



AUDIT OF PARKING DIVISION –
CENTROPLEX EVENT PARKING

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CITY OF ORLANDO

OFFICE OF AUDIT SERVICES AND MANAGEMENT SUPPORT

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CITY OF ORLANDO

MEMORANDUM

To: Roger Neiswender, Director of Transportation

From: Beryl H. Davis, CPA, CGFM, Director
Office of Audit Services and Management Support

Date: Report Issued: July 20, 2007

Subject: Audit of Parking Division – Centroplex Event Parking (Audit Report No. 07-15)

On April 19, 2007, the Director of Audit Services and Management Support received an email alleging irregularities associated with Centroplex event parking including allegations of employee theft and fraud, inconsistencies in training and criminals being hired. Other City officials either received or were forwarded the same email. In response to the email and at the request of the Chief Administrative Officer and the Transportation and Centroplex Department Directors, we met with Parking and Centroplex management to discuss the allegations and to determine the appropriate steps to take to address the concerns expressed in the email. Based on this meeting, it was determined that the most effective approach would be to have Audit Services and Management Support perform an independent review of the allegations as well as the current policies, procedures and third party contract.

The objectives of our review of the Parking Division’s Centroplex event parking activities were to:

1. Ensure that complete, useful written policies and procedures exist for both the City and its parking contractor, Standard Parking Corporation (“Standard”), that adequately address internal controls for Centroplex event parking and to determine whether these policies and procedures are followed.
2. Determine whether Standard is in compliance with its agreement terms.
3. Determine whether recent incidents indicate control weaknesses or a need for City attorney involvement regarding potential criminal investigations.
4. Determine whether the allegations in the email significantly impact Centroplex parking revenues.

Our review was made in accordance with generally accepted government auditing standards. Our procedures included reviewing related policies and procedures and recent incident reports, performing a walk-through of a Centroplex event parking shift, assessing Standard Parking’s compliance with its agreement terms, and performing limited financial analytics and tests of processes as deemed appropriate.

Our review indicated the Parking Division's internal policies, procedures and controls are generally adequate with no significant lost revenues or other matters noted that would indicate criminal activity requiring a police investigation beyond those reported to OPD prior to our audit. We did, however, note some opportunities for enhancement including improved supervision of Standard Parking's adherence to contract terms, revenue reasonableness test procedures and the exploration of non-perforated, barcode-scannable tickets. Our recommendations are contained on the following pages.

We would like to express our appreciation to the employees consulted during this review for their courtesy and cooperation.

BHD/am

- c: Honorable Buddy Dyer, Mayor
- Byron W. Brooks, Chief Administrative Officer
- Joseph M. Robinson, Chief of Staff
- Brie Turek, Deputy Chief of Staff
- Marsha I. Segal-George, Deputy Chief Administrative Officer
- Mayanne Downs, City Attorney
- Rebecca W. Sutton, Chief Financial Officer
- W. Allen Johnson, Centroplex Director
- Scott Zollars, Parking Division Manager

BACKGROUND

The Parking Division of the Transportation Department operates several parking lots and garages throughout the City of Orlando. When there are events at the Centroplex it is the responsibility of the Parking Division to operate the nearby lots and garages including the collection and processing of prepaid (via Internet) parking receipts as well as cash and check payments for parking at the time of the event. The Parking Division has, in turn, sub-contracted this process to Standard Parking Corporation, which supplies lot supervisors, cashiers, and parkers for events at the Centroplex. Parking Division management monitors these contracted employees.

On April 19, 2007, the Director of Audit Services and Management Support, as well as the Mayor, Commissioners and Centroplex Department Director received an email alleging several irregularities connected with Centroplex event parking activities. The allegations included:

- Employees tearing parking tickets in half at perforation, selling both halves and only reporting one half as sold.
- Employees permitting entry without payment.
- Training inconsistencies regarding approved free access.
- Prepaid ticket system conducive to theft.
- Theft from the Parking Division's safe in its Centroplex office.
- Ticket inventory non-verifiable.
- Employees with unacceptable backgrounds hired.

