



**INTERNAL AUDIT DEPARTMENT**  
**COUNTY OF ORANGE**

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**LIMITED REVIEW**  
**OF**  
**OPERATING AGREEMENTS**  
**WITH**  
**PARKING CONCEPTS, INC.**

**For the Period**  
**March 1, 2005 through February 28, 2006**

**AUDIT NUMBER: 2590**

**REPORT DATE: September 11, 2006**

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**Limited Review of Operating Agreements with  
Parking Concepts, Inc.  
For the Period  
March 1, 2005 through February 28, 2006**

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**Transmittal Letter**

Audit No. 2590

September 11, 2006

TO: Bryan Speegle, Director  
Resources and Development Management Department

FROM: Peter Hughes, Ph.D., CPA, Director  
Internal Audit Department 

SUBJECT: Limited Review of Operating Agreements with Parking Concepts, Inc. for Civic Center and Manchester Complex Parking Facilities

We have completed our limited review of operating agreement gross receipts and payments for Parking Concepts, Inc. (PCI), for the period March 1, 2005 through February 28, 2006. The final report is attached along with your responses to our recommendations.

**Please note**, beginning in January 2005, we implemented a more structured and rigorous Follow-Up Audit process in response to recommendations and suggestions made by the Audit Oversight Committee (AOC) and the Board of Supervisors (BOS). **In the past, we followed-up on lease audit recommendations during a subsequent lease audit, which could be several years later.** As a matter of policy, our first Follow-Up Audit will now begin at six months upon the official release of the report. The AOC and BOS expect that audit recommendations will typically be implemented within six months and often sooner for significant and higher risk issues. Our second Follow-Up Audit will now begin at 12 months from the release of the original report by which time all audit recommendations are expected to be addressed or implemented.

At the request of the AOC, we are to bring to their attention any audit recommendations we find still not implemented or mitigated after the second Follow-Up Audit. The AOC requests that such open issues appear on the agenda at their next scheduled meeting for discussion.

We have attached a Follow-Up Audit Report Form. The Resources and Development Management Department (RDMD) should complete this template as our audit recommendations are implemented. When we perform our Follow-Up Audit approximately six months from the date of this report, we will need to obtain the completed document to facilitate our review.

As the Director of Internal Audit, I now submit a monthly audit status report to the Board of Supervisors (BOS) where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

As always, the Internal Audit Department is available to partner with the Resources and Development Management Department so they can successfully implement or mitigate difficult audit recommendations. Please feel free to call me should you wish to discuss any aspect of our audit report or recommendations.

Additionally, we will be forwarding to the Resources and Development Management Department a Customer Survey of Audit Services for completion. The Resources and Development Management Department will receive the survey shortly after the distribution of this report.

#### Attachment

#### Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Thomas G. Mauk, County Executive Officer
- Bob Wilson, Director, RDMD/Internal Services
- Tony Ferrulli, Manager, RDMD/Internal Services/Asset Management
- Peter Warren, Parking Administrator, RDMD Internal Services/Asset Management
- Steve Danley, Director, RDMD/Administration
- Mary Fitzgerald, Manager, RDMD/Accounting Services
- Betsy Estrada, Chief, RDMD/Accounting Services/External Claims/HB&P Programs
- Merry Papin, Senior Accounting Office Supervisor, RDMD/Accounting
- Debra Lakin, Chief, RDMD/Central Quality Assurance
- Foreperson, Grand Jury
- Darlene J. Bloom, Clerk of the Board of Supervisors



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**INTERNAL AUDITOR'S REPORT**

Audit No. 2590

September 11, 2006

TO: Bryan Speegle, Director  
Resources and Development Management Department

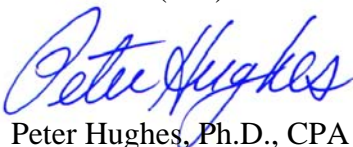
SUBJECT: Limited Review of Operating Agreements with Parking Concepts, Inc. for Civic Center and Manchester Avenue Complex Parking Facilities

We have performed a limited review of certain records and documents for the year ended February 28, 2006, pertinent to two parking facilities operating agreements (Agreements) between the County of Orange and Parking Concepts, Inc. (PCI). The Agreements are for the Civic Center Parking Facilities, dated June 4, 2002, and the Manchester Avenue Complex Parking Facilities, dated May 23, 2000 as amended.

The primary purpose of our review is to determine whether PCI's records adequately supported gross receipts remitted to the County and payments made paid to PCI. We also reviewed compliance with certain other provisions of the Agreements, such as accounting methods and financial statements.

Based on our limited review, we find that PCI has retained sufficient documentation to adequately support gross receipts remitted to the County, but not for compensation paid to PCI. **No material weaknesses or significant issues were identified (in relation to the County).** However, we did identify **25 control findings** related to compliance with the Agreements or improving controls that are noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.

We appreciate the courtesy and cooperation extended to us by the personnel at PCI and Resources and Development Management Department (RDMD). If you have any questions regarding our limited review of the operating agreements, please contact Eli Littner, Deputy Director at (714) 834-5899 or Autumn McKinney, Audit Manager at (714) 834-6106.

  
Peter Hughes, Ph.D., CPA  
Director, Internal Audit

Attachment A – Report Item Classifications  
Attachment B – RDMD Management Responses

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

Members, Board of Supervisors  
Members, Audit Oversight Committee  
Thomas G. Mauk, County Executive Officer  
Bob Wilson, Director, RDMD/Internal Services  
Tony Ferrulli, Manager, RDMD/Internal Services/Asset Management  
Peter Warren, Parking Administrator, RDMD Internal Services/Asset Management  
Steve Danley, Director, RDMD/Administration  
Mary Fitzgerald, Manager, RDMD/Accounting Services  
Betsy Estrada, Chief, RDMD/Accounting Services/External Claims/HB&P Programs  
Merry Papin, Senior Accounting Office Supervisor, RDMD/Accounting  
Debra Lakin, Chief, RDMD/Central Quality Assurance  
Foreperson, Grand Jury  
Darlene J. Bloom, Clerk of the Board of Supervisors

## EXECUTIVE SUMMARY

### OBJECTIVES

The Internal Audit Department conducted a limited review of gross receipts and payments made in accordance with the operating agreements with Parking Concepts, Inc. (PCI) for the primary purpose of determining whether PCI's records adequately supported gross receipts remitted to the County and payments made to PCI. We also reviewed compliance with certain other provisions of the Agreements, such as accounting methods and financial statements.

### BACKGROUND

The County of Orange entered into two operating agreements (Agreements) with PCI for operation of the following parking facilities:

- Santa Ana Civic Center Parking Facilities: An operating agreement dated June 4, 2002, as extended, for the operation of the Civic Center Parking Facilities consisting of six parking lots/structures:
  1. Stadium Structure – 2,050 spaces
  2. Superblock Lot – 950 spaces
  3. Courthouse Structure – 550 spaces
  4. Hall of Administration Lot – 215 spaces
  5. Twin Towers Structure – 1,157 spaces
  6. Intake Release Center – 400 spaces
- Manchester Avenue Complex Parking Facilities: An operating agreement dated May 23, 2000, as amended, for the operation of the Manchester Avenue Complex Parking Facilities adjacent to the Lamoreaux Justice Center consisting of the following:
  1. Visitor Structure – 957 spaces
  2. Employee Structure – 1,058 spaces
  3. Overflow Lot

PCI utilizes the Amano Parking Access and Revenue Control equipment/system (Amano) and the McGann software to control access to the parking facilities, issue tickets, process and collect monies, and account for and activate keycards and debit cards. The County owns the Amano equipment/system and the McGann software.

PCI remits 100% of the parking revenue to the County as gross receipts and PCI receives payments based on a flat rate per employee-hour worked. For fiscal year 04-05, PCI remitted \$6,682,466 in gross receipts to the County and PCI received payments of \$1,644,894 for these two Agreements.

### SCOPE

Our review was limited to certain records and documents that support PCI's gross receipts remitted to the County and payments made to PCI for the one year period of March 1, 2005 to February 28, 2006. We also reviewed compliance with certain other provisions of the Agreements, such as accounting methods and financial statements. Our review included inquiry, auditor observation, and limited testing for assessing the adequacy of documentation and ensuring completeness of remitted gross receipts and payments made.



## CONCLUSION

Based on our limited review, we find that PCI has retained sufficient documentation to adequately support gross receipts remitted to the County, but not for payments made to PCI. **No material weaknesses or significant issues were identified (in relation to the County).** However, we did identify 25 control findings related to compliance with the Agreements or improving controls that are noted in the Detailed Observations, Recommendations and Management Responses section of this report. See Attachment A for a description of report item classifications.



