



Jerry E. Abramson  
Mayor

26 Member  
Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.

# Office of Internal Audit

Metro Development Authority  
Parking Authority of River City

Parking Citation Revenue



# Audit Report

Office of Internal Audit

## Metro Development Authority Parking Authority of River City

### Parking Citation Revenue

April 2007



Metro Development Authority  
Parking Authority of River City

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**Transmittal Letter**

April 17, 2007

The Honorable Jerry E. Abramson  
Mayor of Louisville Metro  
Louisville Metro Hall  
Louisville, KY 40202

**Re: Audit of Parking Authority of River City Citation Revenue**

**Introduction**

The operating records and procedures for citation revenue activity administered by the Parking Authority of River City (PARC) were examined. PARC is a division of the Metro Development Authority. The primary focus of the audit was the operational and fiscal administration of on-street parking citation activity. This included how PARC processes, records, and monitors the activity. Revenue generated from garages and parking meters was not included in the review.

The examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

### Scope

The operating procedures for administering on-street parking citation revenue were reviewed through interviews with key personnel. The focus of the review was the operational and fiscal administration of the activity. Tests of sample data were performed for transactions from July 1, 2006 through November 30, 2006. Activity reviewed included contract operator's supporting documentation for daily citations and revenue collection reports, internal activity ledgers, bank statements, and the Louisville Metro financial system.

The review included assessing whether activity was processed, recorded, and monitored accurately and appropriately. The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. The examination would not identify all weaknesses because it was based on selective review of procedures and data.

### Opinion

It is our opinion that the administration of on-street parking citation revenue is satisfactory. The internal control rating is on page 5 of this report. This rating quantifies our opinion regarding the internal controls, and identifies areas requiring corrective action.

While the overall opinion is satisfactory, opportunities to strengthen the administration of on-street parking citation revenue were noted. Examples of these include the following.

- **Manual Citations.** Manual parking citation booklets are not logged by the Contractor or PARC personnel when distributed for use. This weakens accountability over the citations and makes reconciling nearly impossible.
- **Policies and Procedures.** Though some policies and procedures do exist to provide guidance for manual citation activity, they are not comprehensive to address all aspects of citation issuance. This increases the risk of noncompliance with intended policies and procedures, and can lead to inconsistencies and inefficiencies.
- **Monitoring.** Though some monitoring and reconciliation of citation activity is performed, additional steps could be taken to strengthen the review process. For example, PARC does not use the parking citation system to monitor and reconcile

activity. Though a few individuals have access to the system to view data and create query reports, PARC relies on the Contractor to generate activity reports. Revenue report information is not verified or validated to the citation system.

The implementation of the recommendations in this report will help strengthen the internal control structure and effectiveness of the administration of PARC on-street parking citation revenue.

### **Corrective Action Plan**

Representatives from the Parking Authority of River City have reviewed the results and are committed to addressing the issues noted. PARC's corrective action plans are included in this report in the Observations and Recommendations section. We will continue to work with PARC to ensure the actions taken are effective to address the issues noted.

