GLENDALE PARKING FACILITIES AGREEMENT AUDIT REPORT – PHASE II

NUMBER OF RECOMMENDATIONS

City of Glendale Internal Audit

06.15.2022

PRIORITY 1	PRIORITY 2	PRIORITY 3
0	**2**	**0**

Contents:

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Acknowledgment

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

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). For Fiscal Year 2021, Internal Audit was able to verify the accuracy of the GCC's reported parking permit revenue and refund amounts. However, in order to validate the completeness of the parking permit sales, Internal Audit recommended that the GCC retain detailed parking sales reports, such as tablet sales reports, and enhance parking permit inventory controls. Additionally, the parking permit sales related responsibilities and procedures should be documented.

Impact Dashboard

This table summarizes the applicable value-added categories (total 3) for the two recommendations based on their prority rankings.[1]

	Value Added Categories			
	Compliance	**Cost Saving**	**Efficiency**	**Risk Reduction**
Priority 1 **0**	0	0	0	0
Priority 2 **2**	1	0	0	2
Priority 3 **0**	0	0	0	0

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[1] 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
	Priority 2	
1.	Retain parking permit sales support and establish inventory controls. ***Value added:*** *Compliance*, *Risk Reduction*	12/31/2022
2.	Establish and document parking permit sales related responsibilities and procedures. ***Value added:*** *Risk Reduction*	Completed

C. Background

Internal Audit has completed a two-phase contract compliance audit of the GPFA. The first phase covered the City's operations and the report was issued on December 21, 2021. This report reflects the audit results from the GCC's operations, as they relate to the GPFA.

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 parking permits 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.

GCC Parking Permit Sales Overview

The Glendale Community College Police Department (GCC PD) orders the student parking permits on behalf of the GCC Controllers Office. However, the GCC PD does not perform any type of validation of the student parking permits. The GCC PD's sole responsibility is to order the student parking permits and deliver them to the GCC Tuition Office for sales.

According to the GCC Tuition Office, parking permit sales are made in one of following three ways:

- In-Person Sales: Students purchase parking permits from the GCC Tuition Office counter and are handed a parking permit from a cashier upon payment. In-person sales account for the majority of the parking permits sold.

- Tablet Sales: Tablet sales were incorporated to reduce the congestion within the Tuition Office. It is essentially another form of in-person sales, whereby students utilize tablets located outside of the GCC Tuition Office to purchase parking permits. Students enter their information into the tablet and manually add a parking permit to their "shopping cart". Upon payment by credit/debit card, the cashier onsite would physically hand the student a parking permit. However, as the tablet's software does not interface with the GCC's PeopleSoft Student Module, the sales are not reflected within the student account.

- Online Sales: Students also have the option to purchase parking permits online via "MY GCC" through PeopleSoft portal. The student goes through self-checkout online and the permit is subsequently mailed out to the student by the Tuition Office. This is normally the least used method.

According to the GCC, average annual parking permit sales revenue was approximately $1 million (pre-pandemic).

At the end of the sales process, the GCC Tuition Office returns all the unsold and refunded parking permits to the GCC PD for destruction. The GCC PD had not validated the number of parking permits returned, but has agreed to do so going forward.

Fiscal Year 2021 GCC Parking Permit Sales and Refunds

For the Fiscal Year 2021 audit period, the GCC recorded $1,950 in parking permit revenue and issued refunds for parking permits in the amount of $24,165, which resulted in a net deficit of $22,215. The refunds were granted to students due to the COVID-19

related campus closure. Given parking related revenues are split 50/50 under the GPFA, 50% of the net deficit, in the amount of $11,107, was paid by the City.

D. Objective, Scope and Methodology

The objective of this audit is to determine whether controls are in place to ensure the GCC's applicable parking revenues 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 the City and the GCC personnel regarding the GPFA and corresponding processes.

- Reviewed revenue and refund transactions for the audit period.

- Conducted detailed testing to ensure the 50/50 revenue allocations between the GCC and the City were accurate and complete.

As a result of these audit procedures performed, two 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
1.	**Support of Parking Permit Sales**		

Priority 2	Upon inquiries and review of Fiscal Year 2021 parking permit sales reported by the GCC, Internal Audit noted the following:
	
	1. Insufficient sales support:
	   a. Tablet sales transactions are not recorded to the student accounts and no sales reports are retained.
	   b. Copies of refund requests forms could not be located.
	
	2. Inadequate inventory controls:
	   a. No reconciliation is performed between parking permits purchased and sold/refunded.
	   b. Signoffs between departments documenting parking permits delivered and returned for destruction are not obtained.
	
	Without adequate sales supporting documentation and inventory controls, the completeness of the parking permit sales could not be validated.
		PWD work with the GCC to ensure adequate supporting documentation are retained and inventory controls are enhanced. This may include the following:
		
		1. Retain sales reports for tablet sales.
		2. Retain refund request forms.
		3. Reconcile and retain the documentation related to parking permits received and sold/refunded.
		4. Request and retain sign-offs between departments documenting parking permits delivered and returned for destruction.
		
		All supporting documentation should be retained in accordance with the timeline established within the GPFA.
			Agree and will implement by December 31, 2022.

Ref	Observation	Recommendation	Management Response
2.	**Responsibilities and Procedures**		
Priority 2	The parking permit sales process (ordering, receiving, issuing, recording, destruction, inventorying, etc.) is not documented. This includes not defining roles and responsibilities for the various departments involved in ordering, issuing, and destroying parking permits.	PWD work with the GCC to ensure policies and procedures related to student parking permits sales are established and/or documented. This may include, but not be limited to define roles and responsibilities of various departments, ensure proper segregation of duties, and enhance inventory controls.	The GCC Controller's Office has incorporated the recommendations in its "GCC Parking Permit Sales Process" written procedures effective immediately.

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.