## DETAILED OBSERVATIONS, RECOMMENDATIONS AND MANAGEMENT RESPONSES

### **Inadequate Records and Recordkeeping for Compensation Paid to PCI**

We found that PCI's records or recordkeeping was inadequate in the areas of scheduled vs. actual hours worked, labor distribution, and time cards as discussed below:

#### **A. Invoices Based on Scheduled Rather than Actual Hours**

PCI is compensated for its expenses in the operation of the parking facilities based on a fixed rate per employee-hour worked.

**Finding Nos. 1 and 2:** PCI invoices RDMD for scheduled employee-hours worked rather than actual hours worked. Differences in scheduled vs. actual hours could result from backfilling positions for an absent employee or exit lanes closed due to mechanical failure. Examples noted during our review of the PCI invoices for the sample month of July 2005 are:

- Manchester Avenue Complex: A Shift Supervisor regularly "covers" three hours of a Clerk's shift in the morning before the Clerk arrives to work. PCI billed RDMD three hours per day for both the Shift Supervisor and Clerk positions because PCI prepares its invoice based on the Operating Schedule which has both positions. For the sample month of July 2005, PCI overbilled RDMD for \$776 (21 days x 3 hours x \$12.32 rate).
- Manchester Avenue Complex: Our review of the July 27, 2005 Daily Master Report noted low ticket counts (28) for lane 2. PCI informed us that lane 2 equipment had mechanical failure and was shut down for part of the day. PCI informed us the cashier processed some tickets manually from customers during peak times which were then recorded in the cash register for lane 1. PCI billed RDMD 14 cashier hours for lane 2, although lane 2 was not open for the full 14 hours.

During our review of gross receipts, we also noted the following:

- Stadium Structure: Lane 9 was closed from November 15, 2005 to November 20, 2005 (6 days). However, PCI billed RDMD for the scheduled hours for this lane, amounting to \$850 (6 days x 11.5 hours x \$12.32 rate) overbilled.

**Recommendation No. 1:** We recommend that RDMD require PCI to bill the County for actual employee-hours worked in accordance with the Operating Schedule.



**RDMD Response:** Concur. It should be noted that while the events cited in the findings by Internal Audit are correct, lane closures and other unforeseen events do not always result in a reduction of actual hours worked from the scheduled hours. PCI employees are occasionally moved to other locations and assigned other duties as the needs of the parking locations dictate. When there are parking equipment failures, employees may be required to manually collect tickets and payments, or may be moved to a different lane to assist another cashier. This flexibility ensures that the parking patrons can pay for their parking and exit the parking facilities conveniently and expediently. When some parking facilities experience spikes in activity due to large court cases or special events letting out, PCI employees may be temporarily relocated from a different parking facility to assist with this increased activity. When a cashier calls in sick, supervisors sometimes need to fill in until another cashier can be called into work. PCI has stated that their actual hours exceed the hours they bill the County for. RDMD and PCI will institute improved recordkeeping in the way of tracking reassignments of PCI employees and verification of time cards.

PCI will bill the County for actual hours worked in accordance with the Operating Schedule. Employee time cards will reflect actual hours worked per employee, per location. If, due to some unforeseen emergency or circumstance, employees are required to work hours in excess or at locations different than those shown on the Operating Schedule, these changes in hours or location will be referenced in detail via written documentation given to RDMD for substantiation and approval. This will be implemented by 9/01/06.

**Recommendation No. 2:** We also recommend that RDMD require PCI to pay the County \$1,626 (\$776 + \$850) for the overbilled amounts identified above.

**RDMD Response:** Concur. PCI agrees to pay the County \$1,626 and RDMD Accounting invoiced PCI on 8/08/06.

## **B. Labor Distribution Reports**

PCI rotates employees (exit gate cashiers, shift supervisors, and traffic directors) as necessary among the parking locations to provide coverage in accordance with the Operating Schedule. For example, a shift supervisor may need to backfill a cashier who is late. Occasionally based on urgent need, employees may be borrowed from or loaned to PCI locations that are not part of the County Agreements.

When employees are permanently scheduled to work for more than one location, the scheduled hours are allocated between locations on PCI's Labor Distribution Reports.

**Finding No. 3:** PCI does not allocate employee labor to multiple locations unless the employee is permanently scheduled to work for multiple locations. Therefore, we could not utilize the Labor Distribution Report to validate PCI's employee-hours by position and location billed to the County. However, we compared total hours billed to RDMD with PCI's Labor Distribution Reports for the sample month of July 2005. We noted that total hours per PCI's Labor Distribution Report (as adjusted for holiday hours and Manager hours) were in excess of the hours billed to RDMD by 160 labor hours for the Civic Center Parking Facilities and 12 labor hours for the Manchester Avenue Complex Parking Facilities.

**Recommendation No. 3:** We recommend that RDMD require PCI to properly allocate actual employee-hours worked among the multiple locations.



**RDMD Response:** Concur. Consistent with our response to Recommendation No. 1, “hours worked” will be properly allocated to the various locations and the hours worked will be detailed on each individual’s timecard. Summary reports verifying the allocation of hours worked will be prepared by PCI and given to RDMD on a quarterly basis starting 10/01/06.

**C. Timecards**

PCI’s employees utilize time clocks to record hours worked. The hours worked per the timecards are summarized by an on-site PCI Manager and entered on a labor spreadsheet. A PCI Clerk reviews the labor spreadsheet for reasonableness and emails the spreadsheet to PCI’s corporate office for payroll processing by a third party vendor.

**Finding No. 4:** Our review of PCI’s timecards for the sample month of July 2005 noted the following:

- Some timecards provided for July 2005 had May, June and November 2005 date stamps. PCI stated that timecards may have been reused and time clocks may not have been reset.
- Some entries were handwritten.
- Some entries were illegible.
- There was no evidence of supervisory approval of the timecards.

Based on the above, we could not utilize PCI’s timecards to validate PCI’s employee-hours worked billed to RDMD.

**Recommendation No. 4:** We recommend that RDMD require PCI to properly complete timecards and ensure timecards evidence supervisory approval.

**RDMD Response:** Concur. PCI has replaced all of their time clocks and will properly complete timecards and ensure timecards evidence supervisory approval 10/01/06.

**Accuracy of Daily Ticket Reconciliations and Daily Master Reports**

We identified that PCI should more accurately prepare the daily ticket reconciliations and Daily Master Reports, and document reasons for missing tickets on the Daily Master Reports as described below:

**A. Reconciliation of Daily Tickets Issued/Collected**

A key reconciliation performed by PCI for each parking lot is a daily reconciliation between tickets issued and collected and the physical inventory count of cars left in the parking lot overnight (layover inventory). This is an important reconciliation because significant differences in ticket counts could indicate a control weakness and/or lost revenue to the County.

**Finding Nos. 5 and 6:** We reviewed a sample of 12 daily reconciliations between tickets issued/collected and the layover inventory, and identified the following:



- For 9 of the 12 samples, unreconciled differences existed ranging from -5 (more tickets collected than issued) to 78 (more tickets issued than collected). Small unreconciled differences may occur for parking lots that are open less than 24 hours a day because of the potential for after hour's activity. However, 7 of the 9 unreconciled differences were for lots that were open 24 hours a day.
- For 6 of the 12 samples, the current days' beginning inventory of cars did not agree to prior days' ending inventory of cars. The differences between the current day and prior day ranged from -22 to 8. These differences should not exist.

Part of the reason for the above unreconciled differences is because of errors in the current and prior day inventory counts noted above, as well as errors on the Daily Master Report as discussed below in Finding Nos. 7 and 8 below.

**Recommendation No. 5:** We recommend that RDMD establish and communicate to PCI a threshold (maximum allowable amount) of unreconciled differences per lot for PCI's reconciliation of tickets issued/collected with the layover inventory. The threshold should consider whether the lot is open 24 hours a day.

**RDMD Response:** Concur. PCI is in the process of establishing with RDMD a "maximum allowable amount" of unaccounted for tickets (the difference between tickets issued and collected) for each location with consideration given to staffing hours and unique operating characteristics of each location. This will be implemented by 9/01/06.

**Recommendation No. 6:** We also recommend that RDMD require PCI to prepare accurate reconciliations of tickets issued/collected with the layover inventory, and provide documented explanations for any unreconciled differences exceeding the approved thresholds.

**RDMD Response:** Concur. PCI will record this information each day on each location's Daily Master Report. Since each location has its own operating dynamic and characteristic, acceptable norms of "unaccounted-for tickets" will be established for each location and should actual "unaccounted-for tickets" exceed the daily norm for any particular location, explanations shall be referenced on the subject Daily Master Report prepared for RDMD. This will be implemented by 9/01/06.

#### **B. Sequential Numbers on Daily Master Reports**

To support the gross receipts collected at each parking lot, PCI submits to RDMD a Daily Master Report (DMR) which summarizes the activity for each parking lot including tickets issued and collected by lane, non-cash transactions (validations, etc), and monies collected. The DMRs are important because they reconcile transaction activity with monies collected. Additionally, transaction counts from the DMRs are utilized in the reconciliation between tickets issued/collected and the layover inventory as described above in Finding No. 5.

