other requirements.
- b. **COST SAVING** - lower the costs related to conducting City business.
- c. **EFFICIENCY** - ability to avoid wasting resources (money or time) in achieving goals.
- d. **RISK REDUCTION** - lower the risks related to strategic, financial, operations and compliance.