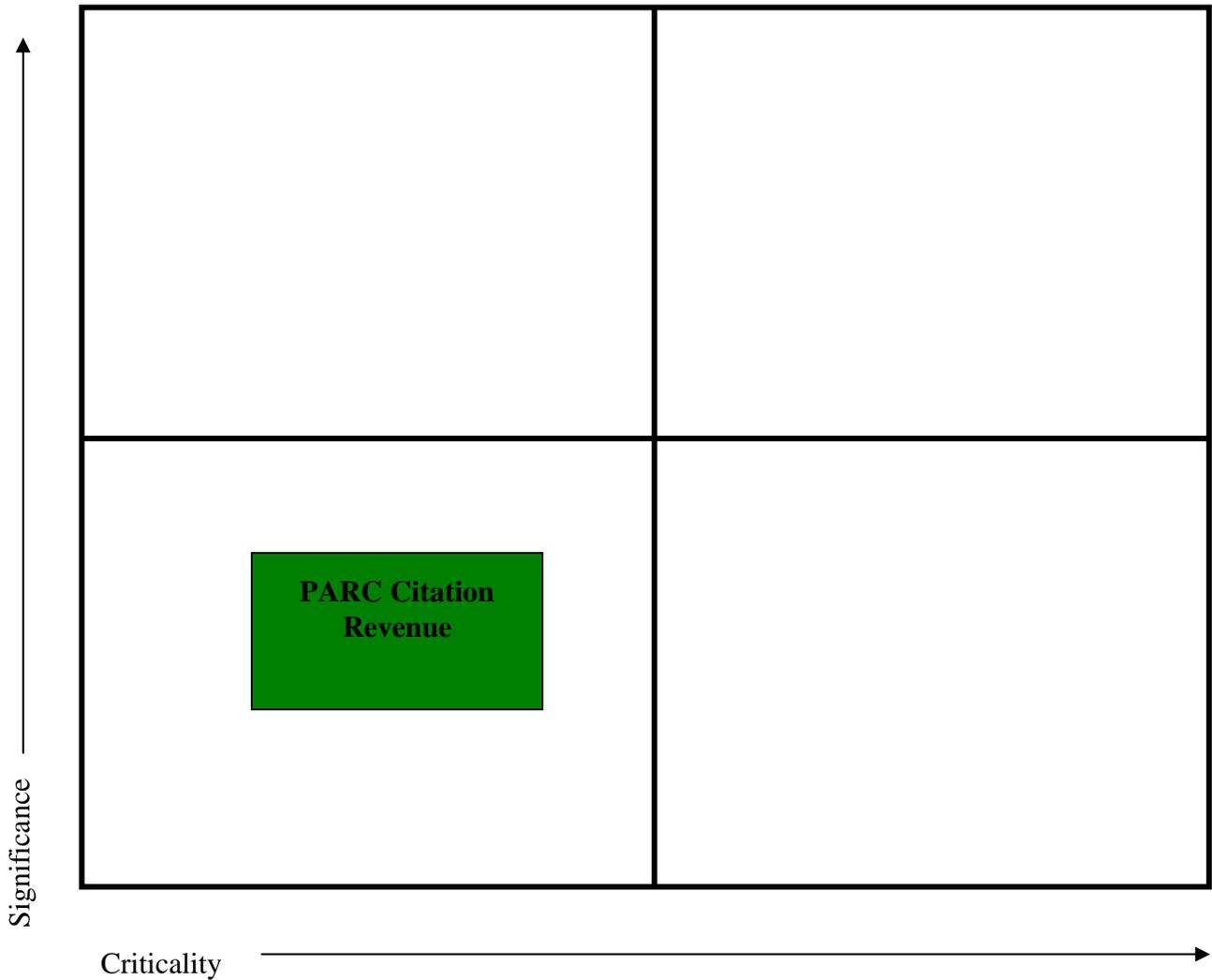
Sincerely,



Michael S. Norman, CIA, CFE, CGAP  
Chief Audit Executive

cc: Louisville Metro Council Audit Committee  
Louisville Metro Council Members  
Deputy Mayors  
Director of Metro Development Authority  
Director of Parking Authority of River City

**Internal Control Rating**



<u>Legend</u>			
<u>Criteria</u>	<u>Satisfactory</u>	<u>Weak</u>	<u>Inadequate</u>
<u>Issues</u>	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
<u>Controls</u>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<u>Policy Compliance</u>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<u>Image</u>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<u>Corrective Action</u>	May be necessary.	Prompt.	Immediate.

## **Background**

The Parking Authority of River City (PARC) is a division within the Metro Development Authority of the Louisville Metro Government. PARC provides public parking to meet the existing and future needs of the community. With 12 garages and 4 lots in and around the central business district, totaling more than 9,000 off-street and 5,000 on-street spaces, PARC ensures its operations are run in an efficient, safe, convenient, and user-friendly manner. PARC provides daily, monthly, and special event parking.

PARC has been in contract with a service provider since October 2004 for the overall project management of on-street parking. Revenue collected from the parking citations is deposited into a PARC bank account and wired to Louisville Metro on a monthly basis, less reimbursement expenses and management fees owed to the contractor. The fiscal year 2007 operating budget for citation revenue associated with funds collected from on-street parking violations is \$1.5 million. Approximately \$565,000 had been received as of February 2007.

This was a scheduled audit.

## **Summary of Audit Results**

### **I. Current Audit Results**

See Observations and Recommendations section of this report.

### **II. Prior Audit Issues**

The Office of Internal Audit previously audited the Parking Authority of River City in July 1999 and the former City of Louisville Parking Citation System in November 2000, while the activity was under the responsibility of the Department of Finance and the Louisville Division of Police. Unless otherwise noted, all prior weaknesses have been satisfactorily addressed.