**Finding Nos. 7 and 8:** We reviewed a sample of 12 Daily Master Reports (DMRs) and identified 3 instances in which the sequential numbers listed on the DMRs did not agree to the prior or subsequent DMRs:



- **Ticket Numbers:** On 7/26/05 at the Manchester Avenue Complex, one ticket dispensing machine ran out of tickets and a new box of tickets was needed. The 7/26/05 ending ticket numbers by lane on the DMR did not agree with 7/27/05 beginning ticket numbers by lane due to clerical errors in accounting for the new box of tickets. Additionally, the reason for the break in ticket sequence numbers (due to the new box of tickets) was not documented on the DMR.
- **Ticket Numbers:** On 11/15/05 at the Superblock Lot, a beginning ticket number (240084) on the DMR did not agree with the prior day's ending ticket number (239335), a difference of 749 tickets. Also, documentation for the 11/15/05 beginning ticket number was a preprinted ticket that had been manually changed to 240084. We were informed by PCI that the reason for the discrepancy could be a mechanical failure with the ticket equipment. However, this mechanical failure was not documented on the DMR.
- **Transaction Numbers:** On 11/21/05 at the Stadium Structure, a beginning cumulative cash register transaction number on the DMR did not agree with the prior day's ending number. We were informed by PCI that the reason for the discrepancy could be due to a mechanical failure with the cash register. However, this mechanical failure was not documented on the DMR.

**Recommendation No. 7:** We recommend that RDMD require PCI to clearly document the reason for breaks in sequential numbers (i.e. new boxes of tickets or mechanical failures) on the Daily Master Report to facilitate accounting for beginning and ending sequence numbers.

**RDMD Response:** Concur. RDMD will require PCI to clearly document the reason for breaks in sequential number (i.e. new boxes of tickets or mechanical failures) on the Daily Master Report to facilitate accounting for beginning and ending sequence numbers. Any corrections from PCI will be given to RDMD before submittal of the next day's report. This procedure has already been implemented.

**Recommendation No. 8:** We also recommend that RDMD require PCI to ensure the sequential numbers listed on the Daily Master Reports agree with prior and subsequent Daily Master Reports.

**RDMD Response:** Concur. PCI will ensure the sequential numbers listed on the Daily Master Reports agree with prior and subsequent Daily Master Reports. Accounting started verifying the sequential numbers on 7/01/06. This procedure has already been implemented.

#### **C. Documenting Reasons for Missing Tickets**

Along with the Daily Master Reports, PCI submits all cash and non-cash parking tickets collected to the County.

**Finding No. 9:** During our review of 12 Daily Master Reports (DMR) and supporting tickets, we noted several instances in which the number of non-cash tickets submitted to the County did not agree with the DMR. This could be due to tickets inadvertently lost or destroyed. However, it also appears in some instances that the number of tickets listed on the DMR were incorrect.



For example, on November 14, 2005 for the Stadium Structure, the DMR listed 125 voids but only 8 void tickets were submitted to the County. The amount of 125 voids appears unusually large and may have resulted from a mechanical failure; however, reasons for the excessive voids and/or missing tickets was not documented on the DMR.

**Recommendation No. 9:** We recommend that RDMD require PCI to document reasons for unusual amounts of non-cash transactions and missing tickets on the Daily Master Reports.

**RDMD Response:** Concur. RDMD will require PCI to document reasons for unusual amounts of non-cash transactions and missing tickets on the Daily Master Reports. This procedure has already been implemented.

### **Maintaining, Updating, and Monitoring of the Operating Schedule**

We identified suggestions for improvement in the areas of maintaining an updated Operating Schedule, written approval of changes to the Operating Schedule, and monitoring appropriateness of the Operating Schedule.

The Operating Schedule lists the hours of operation for each structure/lot and exit lane, and the staffing levels (number of positions, position type, hours worked by position, etc.) for each lot/structure and each exit lane. The Operating Schedule is important because it directly impacts the amount of parking revenue remitted to the County and payments made to PCI. It also facilitates RDMD's review of PCI's monthly invoices.

#### **A. Maintaining Updated Operating Schedule**

Clause 6 of the Agreements state that the parking facilities are to be operated in accordance with a schedule established by RDMD. PCI shall operate neither more nor fewer employee-hours than those contained in the established schedule without prior written approval by RDMD.

**Finding No. 10:** When we started our review in January 2006, RDMD and PCI did not have a formal written Operating Schedule for the parking lots. It is our understanding that a current approved written schedule had not existed for a few years. Only informal schedules existed.

In February 2006, PCI prepared an updated written Operating Schedule for the Civic Center Parking Facilities and Manchester Avenue Complex Parking Facilities. On February 23, 2006, the updated Operating Schedule was approved in writing by RDMD.

**Recommendation No. 10:** We recommend that RDMD maintain an updated formal written Operating Schedule.

**RDMD Response:** Concur. This has already been implemented and accordingly, we are presently operating under a formal written Operating Schedule. Any exceptions to the Operating Schedule will be pre-approved in writing by RDMD staff and duly noted on employee timecards. Copies of any past and current Operating Schedules will be kept on file in the RDMD Parking Administration offices.

#### **B. Written Approval of Changes to the Operating Schedule**

Clause 13 of the Agreements requires RDMD to approve the Operating Schedule and any subsequent changes in writing.



**Finding No. 11:** RDMD does not consistently approve changes to the Operating Schedule in writing. We reviewed several memos, letters, and emails between PCI and RDMD for some changes to the Operating Schedule. However, we could not find written approval for several other changes such as the examples below. We were informed by RDMD and PCI that the below changes were approved verbally.

1. Manchester Avenue Complex: On June 5, 2003, RDMD provided PCI written temporary approval (a two week trial basis) to extend the operating hours of the Manchester Avenue Complex to be open 24 hours per day, 7 days per week (24/7). During this trial period, PCI was to provide RDMD with weekly status reports of the increased revenue and expenses. This change to 24/7 was made final. However, RDMD or PCI did not have any documentation available of the analysis of increased revenues and expenditures or the final approval to continue with the 24/7 operating schedule. When this Agreement was amended on January 11, 2005, the change to 24/7 was not reflected in the amendment.
2. Superblock Lot: On September 18, 2000, RDMD approved an increase of six operating hours per day for lane 36 at the Superblock Lot due to a temporary closure of lane 35 during construction. Operating hours for lane 36 were changed to 7:00 a.m. to 12:00 a.m. effective November 1, 2000. Our review of PCI's July 2005 invoice to RDMD noted that the change in hours for lane 36 is still in place and had increased by ½ hour to 12:30 a.m. RDMD or PCI did not have any documentation available for the approval to make the temporary change a permanent change.
3. Courthouse Structure: On March 3, 2005, PCI submitted an e-mail to RDMD requesting a change in operating hours for the Courthouse Structure to open one booth at 8:00 a.m. and to add a supervisor from 8:00 a.m. to 7:30 p.m. (11.5 hours for the supervisor). This change was made but RDMD or PCI did not have documentation for approving the change. Our review of PCI's July 2005 invoice to RDMD noted that PCI billed 15.5 hours per day (Monday - Friday) for the supervisor. This amounts to \$1,706 (80 hours x \$21.32) more than PCI's original request for the month.
4. Superblock Lot: On February 25, 2002, RDMD provided PCI written authorization to begin operating the Superblock Lot on Saturdays with one cashier. However, the hours of operation for Saturdays were not specified. Our review of PCI's July 2005 invoice to RDMD noted that PCI billed for one approved cashier on 2 of 5 Saturdays, but billed for two cashiers (two booths open) on 3 of 5 Saturdays.
5. Twin Towers Structure: On May 15, 2002, RDMD provided PCI written temporary approval to extend the operating hours of the Twin Towers Structure to be open 24 hours per day, 7 days a week (24/7) for a one month trial period. At the end of the trial month, analysis was to be performed to determine whether the increased hours should continue. This change to 24/7 was made final. However, RDMD or PCI did not have any documentation available of the analysis or the final approval to continue with the 24/7 operating schedule.

**Recommendation No. 11:** We recommend that RDMD approve in writing all changes to the Operating Schedule.



**RDMD Response:** Concur. RDMD will approve in writing all changes to the Operating Schedule copies of which will be maintained in the RDMD Parking Offices. This procedure has already been implemented.

**C. Monitoring of Operating Schedule**

RDMD is responsible for reviewing and monitoring PCI's operation of the parking facilities. Review of parking statistics is a good business practice to ensure ongoing cost effectiveness of the parking facilities.

PCI prepares and submits to RDMD a Daily Master Report (DMR) for each parking structure/lot. The DMRs contain information such as tickets issued and collected by lane and revenue collected by lane. Additionally, an Entry/Exit Time Report can be generated for each parking structure/lot from the McGann system. The Entry/Exit Time Report provides the total number of entry and exit vehicles in hourly intervals.