Audit Services and Management Support staff met with Centroplex and Parking Division staff the same day to discuss addressing the allegations. Centroplex and Parking Division managements indicated:

- Employees had been misusing the perforated tickets, which apparently had been caused by both improper training and wrongful intent, with no apparent loss as alternate procedures were in place to detect the misuse. Since the incidents, employees have been properly trained and alternate procedures are in place to detect the misuse of the perforated tickets. In addition, management is exploring different ticket printing options that could eliminate the need for perforations.
- It is difficult to control employees allowing some entry without payment but the practice is not considered significant and employees are dismissed when discovered.
- Training is substantially consistent.
- The reported safe theft (\$250 cashier fund) was reported to OPD on February 22, 2007.
- The ticket inventory is verifiable and is tracked.
- It is unknown whether Standard Parking hires only employees with acceptable backgrounds as the Parking Division has not reviewed background checks.

Based on the above discussion, Audit Services established its parameters for reviewing the allegations.

SUMMARY OF RECOMMENDATIONS AND RESPONSES

Each recommendation is classified with a “Criticality Factor,” defined as:

- HIGH** represents a control risk or needed improvement requiring immediate attention.
- MEDIUM** represents a control risk or needed improvement requiring attention in the next year.
- LOW** represents a process improvement that can be addressed at management’s discretion.

RECOMMENDATIONS	RESPONSES
1. We recommend the Parking Division generate routine billings to Standard (by event, monthly, or quarterly) for theft and cash discrepancies as provided in §6.25 of the contract. (MEDIUM)	Concur
2. We recommend the Parking Division track discrepancy reports cumulatively by employee to ensure proper disciplinary action is taken per Standard’s policy. (LOW)	Concur
3. We recommend the Parking Division event supervisors compare expected revenue to actual cashier-reported revenue for each event as a reasonableness test and immediately investigate any significant variations. (HIGH)	Concur
4. We recommend the Parking Division event supervisors provide general comments for each event for use by the Parking and Centroplex Department managements to assess the overall event results. (MEDIUM)	Concur
5. We recommend alternative procedures be developed to provide a reasonableness test of reported revenues when the electronic counters malfunction. (MEDIUM)	Concur
6. We recommend Parking Division management meet with Standard Parking management to enforce background check requirements and develop monitoring processes to ensure background checks are performed in compliance with the contract terms. (HIGH)	Concur

RECOMMENDATIONS	RESPONSES
7. We recommend Parking Division management explore alternative options to the perforated tickets and consider the elimination of the current perforated permit stock. (MEDIUM)	Concur
8. We recommend Parking Division follow-up the barcode scanner equipment status with Centroplex Department management and consider pursuing other alternatives if the current equipment will not be functional. (HIGH)	Concur
9. We recommend the Parking Division update the written Standard Operating Procedures, reflect revision date(s) and approval, and establish a process for staff acknowledgement that the procedures have been received and/or location known. (MEDIUM)	Concur

ISSUES AND RECOMMENDATIONS

Objectives The objectives of this audit were to:

1. Ensure that complete, useful written policies and procedures exist for both the City and its parking contractor, Standard Parking Corporation (“Standard”), that adequately address internal controls for Centroplex event parking and to determine whether these policies and procedures are followed.
2. Determine whether Standard is in compliance with its agreement terms.
3. Determine whether recent incidents indicate control weaknesses or a need for City attorney involvement.
4. Determine whether the email allegations could significantly impact Centroplex parking revenues.

Scope and Methodology

The scope of this audit was limited to the activity of the Parking Division’s responsibilities over Centroplex event parking during the past six (6) months.

In order to review the above objectives, the Office of Audit Services and Management Support (“ASMS”) read related policies and procedures, reviewed recent incident reports, performed a walk-through of a Centroplex event parking shift, reviewed the City’s agreement with Standard Parking, performed limited financial analytics and performed tests as deemed appropriate. We did not perform tests of data gathered from computer-based resources.

**Tracking and
Billing of
Contractor
Employee Theft
and
Discrepancies**

The agreement between the City of Orlando and Standard requires Standard to “reimburse the City for any theft or discrepancies in the amount of funds handled by the Contractor [Standard] or its employees or by any of the employees of sub-contractor(s) in its employ under this contract (§ 6.25).” The agreement also indicates the City can request removal of a Standard employee from City event parking shifts (§6.12).