### **III. Statement of Auditing Standards**

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

#### **IV. Statement of Internal Control**

A formal study of the internal control structure was conducted in order to obtain a sufficient understanding to support the final opinion.

#### **V. Statement of Irregularities, Illegal Acts, and Other Noncompliance**

The examination did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

#### **VI. Views of Responsible Officials/Action Plan**

A draft report was issued to the Parking Authority of River City on March 20, 2007. An exit conference was not necessary since the observations and corrective actions were discussed in detail during a meeting with PARC personnel on March 14, 2007. Attending were Cathy Duncan and Tiffany Smith representing the Parking Authority of River City; Michael Norman and Mary Ann Wheatley representing Internal Audit. Final audit results were discussed.

The views of the Parking Authority of River City officials were received on April 16, 2007 and are included as corrective action plans in the Observations and Recommendations section of the report.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

*“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or no longer than 30 days of receipt of the draft report.”*

The Parking Authority of River City response was provided within this required timeframe.

## Observations and Recommendations

### Scope

The Parking Authority of River City's (PARC) procedures for administering on-street parking citation revenue activity were reviewed. The primary focus of the review was the operational and fiscal administration of the activity. This included the processing, recording, and monitoring of the activity. Applicable personnel were interviewed in order to gain a thorough understanding of the processes.

A sample of citation revenue activity was judgmentally selected for review from the period July 1, 2006 through November 30, 2006. The review focused on information recorded on supporting documentation for daily citations, contractor revenue collection reports, PARC internal activity ledgers, bank statements, and the Louisville Metro financial system. The information was reviewed to ensure activity was processed accurately and appropriately. The review would not reveal all weaknesses because it was based on selective review of data. The following opportunities were noted.

### Observations

While the overall opinion is satisfactory, some opportunities to strengthen the internal control structure for the administration of PARC citation revenue activity were noted. Examples include the following.

#### Manual Citations

- Manual citations may be used for parking violations when equipment used by PARC and contract enforcement officers is being repaired or during inclement weather. In addition, personnel from other Metro Departments (e.g. Police, Fire, City Hall officers) may occasionally issue manual citations for parking violations. Manual citations are in a booklet form containing pre-printed and individually numbered citations. Some weaknesses were noted with the administration of manual citations.
  - Manual citation booklets are not logged by the Contractor or PARC personnel when distributed for use. This greatly weakens accountability over the citations and makes reconciling nearly impossible. When citations are not accounted for as either issued or voided, completeness checks can not be performed. This increases the risk that manual citations could be used inappropriately (i.e. for personal benefit).
    - There was one case where three sets of manual citation booklets were used by one officer during one day. Citations were missing or unaccounted for from all three sets based on a sequential review of citation numbers noted on

activity reports (i.e. citation numbers did not appear as issued or voided on the activity report).

- Though policies and procedures are documented for users to reference with regards to manual citations, they are not comprehensive to address all aspects of citation issuance. For example, the policies and procedures do not address the process for obtaining manual citation booklets and whether they should be maintained until all are used or returned at the end of each day. Also, specific processes for outside agencies to follow are not addressed, such as when and how outside agencies are required to submit manual citations to the Contractor. Lastly, administrative oversight and reconciling of manual citations is not addressed. These increase the risk of noncompliance with intended policies and procedures. These can also lead to inconsistencies and inefficiencies with activity processing.

### Monitoring

- Though some monitoring and reconciliation of citation activity is performed, additional steps could be taken to strengthen the review process. For example, PARC does not use the Contractor's parking citation system to monitor and reconcile activity. Though a few individuals have access to the system to view data and create query reports, PARC relies on the Contractor to generate activity reports. Revenue report information is not verified or validated to the citation system.

### Void Citations

- Documentation for voided citations did not support the stated practice by Contractor personnel. The oversight / review of voided citations was not always indicated on voided citation support documentation in the form of initials or a signature. This increases the risk that citations could be inappropriately voided (i.e. voided for an unauthorized reason or for personal benefit) and go undetected by the Contractor.

### Payment Processing

- Though it may not occur frequently, citation payments may be received without proper support documentation (i.e. not returned with the original citation) and can not be matched to the applicable citation. Since the payment can not be properly applied in the citation system, Contractor personnel practice is to return the payment to the payee.