Both the DMRs and the Entry/Exit Time Report can assist RDMD in evaluating utilization and optimal Operating Schedule for the parking facilities.

**Finding No. 12:** RDMD informed us that it does not perform a regular review of utilization reports and parking statistics to ensure the current Operating Schedule is reasonable. RDMD appears to rely primarily on PCI's expertise to suggest optimal operating hours and staffing levels.

Our review of the Entry/Exit Time Report for the sample month of July 2005 noted:

- Hall of Administration Lot: Two cars exited the lot between 9:00 p.m. and 12:30 a.m. for the month of July 2005. RDMD paid \$862 (20 days x 3.5 hours x \$12.32 rate) for the cashier during those hours. The maximum daily rate for the lot is \$15.
- Manchester Avenue Complex: The cashier on duty between 12:00 a.m. and 6:00 a.m. (6 hours) daily processed an average of 5 parking tickets per shift for the month. RDMD paid PCI \$2,898 (31 days x 6 hours x \$15.58 rate) for the cashier during those hours for the month. The maximum daily rate for the lot is \$12.
- Twin Towers Structure: The cashier on duty between 12:00 a.m. and 6:00 a.m. (6 hours daily) processed an average of 8 parking tickets per shift for the month. RDMD paid PCI \$2,292 (31 days x 6 hours x \$12.32 rate) for the cashier during those hours for the month. The maximum daily rate for the lot is \$15.

Our review of the Daily Master Report for the sample day of July 27, 2005 noted the following:

- Superblock Lot: Lane 32 (open 9:30 a.m. to 6:00 p.m.) collected 48 tickets, which is less than other lanes open at this location for approximately the same hours. For example, lane 35 (open 10:00 a.m. to 6:00 p.m.) collected 515 tickets. We were informed by the PCI that from 6:30 am to 9:30 am, lane 32 is used as an entrance lane to the lot. Therefore, customers may misinterpret this lane as an entrance lane and not use it as an exit lane.



- Stadium Structure: Lane 2 (open 9 a.m. to 6 p.m.) collected 79 tickets, which is less than other lanes open at this location. For example, lane 1 (open 24/7) collected 617 tickets. We were informed by the PCI that signage at the structure may be misinterpreted by customers and the customers (many jurors) may assume that lane 2 is only for public customers. We observed the signage and noted that it could be misinterpreted. However, we observed two other exit lanes (8 and 9) at this location that have the same signage. Lane 8 (open 10 a.m. to 6 p.m.) collected 227 tickets and lane 9 (open 8 a.m. to 8 p.m.) collected 241 tickets.
- Manchester Avenue Complex: Lane 2 (open 8 a.m. to 10 p.m.) collected 28 tickets, which is less than other lanes open at this location. According to the PCI, there were equipment malfunctions for this lane which resulted in low ticket counts. However, the equipment problems were not documented on the Daily Master Report. See also Finding No. 8 above.

RDMD informed us that the operating schedules for the Twin Towers Structure and Manchester Avenue Complex were increased to 24 hours a day, 7 days a week to deter after hours graffiti and other misuse. Utilization or cost effectiveness was not the primary consideration.

However, by letter dated February 1, 2006, RDMD informed PCI that its costs for the first half of fiscal year 05-06 were higher than anticipated. RDMD asked PCI to reduce its costs for the remainder of the fiscal year by about \$146,000. PCI prepared and on February 23, 2006, RDMD approved a revised Operating Schedule to reduce costs.

We compared PCI's revised Operating Schedule as of February 2006 with the sample month of July 2005, and noted the following significant changes. Some changes appear to correspond with utilization issues discussed above.

- Twin Towers Structure: The 24/7 operating schedule was reduced. The structure is now open 6:00 a.m. to 10:30 p.m. The reduction in operating hours is more in line with parking utilization as noted above.
- Hall of Administration Lot: Operating hours decreased from closing at 12:30 a.m. to 7:30 p.m. The reduction in operating hours is more in line with parking utilization noted above.
- Stadium Structure: Supervisor hours increased from 16 hours per day (Mon-Fri) to 24 hours a day.
- Superblock Lot: One supervisor position and one traffic director position were eliminated reducing 8.5 and 4 hours per day, respectively.
- Manchester Avenue Complex: One exit lane was closed Saturday and Sunday (16 hours for the weekend). Two visitor traffic director positions were eliminated. Two supervisor positions were eliminated resulting in a decrease of 16 hours per day (Saturday and Sunday).

To summarize, periodic reviews of parking utilization and statistical reports are helpful to ensure the optimal Operating Schedule.



**Recommendation No. 12:** We recommend that RDMD perform regular documented reviews of parking utilization and statistical reports (such as the Daily Master Reports and Entry/Exit Time Reports) to ensure cost effectiveness and reasonableness of the Operating Schedule.

**RDMD Response:** Concur. RDMD will perform regular documented reviews of parking utilization and statistical reports and maintain these reports in the RDMD Parking Administration offices. It is reemphasized, however, that occasionally schedules are implemented based on reasons and objectives other than simple cost considerations. This procedure has already been implemented.

### **Keycards**

We identified suggestions for improvement in the areas of performing keycard reconciliations, documenting keycards authorized, documenting key cards activated, segregation of duties for individual keycard payments, and timely deposit of keycard payments.

#### **A. Keycard Reconciliations**

The Stadium Structure, Twin Towers Structure, Courthouse Structure, County (IRC) Lot, and the Manchester Avenue Complex can be accessed using keycards. The keycards are issued to employers (such as County Departments, Courts, City of Santa Ana, UCI, etc.) and individuals from the general public. RDMD processes monthly payments from employers and PCI collects monthly payments from individuals. RDMD authorizes the total number of keycards for each employer, as well as the total number of individual monthly keycards that PCI can issue for each lot/structure.

**Finding No. 13:** PCI does not perform periodic reconciliations of keycards authorized vs. activated.

The lack of adequate keycard reconciliations is partially due to the inadequate documentation for authorized keycards as described below in Finding No. 13 and activated keycards as described below in Finding No. 15.

**Recommendation No. 13:** We recommend that RDMD require PCI to perform and retain documentation of periodic reconciliations between keycards authorized and activated.

**RDMD Response:** Concur. To the extent that the access control equipment is capable and functional, PCI will perform and retain documentation of periodic reconciliations between keycards authorized and activated, and will provide RDMD with copies of these reports on a quarterly basis. This will be implemented by 10/01/06.

#### **B. Documentation for Key Cards Authorized**

**Finding Nos. 14 and 15:** RDMD does not maintain an updated master list of the number of keycards authorized for each employer and the monthly keycards issued to individuals for each lot/structure. Changes to the amount of keycards are authorized by RDMD on a case by case basis. Documentation for authorizations can be verbal, by email, or by memo. Because many of the authorizations appear to be made verbally, we could not verify the number of keycards activated vs. authorized.



One example is UCI has a written agreement with the County for 425 keycards at the Manchester Avenue Complex. We noted that an additional 42 keycards were activated and provided to UCI, but there was no documentation of the authorization. We were informed the additional keycards were verbally approved by RDMD in anticipation of a new agreement with UCI.

**Recommendation No. 14:** We recommend that RDMD prepare a current master list of the number of keycard authorized for each employer/department and for the monthly keycards issued by PCI.

**RDMD Response:** Concur. RDMD is currently in the process of updating the keycard lists for the purpose of preparing a current master list of keycards. RDMD will work with PCI in establishing the master list. Updating the keycard lists to create a master list is a very time intensive process and every effort will be made to ensure that this is completed by 10/01/06.

**Recommendation No. 15:** We also recommend that any future changes to keycards authorized be documented in writing and the master list updated.

**RDMD Response:** Concur. PCI will provide copies of the updated master list on a quarterly basis to RDMD Parking Administration and RDMD Accounting. Copies of master list updates will be maintained in the RDMD Parking Administration offices. This will go into effect by 10/01/06.

#### **C. Documentation for Keycards Activated**

When the McGann software was implemented, it is our understanding that an inventory of 12,000 keycards existed. Each keycard has a sequential number. PCI utilizes the McGann software to account for activated keycards as well as lost or damaged keycards. The person's name, keycard number, and account code is entered in the McGann software. The account code represents the applicable employer/department that will be billed by RDMD for the keycards. Each lot/structure has its own account code for monthly keycards purchased by the general public. Each lot/structure is assigned a range of keycards.

**Finding Nos. 16 and 17:** PCI was only able to generate limited reports from the McGann software for key cards activated. For example:

- PCI was unable to generate a summary report of the total amount of keycards activated for each structure/lot.
- For the Stadium Structure, Courthouse Structure, and the Manchester Avenue Complex, PCI could not generate a detailed report of keycards by sequential number, only by employer/account code.
- For the Twin Towers Structure, PCI did generate a detailed report of keycards by sequential number. However, there were numerous gaps in the numerical sequences. There was no documentation available to explain the gaps.