The Parking Division has not created a cumulative list of the total discrepancies (overages and shortages, net) handled by Standard employees since commencement of the contract in September 2006. As a result, no discrepancies have been billed to Standard even though they exist. The apparent reason for this is that the Parking Division does produce monthly/bi-monthly individual discrepancies reports, but does not summarize these reports into a cumulative report. While the net discrepancies are expected to be small (our summation of the March and April 2007 discrepancies revealed a \$144 shortage), discrepancies are unpredictable and could result in larger amounts.

Additionally, the Parking Division does not systematically monitor Standard employees’ discrepancies or disciplinary actions taken by Standard to determine whether it is in compliance with its internal disciplinary policy, which removes employees after a certain number of discrepancies.

Periodic (monthly/quarterly) billing of discrepancies would help recover lost funds as well as encourage Standard to maintain its staff and disciplinary actions.

Recommendation 1.

We recommend the Parking Division generate routine billings to Standard (by event, monthly, or quarterly) for theft and cash discrepancies as provided in §6.25 of the contract.

Response

Concur. Routine billings will be implemented.

Recommendation 2. We recommend the Parking Division track discrepancy reports cumulatively by employee to ensure proper disciplinary action is taken per Standard’s policy.

Response Concur. Discrepancies were being tracked without follow up to ensure action was being taken. We will require follow up by contractor.

Event Revenue Accountability The Parking Division and Centroplex Department compare budgeted event parking revenues to actual event parking revenues on a monthly and quarterly basis, but not on an event-by-event basis. During our walkthrough of a Magic playoff game, we noted on-site Parking Division supervisors used a summary report of expected parking attendance provided by Centroplex staff to determine the lot staffing requirements (supervisors, cashiers, parkers) and which lots to open/close. The report states the number of net available spaces for sale, by lot, after deducting parking for season ticketholders (Magic games), purchased prepaid tickets, work-scheduled employees, etc.

Event supervisors could use this report to compute expected event revenue (available spaces multiplied by parking fee) for subsequent comparison with actual cashier-reported revenue; any significant variations could then be immediately investigated. In addition, Parking supervisors should provide general comments regarding the event for use by Parking and Centroplex Department management in assessing the overall event results.

Recommendation 3. We recommend the Parking Division event supervisors compare expected revenue to actual cashier-reported revenue for each event as a reasonableness test and immediately investigate any significant variations.

Response Concur. New ticket discrepancy forms have been developed that track real time space available to tickets sold and cash collected.

Recommendation 4. We recommend the Parking Division event supervisors provide general comments for each event for use by the Parking and Centroplex Department managements to assess the overall event results.

Response Concur. Event summaries were already in use and will be distributed to appropriate management.

Alternate Procedures for Malfunctioning Electronic Counter Centroplex event parking lots have electronic counters that count the number of cars entering/leaving a lot. Per the City procedures, the lot supervisors are responsible for tracking the electronic counts each shift. The difference between the start and end counter positions should equal the total tickets reported by the cashiers; any discrepancies must be adequately explained. During our event walkthrough, we noted two counters did not properly operate and alternative procedures were not in place.

According to Parking Division management, the counters malfunction from time to time, but are generally repaired timely (before the next event). Without the counters, however, reconciliations between the number of tickets reported as used by the cashiers and the number of cars entering the lots per the counters cannot be performed, which creates opportunities for cash misappropriation.

Development of alternative procedures could provide a reasonableness test of reported revenues when the electronic counters malfunction. For example, supervisors could count the vehicles in the lot for comparison to the cashier reported count of tickets utilized with significant differences immediately investigated.

Recommendation 5. We recommend alternative procedures be developed to provide a reasonableness test of reported revenues when the electronic counters malfunction.

Response Concur. Alternate method will immediately be a physical count until or unless we can find another method.

**Criminal
Background
Checks**

The agreement (§6.12) between the City and Standard Parking requires criminal background checks, with a minimum of FDLE background check, be obtained for all Standard and sub-contracted employees. Employees with drug, theft, or felonies in the past five (5) years are not permitted to work at the City event parking. One of the alleged irregularities claimed Standard Parking was hiring criminals and/or drug users for event parking. We reviewed eleven (11) criminal background checks of an approximate 70 Standard employees used during two recent events and determined Standard has not complied with the agreement as six (6) of the eleven employees' criminal background checks tested were not adequate as follows: a) one employee had a felony background; b) one employee did not have a background check until after the date of employment; c) three (3) employees did not have the minimum FDLE background checks; and, d) documentation could not be located for two (2) employees.