### **Recommendations**

Appropriate personnel should take corrective action to address the opportunities noted. Specific recommendations include the following.

- ✓ PARC should develop a process by which manual citations are tracked by the officer they are issued to. This would provide accountability for the citations and would allow for the citations to be properly reconciled. Completeness checks could be performed by identifying citations as either issued or voided. Any citations unaccounted for (i.e. gaps in citation number sequence) should be researched and explanations documented.
- ✓ Policies and procedures for manual citations should be expanded upon to provide for a more comprehensive guide. The procedures should address such areas as citation assignment and accountability, how to complete the citations, submittal of issued or voided citations, as well as administrative oversight and reconciling of manual citations. A comprehensive manual will help ensure that manual citations are processed as intended and provide consistency among processors (i.e. internal and external citation officers, outside agency personnel, and oversight personnel).
- ✓ A major component of any reporting system is proper monitoring and reconciliation. PARC should be commended for the reviews it does perform, especially with regards to monthly reconciliations. PARC could improve upon the review process by expanding to include direct use of the citation system. PARC should inquire whether a system query report could be created and run by PARC personnel to indicate revenue received / posted for a particular timeframe. This would allow PARC the opportunity to perform verifications of daily and monthly revenue reports submitted by the Contractor. Reconciliations should be documented. At a minimum, the reviewer's signature and date of review should be noted on activity reports to indicate the review was performed and data appears appropriate.
- ✓ All voids should be reviewed by someone other than the issuing officer or clerk to ensure the appropriateness and reasonableness of the void. The review / approval should be documented on applicable void support documentation. Adequate support documentation should be maintained for all voids to provide explanations for void reasons and / or authorization. Support documentation should be in the form of a Ticket Void Request form, original citation, or other documentation that would adequately address the void reason and authorization (e.g. email from PARC management).
- ✓ PARC should have a documented process to address citation payments that are received without proper support documentation. When determining the appropriate action to take, consideration should be given to how often the situation occurs and the administrative costs associated with taking action (i.e. would it be beneficial to deposit funds and then attempt to obtain necessary information so the payment can be properly applied to a citation; or is the current practice of returning payments the most practical action).

## *PARC Corrective Action Plan*

The Parking Authority of River City's (PARC) corrective action plan is noted below. "Lanier" is the contractor that manages the on-street parking activities for PARC.

### Manual Citations:

Since the original observation, PARC immediately instituted a new policy and procedure to monitor manual citation usage by PARC officers and Lanier Parking officers. This policy is outlined below:

- All manual citation booklets were retrieved from the enforcement officers.
- Inventory of manual citations was performed and a log was created.
- Manual citations are now only issued during inclement weather or when there is an equipment failure.
- When an officer must use manual citations they are issued one book, preprinted number is noted and they are required to sign acceptance of the book and the number of citations.
- At the end of their shift, Lanier management reconciles all citations issued and/or voided. Any, citations not accounted for must be explained.

Manual citations that are issued outside of PARC, i.e. LMPD, Impound Lot, SWMS, etc., will follow the below policy:

- Will be logged out according to the inventory and designate which agency/division they were issued.
- PARC/Lanier will request outside agency sign log indicating they have received the manual citations as indicated. (Please note, if outside agency refuses, PARC/Lanier will note such on log sheet.)

### Monitoring:

PARC will perform random review of reports which can be generated from Clancy to receive more quantitative analysis. This will provide us with an informative review. PARC will also require a more extensive and detailed financial summary to be provided weekly and included in the monthly report, which a member of the accounting staff will review.

### Void Citations

#### *Current Procedure:*

- Officer requesting to void a citation in the field they must radio their supervisor for approval, if given approval they complete a form (explanation of why the void was required).

- At the end of the shift they must turn in any voided citations with proper documentation.
- Form completed by enforcement officer is stapled to the documentation contractor Lanier daily for review.
- Lanier management reviews voids for accuracy and “pattern” of void explanations.
- PARC management reviews the daily summary report that states the number of voids.

*After Internal Audit Observation:*

A signature line was added to the form in order for Lanier management to sign indicating they have reviewed.

Payments Received without Proper Documentation:

Lanier Parking will deposit payment and create a letter that states they have received and deposit the funds, however, require additional information in order to properly credit the payment.

Citation Revenue Deposits:

The importance of timely deposits has always and will continue to be mandated by the contractor. PARC does review deposits daily and receives verified deposit slip.