Also, PCI also did not have a written documentation of the range of keycard numbers assigned to each structure/lot and the unused keycard inventory. As a result, we could not verify the number of keycards activated vs. authorized.



**Recommendation No. 16:** We recommend that RDMD and PCI work with the software vendor to determine which reports can be generated from the McGann software for keycards activated.

**RDMD Response:** Concur. PCI is already in the process of scheduling a meeting with the software vendor to determine which reports can be generated. RDMD Parking Administration and RDMD Accounting will be included in this training. This will be implemented by 9/01/06.

**Recommendation No. 17:** We also recommend that RDMD require PCI to perform a periodic accounting of the number of keycards allocated to each structure/lot, the number of keycards activated, and the number of keycards remaining in inventory.

**RDMD Response:** Concur. The ability to generate this report is subject to the access control system and related software being able to generate this information. If it is possible for the McGann software to generate this information, PCI will generate this report by 9/15/06 and give copies to RDMD. PCI will update this report and give copies to RDMD on a quarterly basis.

#### **D. Segregation of Duties for Keycard Payments**

Monthly keycards are available for purchase by individuals at the Twin Towers Structure, Stadium Structure, Courthouse Structure (purchased at Stadium Structure), and the Manchester Avenue Complex. When the card is activated, customers pay PCI for the first month and an activation fee.

**Finding No. 18:** Cash handling duties for individual keycard purchases are not adequately segregated. Responsible PCI staff receive the monthly payments, prepare deposits, and update customer payment records (activate keycards) in the McGann software.

PCI stated that due to staffing limitations, further segregation of duties is not possible. As a mitigating detective control, a monthly reconciliation of individual monthly keycards activated vs. monies collected is performed by PCI. However, this reconciliation is not performed or reviewed by an independent person.

**Recommendation No 18:** We recommend that RDMD require PCI to have an independent person perform or review the reconciliation of individual monthly keycards activated with monies collected.

**RDMD Response:** Concur. RDMD will require PCI to have an independent person perform or review the reconciliation of individual monthly keycards activated with monies collected. This procedure is presently in place.

#### **E. Timely Deposit of Keycard Payments**

Clause 10.A of the Agreements require PCI to deposit cash receipts by the following business day. PCI generally receives payments from individuals for monthly keycards between the middle and last day of the month.



**Finding No 19:** PCI does not deposit cash receipts for monthly keycard payments by the following business day. For example, monthly keycard payments received at the Twin Towers Structure between February 22, 2006 and March 2, 2006 were deposited on March 9, 2006. According to PCI, deposits for monthly keycards are made when a significant number of checks are accumulated. Awaiting deposit, the monies are kept in a locked safe.

**Recommendation No. 19:** We recommend that RDMD require PCI to deposit monthly keycard cash receipts by the next business day.

**RDMD Response:** Concur. PCI will deposit the monthly keycard cash receipts by the next business day. This procedure has already been implemented.

#### **Audited Statement of Gross Receipts**

Clause 12.C of the Agreements requires PCI, at its own expense, to submit to RDMD an annual Statement of Gross Receipts audited by an independent CPA.

**Finding No. 20:** Since the Agreements inception on May 23, 2000 and June 4, 2002, PCI has not submitted the required annual audited Statements of Gross Receipts.

**Recommendation No. 20:** We recommend that RDMD require PCI to provide audited Statements of Gross Receipts as required by the Agreements.

**RDMD Response:** Concur. “Outside” auditors (CPAs) are currently in the process of preparing the audited Statement of Gross Receipts for the period of March 1, 2005 through February 28, 2006. Additionally, these reports will be prepared routinely for each subsequent year.

#### **Customer Refusals to Pay Deducted from Gross Receipts**

Clause 9 of the Agreements defines gross receipts as all income collected or required to be collected by PCI whether payment is actually collected or not. The clause also states that “Bad debt losses shall not be deducted from gross receipts.”

If a customer refuses or is unable to pay their parking fee, the exit gate cashier documents the customer’s name, driver’s license number, license plate, and make of car to facilitate collections.

**Finding Nos. 21 and 22:** We reviewed a sample of two days’ non-cash tickets and noted two instances in which a customer refused to pay. For both instances, the customer information was not documented and the gross receipts were not remitted to the County. Because of collectibility and public relation issues, PCI stated that RDMD verbally authorized PCI to deduct customer refusals to pay from gross receipts. For our sample months of July and November 2005, the total amount of customer refusals to pay were \$23 and \$150, respectively.

**Recommendation No. 21:** If RDMD continues to authorize PCI to deduct customer refusals to pay from gross receipts, we recommend that RDMD provide written documentation to PCI of the authorization.

**RDMD Response:** Concur. RDMD will continue to authorize PCI to deduct customer refusals to pay from gross receipts and will provide written documentation to PCI of this authorization by 9/01/06.



**Recommendation No. 22:** If RDMD authorizes this deduction, we also recommend that RDMD require PCI to provide monthly reports of customer failure to pay activity and amounts so that RDMD can monitor.

**RDMD Response:** Concur. RDMD will require PCI to provide monthly reports of customer failures to pay activity and amounts so that RDMD can monitor. RDMD Accounting has requested that PCI utilize the customer information form show below, and attach a completed form to each ticket where the customer refused to pay (see below). This will be implemented by 9/01/06.

CUSTOMER INFO	
DATE	
CUSTOMER NAME	
LICENSE PLATE #	
TICKET #	
TICKET AMOUNT	
APPROVED BY:	
Printed Name:	
Signature:	

#### **Debit Card Report from the McGann Software**

Debit cards can be utilized at the Hall of Administration (HOA) Lot at the request of County Departments. Debit cards are keycards that allow employees making frequent trips to the HOA Lot to use the card rather than submit numerous requests for parking reimbursement.

The debit card feature was added to the McGann software after its initial implementation. A reporting module was added for the debit cards by RDMD. Each quarter, a report of debit card usage activity is generated from the McGann software. This report is used by RDMD to bill parking charges to the County Departments.

**Finding No. 23:** The quarterly report of debit card usage generated from the McGann software contains calculation errors. It is our understanding that the report has had errors since its inception and RDMD is aware of this issue.

As a result of the errors, each quarter RDMD Accounting reviews the report and corrects obvious errors (such as amounts exceeding daily maximum parking rates). As the report can be 40 pages or more, RDMD Accounting does not recalculate every line. Based on our review of this McGann report for the quarter ending December 31, 2005, RDMD reviewed the report and reduced the amount to be billed from \$9,364 to \$7,910.

**Recommendation No. 23:** We recommend that when RDMD updates or replaces the McGann software, the quarterly debit card report should be corrected.



**RDMD Response:** Concur. RDMD is in the process of evaluating parking equipment and software systems to replace the existing system. The ability of the new system to generate adequate reports, such as the Debit Card report, will be a primary consideration when evaluating prospective new systems. Installation of the new parking system is scheduled to begin in December 2006 with the initial installation in the Appellate Court Parking Structure and the Superblock Parking Lot. The balance of the Civic Center parking locations will be outfitted with the new parking system over a phased installation, with an estimated project completion dated of December 2008.

#### **Review and Approval of PCI's Monthly Invoice**

RDMD Parking Administration and RDMD Accounting review and approve PCI's monthly invoices of employee-hours worked. RDMD's review includes recalculation of the invoice for accuracy.

**Finding No. 24:** RDMD Parking Administration informed us that it does not compare PCI's invoice with a written Operating Schedule. This may be partially due to the previously lacking updated written Operating Schedule as described in Finding No. 9 above

**Recommendation No. 24:** We recommend that RDMD Parking Administration compare PCI's invoices to the approved Operating Schedule before authorizing payment.

**RDMD Response:** Concur. RDMD Parking Administration will compare PCI's invoices to the approved Operating Schedule before authorizing payment. This procedure is already being implemented.

#### **Cash Drawers at Parking Facilities**

**Finding No. 25:** We visited six structures/lots and observed cashiers processing ticket transactions and collecting monies. Register drawers were not consistently closed after every transaction at five of six booths observed.

**Recommendation No. 25:** We recommend that RDMD require PCI to remind its cashiers to close the cash register drawer after every transaction.

**RDMD Response:** Concur. It is the policy of PCI to instruct its cashiers to close the cash register drawer after every transaction. This policy has been reemphasized and will continue to be monitored by the PCI Managers.



## **ATTACHMENT A: Report Item Classifications**

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For purposes of reporting our audit observations and recommendations, we have classified audit report items into three distinct categories:

### **Material Weaknesses:**

Audit findings or a combination of Significant Issues that can result in financial liability and exposure to a department/agency and to the County as a whole. Management is expected to immediately address “Material Weaknesses” brought to their attention.

### **Significant Issues:**

Audit findings or a combination of Control Findings that represent a significant deficiency in the design or operation of processes or internal controls. Significant Issues do not present a material exposure throughout the County. They generally will require prompt corrective actions.