Meetings between Parking Division and Standard Parking managements to discuss the contract background check requirements and subsequent routine monitoring of Standard's compliance would help ensure that only employees acceptable to the City are hired for event parking activities.

Recommendation 6.

We recommend Parking Division management meet with Standard Parking management to enforce background check requirements and develop monitoring processes to ensure background checks are performed in compliance with the contract terms.

Response

Concur. Monitoring will begin immediately and results will be reported monthly to Division and Centroplex management.

**Event Parking
Permit Controls**

Event parking permits are issued in one of three ways: a) season ticket holders (STH); b) prepaid permits (patrons obtain via the Internet); and, c) cashier issued permits (patrons

pay on-site). In the first two categories, cashiers are instructed to provide “complimentary” tickets to the patrons when they show their season ticket or exchange their prepaid Internet receipt; the “complimentary” tickets are for placement on patron’s dashboards and lot supervisors are instructed to make random checks to determine vehicles are displaying the appropriate cashier issued permits or complimentary tickets. The cashiers also manually record the issuance of complimentary tickets by category (STH, staff, etc.), which is used in the reconciliation process.

Two of the allegations claimed that the cashier-issued permits, which contain perforations to accommodate advertising (helps pay for the ticket printing cost), and the prepaid system are susceptible to theft. The perforated tickets can be, and have been (see Background), torn in half and sold to two separate patrons, creating an opportunity for cashiers to only report one of the sales. Likewise, cashiers could issue a complimentary ticket to an on-site paying customer, retain the payment and report the transaction as a STH patron. Although there would be a cost to destroying the old ticket stock and purchasing new stock, discontinuing the use of perforated tickets would eliminate a theft opportunity through misuse of the perforated permits.

Some control over the issuance of complimentary tickets would be exercised by the comparison of actual to expected revenue suggested in Recommendation # 3. Additional, better control might be possible through the use of barcodes or other technologies. We understand that barcode scanner equipment was acquired by the Centroplex Department to count and validate STH and the prepaid parking purchased through Ticketmaster but the equipment has technological difficulties and is currently not in use.

Barcode scanner equipment use and discontinuance of perforations on permits would substantially strengthen controls and reduce theft opportunities.

Recommendation 7. We recommend Parking Division management explore alternative options to the perforated tickets and consider the elimination of the current perforated permit stock.

Response Concur. We will order new tickets immediately without perforations with Centroplex management’s concurrence provided cost is absorbed by advertisement or cost is acceptable to Centroplex management.

Recommendation 8. We recommend Parking Division follow-up the barcode scanner equipment status with Centroplex Department management and consider pursuing other alternatives if the current equipment will not be functional.

Response Concur. Operations staff will be directed to work with Centroplex management and Ticketmaster to work all issues out of the new system and utilize for all events.

**Standard
Operating
Procedures**

The Parking Division utilizes written Standard Operating Procedures to communicate approved procedures to parking staff. According to Parking management, employees are asked to sign a training acknowledgement form indicating they have been provided these written procedures. Although we did not request or observe these forms as part of our review, we did observe that the written procedures were followed, without exception, during our walkthrough of a Centroplex parking event.

System and management changes during the last several months have generated procedure modifications that have been communicated to parking staff both verbally and through formal e-mail memorandums. The written procedures have not been updated for these modifications as of the date of this report but Parking management has communicated their intent to update the written procedures to include all modifications.

While our walkthrough indicated that staff is cognizant of the modified procedures, supervisors and staff must refer to several sources (existing procedures, verbal information, email modifications and additions) to ensure compliance. Additionally, non-availability of an updated resource could lead to training inconsistencies, use of outdated/incorrect information and/or accountability issues with staff non-compliance.

Updated Standard Operating Procedures incorporating all procedural modifications and distributed/made available to staff, with appropriate acknowledgement documentation, would enhance training consistency, improve compliance and provide accountability.

Recommendation 9. We recommend the Parking Division update the written Standard Operating Procedures, reflect revision date(s) and approval, and establish a process for staff acknowledgement that the procedures have been received and/or location known.

Response Concur.