### **Control Findings:**

Audit findings that require management’s corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.





**COUNTY OF ORANGE**

**RESOURCES & DEVELOPMENT MANAGEMENT DEPARTMENT**

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**DATE:** September 5, 2006

**TO:** Peter Hughes, Ph.D., CPA, Director  
Internal Audit Department

**FROM:** Bryan Speegle, Director  
Resources & Development Management Department (RDMD)

**SUBJECT:** RDMD Management Responses to Audit No. 2590 Limited Review of Operating Agreements with Parking Concepts, Inc. for Civic Center and Manchester Complex Parking Facilities

RECEIVED  
INTERNAL AUDIT DEPARTMENT  
2006 SEP -6 AM 9:43

In response to your audit of operating agreement gross receipts and payments for Parking Concepts, Inc. (PCI) for the period of March 1, 2005 through February 28, 2006, RDMD Management has prepared the following "Responses" to the Internal Audit Department's "Findings" and "Recommendations".

**Inadequate Records and Recordkeeping for Compensation Paid to PCI**

We found that PCI's records or recordkeeping was inadequate in the areas of scheduled vs. actual hours worked, labor distribution, and time cards as discussed below:

**A. Invoices Based on Scheduled Rather than Actual Hours**

PCI is compensated for its expenses in the operation of the parking facilities based on a fixed rate per employee-hour worked.

**Finding Nos. 1 and 2:** PCI invoices RDMD for scheduled employee-hours worked rather than actual hours worked. Differences in scheduled vs. actual hours could result from backfilling positions for an absent employee or exit lanes closed due to mechanical failure. Examples noted during our review of the PCI invoices for the sample month of July 2005 are:

- **Manchester Avenue Complex:** A Shift Supervisor regularly "covers" three hours of a Clerk's shift in the morning before the Clerk arrives to work. PCI billed RDMD three hours per day for both the Shift Supervisor and Clerk positions because PCI prepares its invoice based on the Operating Schedule which has both positions. For the sample month of July 2005, PCI over billed RDMD for \$776 (21 days x 3 hours x \$12.32 rate).



## ATTACHMENT B: RDMD Management Responses (continued)

- Manchester Avenue Complex: Our review of the July 27, 2005 Daily Master Report noted low ticket counts (28) for lane 2. PCI informed us that lane 2 equipment had mechanical failure and was shut down for part of the day. PCI informed us the cashier processed some tickets manually from customers during peak times which were then recorded in the cash register for lane 1. PCI billed RDMD 14 cashier hours for lane 2, although lane 2 was not open for the full 14 hours.

During our review of gross receipts, we also noted the following:

- Stadium Structure: Lane 9 was closed from November 15, 2005 to November 20 (6 days). However, PCI billed RDMD for the scheduled hours for this lane, amounting to \$850 (6 days x 11.5 hours x \$12.32 rate) over billed.

**Recommendation No. 1:** We recommend that RDMD require PCI to bill the County for actual employee-hours worked in accordance with the Operating Schedule.

**RDMD Response:** Concur. It should be noted that while the events cited in the findings by Internal Audit are correct, lane closures and other unforeseen events do not always result in a reduction of actual hours worked from the scheduled hours. PCI employees are occasionally moved to other locations and assigned other duties as the needs of the parking locations dictate. When there are parking equipment failures, employees may be required to manually collect tickets and payments, or may be moved to a different lane to assist another cashier. This flexibility ensures that the parking patrons can pay for their parking and exit the parking facilities conveniently and expediently. When some parking facilities experience spikes in activity due to large court cases or special events letting out, PCI employees may be temporarily relocated from a different parking facility to assist with this increased activity. When a cashier calls in sick, supervisors sometimes need to fill in until another cashier can be called into work. PCI has stated that their actual hours exceed the hours they bill the County for. RDMD and PCI will institute improved recordkeeping in the way of tracking reassignments of PCI employees and verification of time cards.

PCI will bill the County for actual hours worked in accordance with the Operating Schedule. Employee time cards will reflect actual hours worked per employee, per location. If, due to some unforeseen emergency or circumstance, employees are required to work hours in excess or at locations different than those shown on the Operating Schedule, these changes in hours or location will be referenced in detail via written documentation given to RDMD for substantiation and approval. This will be implemented by 9/01/06.

**Recommendation No. 2:** We also recommend that RDMD require PCI to pay the County \$1,626 (\$776 + \$850) for the over billed amounts identified above.

**RDMD Response:** Concur. PCI agrees to pay the County \$1,626 and RDMD Accounting invoiced PCI on 8/08/06.



**B. Labor Distribution Reports**

PCI rotates employees (exit gate cashiers, shift supervisors, and traffic directors) as necessary among the parking locations to provide coverage in accordance with the Operating Schedule. For example, a shift supervisor may need to backfill for a cashier who is late. Occasionally based on urgent need, employees may be borrowed from or loaned to PCI locations that are not part of the County Agreements.

When employees are permanently scheduled to work for more than one location, the scheduled hours are allocated between locations on PCI's Labor Distribution Reports.

**Finding No. 3:** PCI does not allocate employee labor to multiple locations unless the employee is permanently scheduled to work for multiple locations. Therefore, we could not utilize the Labor Distribution Report to validate PCI's employee-hours by position and location billed to the County. However, we compared total hours billed to RDMD with PCI's Labor Distribution Reports for the sample month of July 2005. We noted that total hours per PCI's Labor Distribution Report (as adjusted for holiday hours and Manager hours) were in excess of the hours billed to RDMD by 160 labor hours for the Civic Center Parking Facilities and 12 labor hours for the Manchester Avenue Complex Parking Facilities.

**Recommendation No. 3:** We recommend that RDMD require PCI to properly allocate actual employee-hours worked among the multiple locations.

**RDMD Response:** Concur. Consistent with our response to Recommendation No. 1, "hours worked" will be properly allocated to the various locations and the hours worked will be detailed on each individual's timecard. Summary reports verifying the allocation of hours worked will be prepared by PCI and given to RDMD on a quarterly basis starting 10/01/06.

**C. Timecards**

PCI's employees utilize time clocks to record hours worked. The hours worked per the timecards are summarized by an on-site PCI Manager and entered on a labor spreadsheet. A PCI Clerk reviews the labor spreadsheet for reasonableness and e-mails the spreadsheet to PCI's corporate office for payroll processing by a third party vendor.

**Finding No. 4:** Our review of PCI's timecards for the sample month of July 2005 noted the following:

- Some timecards provided for July 2005 had May, June and November 2005 date stamps. PCI stated that timecards may have been reused and time clocks may not have been reset.
- Some entries were handwritten.
- Some entries were illegible.
- There was no evidence of supervisory approval of the timecards.



Based on the above, we could not utilize PCI's timecards to validate PCI's employee-hours worked billed to RDMD.

**Recommendation No. 4:** We recommend that RDMD require PCI to properly complete timecards and ensure timecards evidence supervisory approval.

**RDMD Response:** Concur. PCI has replaced all of their time clocks and will properly complete timecards to ensure that timecards evidence supervisory approval by 10/01/06.

**Accuracy of Daily Ticket Reconciliations and Daily Master Reports**

We identified that PCI should more accurately prepare the Daily Ticket Reconciliations and Daily Master Reports, and document reasons for missing tickets on the Daily Master Reports as described below:

**A. Reconciliation of Daily Tickets Issued/Collected**

A key reconciliation performed by PCI for each parking lot is a daily reconciliation between tickets issued and collected and the physical inventory count of cars left in the parking lot overnight (layover inventory). This is an important reconciliation because significant differences in ticket counts could indicate a control weakness and/or lost revenue to the County.

**Finding Nos. 5 and 6:** We reviewed a sample of 12 daily reconciliations between tickets issued/collected and the layover inventory, and identified the following:

- For 9 of the 12 samples, unreconciled differences existed ranging from -5 (more tickets collected than issued) to 78 (more tickets issued than collected). Small unreconciled differences may occur for parking lots that are open less than 24 hours a day because of the potential for after hour's activity. However, 7 of the 9 unreconciled differences were for lots that were open 24 hours a day.
- For 6 of the 12 samples, the current days' beginning inventory of cars did not agree to prior days' ending inventory of cars. The differences between the current day and prior day ranged from -22 to 8. These differences should not exist.

Part of the reason for the above unreconciled differences is because of errors in the current and prior day inventory counts noted above, as well as errors on the Daily Master Report as discussed below in Finding Nos. 7 and 8 below.

**Recommendation No. 5:** We recommend that RDMD establish and communicate to PCI a threshold (maximum allowable amount) of unreconciled differences per lot for PCI's reconciliation of tickets issued/collected with the layover inventory. The threshold should consider whether the lot is open 24 hours a day.



**RDMD Response:** Concur. PCI is in the process of establishing with RDMD a “maximum allowable amount” of unaccounted for tickets (the difference between tickets issued and collected) for each location with consideration given to staffing hours and unique operating characteristics of each location. This will be implemented by 9/01/06.

**Recommendation No. 6:** We also recommend that RDMD require PCI to prepare accurate reconciliations of tickets issued/collected with the layover inventory, and provide documented explanations for any unreconciled differences exceeding the approved thresholds.

**RDMD Response:** Concur. PCI will record this information each day on each location’s Daily Master Report. Since each location has its own operating dynamic and characteristic, acceptable norms of “unaccounted-for tickets” will be established for each location and should actual “unaccounted-for tickets” exceed the daily norm for any particular location, explanations shall be referenced on the subject Daily Master Report prepared for RDMD. This will be implemented by 9/01/06.

**B. Sequential Numbers on Daily Master Reports**

To support the gross receipts collected at each parking lot, PCI submits to RDMD a Daily Master Report (DMR) which summarizes the activity for each parking lot including tickets issued and collected by lane, non-cash transactions (validations, etc.), and monies collected. The DMRs are important because they reconcile transaction activity with monies collected. Additionally, transaction counts from the DMRs are utilized in the reconciliation between tickets issued/collected and the layover inventory as described above in Finding No. 5.

**Finding Nos. 7 and 8:** We reviewed a sample of 12 Daily Master Reports (DMRs) and identified 3 instances in which the sequential numbers listed on the DMRs did not agree to the prior or subsequent DMRs:

- Ticket Numbers: On 7/26/05 at the Manchester Avenue Complex, one ticket dispensing machine ran out of tickets and a new box of tickets was needed. The 7/26/05 ending ticket numbers by lane on the DMR did not agree with 7/27/05 beginning ticket numbers by lane due to clerical errors in accounting for the new box of tickets. Additionally, the reason for the break in ticket sequence numbers (due to the new box of tickets) was not documented on the DMR.
- Ticket Numbers: On 11/15/05 at the Superblock Lot, a beginning ticket number (240084) on the DMR did not agree with the prior day’s ending ticket number (239335), a difference of 749 tickets. Also, documentation for the 11/15/05 beginning ticket number was a preprinted ticket that had been manually changed to 240084. We were informed by PCI that the reason for the discrepancy could be a mechanical failure with the ticket equipment. However, this mechanical failure was not documented on the DMR.
- Transaction Numbers: On 11/21/05 at the Stadium Structure, a beginning cumulative cash register transaction number on the DMR did not agree with the prior day’s ending



number. We were informed by PCI that the reason for the discrepancy could be due to a mechanical failure with the cash register. However, this mechanical failure was not documented on the DMR.

**Recommendation No. 7:** We recommend that RDMD require PCI to clearly document the reason for breaks in sequential numbers (i.e. new boxes of tickets or mechanical failures) on the Daily Master Report to facilitate accounting for beginning and ending sequence numbers.

**RDMD Response:** Concur. RDMD will require PCI to clearly document the reason for breaks in sequential numbers (i.e. new boxes of tickets or mechanical failures) on the Daily Master Report to facilitate accounting for beginning and ending sequence numbers. Any corrections from PCI will be given to RDMD before submittal of the next day's report. This procedure has already been implemented.

**Recommendation No. 8:** We also recommend that RDMD require PCI to ensure the sequential numbers listed on the Daily Master Reports agree with prior and subsequent Daily Master Reports.

**RDMD Response:** Concur. PCI will ensure the sequential numbers listed on the Daily Master Reports agree with prior and subsequent Daily Master Reports. Accounting started verifying the sequential numbers on 7/01/06. This procedure has already been implemented.

**C. Documenting Reasons for Missing Tickets**

Along with the Daily Master Reports, PCI submits all cash and non-cash parking tickets collected to the County.

**Finding No. 9:** During our review of 12 Daily Master Reports (DMR) and supporting tickets, we noted several instances in which the number of non-cash tickets submitted to the County did not agree with the DMR. This could be due to tickets inadvertently lost or destroyed. However, it also appears in some instances that the number of tickets listed on the DMR were incorrect.

For example, on November 14, 2005 for the Stadium Structure, the DMR listed 125 voids but only 8 void tickets were submitted to the County. The amount of 125 voids appears unusually large and may have resulted from a mechanical failure; however, reasons for the excessive voids and/or missing tickets was not documented on the DMR.

**Recommendation No. 9:** We recommend that RDMD require PCI to document reasons for unusual amounts of non-cash transactions and missing tickets on the Daily Master Reports.

**RDMD Response:** Concur. RDMD will require PCI to document reasons for unusual amounts of non-cash transactions and missing tickets on the Daily Master Reports. This procedure has already been implemented.



**Maintaining, Updating, and Monitoring of the Operating Schedule**

We identified suggestions for improvement in the areas of maintaining an updated Operating Schedule, written approval of changes to the Operating Schedule, and monitoring appropriateness of the Operating Schedule.

The Operating Schedule lists the hours of operation for each structure/lot and exit lane, and the staffing levels (number of positions, position type, hours worked by position, etc.) for each lot/structure and each exit lane. The Operating Schedule is important because it directly impacts the amount of parking revenue remitted to the County and payments made to PCI. It also facilitates RDMD's review of PCI's monthly invoices.

**A. Maintaining Updated Operating Schedule**

Clause 6 of the Agreements state that the parking facilities are to be operated in accordance with a schedule established by RDMD. PCI shall operate neither more nor fewer employee-hours than those contained in the established schedule without prior written approval by RDMD.

**Finding No. 10:** When we started our review in January 2006, RDMD and PCI did not have a formal written Operating Schedule for the parking lots. It is our understanding that a current approved written schedule had not existed for a few years. Only informal schedules existed.

In February 2006, PCI prepared an updated written Operating Schedule for the Civic Center Parking Facilities and Manchester Avenue Complex Parking Facilities. On February 23, 2006, the updated Operating Schedule was approved in writing by RDMD.

**Recommendation No. 10:** We recommend that RDMD maintain an updated formal written Operating Schedule.

**RDMD Response:** Concur. This has already been implemented and accordingly, we are presently operating under a formal written Operating Schedule. Any exceptions to the Operating Schedule will be pre-approved in writing by RDMD staff and duly noted on employee timecards. Copies of any past and current Operating Schedules will be kept on file in the RDMD Parking Administration offices.

**B. Written Approval of Changes to the Operating Schedule**

Clause 13 of the Agreements requires RDMD to approve the Operating Schedule and any subsequent changes in writing.

**Finding No. 11:** RDMD does not consistently approve changes to the Operating Schedule in writing. We reviewed several memos, letters, and emails between PCI and RDMD for some



changes to the Operating Schedule. However, we could not find written approval for several other changes such as the examples below. We were informed by RDMD and PCI that the below changes were approved verbally.

- Manchester Avenue Complex: On June 5, 2003, RDMD provided PCI written temporary approval (a two week trial basis) to extend the operating hours of the Manchester Avenue Complex to be open 24 hours per day, 7 days per week (24/7). During this trial period, PCI was to provide RDMD with weekly status reports of the increased revenue and expenses. This change to 24/7 was made final. However, RDMD or PCI did not have any documentation available of the analysis of increased revenues and expenditures or the final approval to continue with the 24/7 operating schedule. When this Agreement was amended on January 11, 2005, the change to 24/7 was not reflected in the amendment.
- Superblock Lot: On September 18, 2000, RDMD approved an increase of six operating hours per day for lane 36 at the Superblock Lot due to a temporary closure of lane 35 during construction. Operating hours for lane 36 were changed to 7:00 a.m. to 12:00 a.m. effective November 1, 2000. Our review of PCI's July 2005 invoice to RDMD noted that the change in hours for lane 36 is still in place and had increased by ½ hour to 12:30 a.m. RDMD or PCI did not have any documentation available for the approval to make the temporary change a permanent change.
- Courthouse Structure: On March 3, 2005, PCI submitted an e-mail to RDMD requesting a change in operating hours for the Courthouse Structure to open one booth at 8:00 a.m. and to add a supervisor from 8:00 a.m. to 7:30 p.m. (11.5 hours for the supervisor). This change was made but RDMD or PCI did not have documentation for approving the change. Our review of PCI's July 2005 invoice to RDMD noted that PCI billed 15.5 hours per day (Monday - Friday) for the supervisor. This amounts to \$1,706 (80 hours x \$21.32) more than PCI's original request for the month.
- Superblock Lot: On February 25, 2002, RDMD provided PCI written authorization to begin operating the Superblock Lot on Saturdays with one cashier. However, the hours of operation for Saturdays were not specified. Our review of PCI's July 2005 invoice to RDMD noted that PCI billed for one approved cashier on 2 of 5 Saturdays, but billed for two cashiers (two booths open) on 3 of 5 Saturdays.
- Twin Towers Structure: On May 15, 2002, RDMD provided PCI written temporary approval to extend the operating hours of the Twin Towers Structure to be open 24 hours per day, 7 days a week (24/7) for a one month trial period. At the end of the trial month, analysis was to be performed to determine whether the increased hours should continue. This change to 24/7 was made final. However, RDMD or PCI did not have any documentation available of the analysis or the final approval to continue with the 24/7 operating schedule.

**Recommendation No. 11:** We recommend that RDMD approve in writing all changes to the Operating Schedule.



**RDMD Response:** Concur. RDMD will approve in writing all changes to the Operating Schedule copies of which will be maintained in the RDMD Parking Offices. This procedure has already been implemented.

**C. Monitoring of Operating Schedule**

RDMD is responsible for reviewing and monitoring PCI's operation of the parking facilities. Review of parking statistics is a good business practice to ensure ongoing cost effectiveness of the parking facilities.

PCI prepares and submits to RDMD a Daily Master Report (DMR) for each parking structure/lot. The DMRs contain information such as tickets issued and collected by lane and revenue collected by lane. Additionally, an Entry/Exit Time Report can be generated for each parking structure/lot from the McGann system. The Entry/Exit Time Report provides the total number of entry and exit vehicles in hourly intervals.

Both the DMRs and the Entry/Exit Time Report can assist RDMD in evaluating utilization and optimal Operating Schedule for the parking facilities.

**Finding No. 12:** RDMD informed us that it does not perform a regular review of utilization reports and parking statistics to ensure the current Operating Schedule is reasonable. RDMD appears to rely primarily on PCI's expertise to suggest optimal operating hours and staffing levels.

Our review of the Entry/Exit Time Report for the sample month of July 2005 noted:

- Hall of Administration Lot: Two cars exited the lot between 9:00 p.m. and 12:30 a.m. for the month of July 2005. RDMD paid \$862 (20 days x 3.5 hours x \$12.32 rate) for the cashier during those hours. The maximum daily rate for the lot is \$15.
- Manchester Avenue Complex: The cashier on duty between 12:00 a.m. and 6:00 a.m. (6 hours) daily processed an average of 5 parking tickets per shift for the month. RDMD paid PCI \$2,898 (31 days x 6 hours x \$15.58 rate) for the cashier during those hours for the month. The maximum daily rate for the lot is \$12.
- Twin Towers Structure: The cashier on duty between 12:00 a.m. and 6:00 a.m. (6 hours daily) processed an average of 8 parking tickets per shift for the month. RDMD paid PCI \$2,292 (31 days x 6 hours x \$12.32 rate) for the cashier during those hours for the month. The maximum daily rate for the lot is \$15.

Our review of the Daily Master Report for the sample day of July 27, 2005 noted the following:

- Superblock Lot: Lane 32 (open 9:30 a.m. to 6:00 p.m.) collected 48 tickets, which is less than other lanes open at this location for approximately the same hours. For example, lane 35 (open 10:00 a.m. to 6:00 p.m.) collected 515 tickets. We were informed by PCI



that from 6:30 a.m. to 9:30 a.m., lane 32 is used as an entrance lane to the lot. Therefore, customers may misinterpret this lane as an entrance lane and not use it as an exit lane.

- Stadium Structure: Lane 2 (open 9 a.m. to 6 p.m.) collected 79 tickets, which is less than other lanes open at this location. For example, lane 1 (open 24/7) collected 617 tickets. We were informed by PCI that signage at the structure may be misinterpreted by customers and the customers (many jurors) may assume that lane 2 is only for public customers. We observed the signage and noted that it could be misinterpreted. However, we observed two other exit lanes (8 and 9) at this location that have the same signage. Lane 8 (open 10 a.m. to 6 p.m.) collected 227 tickets and lane 9 (open 8 a.m. to 8 p.m.) collected 241 tickets.
- Manchester Avenue Complex: Lane 2 (open 8 a.m. to 10 p.m.) collected 28 tickets, which is less than other lanes open at this location. According to PCI, there were equipment malfunctions for this lane which resulted in low ticket counts. However, the equipment problems were not documented on the Daily Master Report. See also Finding No. 8 above.

RDMD informed us that the operating schedules for the Twin Towers Structure and Manchester Avenue Complex were increased to 24 hours a day, 7 days a week to deter after hours graffiti and other misuse. Utilization or cost effectiveness was not the primary consideration.

However, by letter dated February 1, 2006, RDMD informed PCI that its costs for the first half of fiscal year 2005-06 were higher than anticipated. RDMD asked PCI to reduce its costs for the remainder of the fiscal year by about \$146,000. PCI prepared and on February 23, 2006, RDMD approved a revised Operating Schedule to reduce costs.

We compared PCI's revised Operating Schedule as of February 2006 with the sample month of July 2005, and noted the following significant changes. Some changes appear to correspond with utilization issues discussed above.

- Twin Towers Structure: The 24/7 operating schedule was reduced. The structure is now open 6:00 a.m. to 10:30 p.m. The reduction in operating hours is more in line with parking utilization as noted above.
- Hall of Administration Lot: Operating hours decreased from closing at 12:30 a.m. to 7:30 p.m. The reduction in operating hours is more in line with parking utilization noted above.
- Stadium Structure: Supervisor hours increased from 16 hours per day (Mon-Fri) to 24 hours a day. This supervisor will now oversee both the Stadium and Superblock Locations.
- Superblock Lot: One supervisor position and one traffic director position were eliminated reducing 8.5 and 4 hours per day, respectively.



- Manchester Avenue Complex: One exit lane was closed Saturday and Sunday (16 hours for the weekend). Two visitor traffic director positions were eliminated. Two supervisor positions were eliminated resulting in a decrease of 16 hours per day (Saturday and Sunday).

To summarize, periodic reviews of parking utilization and statistical reports are helpful to ensure the optimal Operating Schedule.

**Recommendation No. 12:** We recommend that RDMD perform regular documented reviews of parking utilization and statistical reports (such as the Daily Master Reports and Entry/Exit Time Reports) to ensure cost effectiveness and reasonableness of the Operating Schedule.

**RDMD Response:** Concur. RDMD will perform regular documented reviews of parking utilization and statistical reports and maintain these reports in the RDMD Parking Administration offices. It is reemphasized, however, that occasionally schedules are implemented based on reasons and objectives other than simple cost considerations. This procedure has already been implemented.

### **Keycards**

We identified suggestions for improvement in the areas of performing keycard reconciliations, documenting keycards authorized, documenting key cards activated, segregation of duties for individual keycard payments, and timely deposit of keycard payments.

#### **A. Keycard Reconciliations**

The Stadium Structure, Twin Towers Structure, Courthouse Structure, County (IRC) Lot, and the Manchester Avenue Complex can be accessed using keycards. The keycards are issued to employers (such as County Departments, Courts, City of Santa Ana, UCI, etc.) and individuals from the general public. RDMD processes monthly payments from employers and PCI collects monthly payments from individuals. RDMD authorizes the total number of keycards for each employer, as well as the total number of individual monthly keycards that PCI can issue for each lot/structure.

**Finding No. 13:** PCI does not perform periodic reconciliations of keycards authorized vs. activated.

The lack of adequate keycard reconciliations is partially due to the inadequate documentation for authorized keycards as described below in Finding No. 13 and activated keycards as described below in Finding No. 15.

**Recommendation No. 13:** We recommend that RDMD require PCI to perform and retain documentation of periodic reconciliations between keycards authorized and activated.

**RDMD Response:** Concur. To the extent that the access control equipment is capable and functional, PCI will perform and retain documentation of periodic reconciliations between



keycards authorized and activated, and will provide RDMD with copies of these reports on a quarterly basis. This will be implemented by 10/01/06.

**B. Documentation for Key Cards Authorized**

**Finding Nos. 14 and 15:** RDMD does not maintain an updated master list of the number of keycards authorized for each employer and the monthly keycards issued to individuals for each lot/structure. Changes to the amount of keycards are authorized by RDMD on a case by case basis. Documentation for authorizations can be verbal, by e-mail, or by memo. Because many of the authorizations appear to be made verbally, we could not verify the number of keycards activated vs. authorized.

One example is UCI has a written agreement with the County for 425 keycards at the Manchester Avenue Complex. We noted that an additional 42 keycards were activated and provided to UCI, but there was no documentation of the authorization. We were informed the additional keycards were verbally approved by RDMD in anticipation of a new agreement with UCI.

**Recommendation No. 14:** We recommend that RDMD prepare a current master list of the number of keycards authorized for each employer/department and for the monthly keycards issued by PCI.

**RDMD Response:** Concur. RDMD is currently in the process of updating the keycard lists for the purpose of preparing a current master list of keycards. RDMD will work with PCI in establishing the master list. Updating the keycard lists to create a master list is a very time intensive process and every effort will be made to ensure that this is completed by 10/01/06.

**Recommendation No. 15:** We also recommend that any future changes to keycards authorized be documented in writing and the master list updated.

**RDMD Response:** Concur. PCI will provide copies of the updated master list on a quarterly basis to RDMD Parking Administration and RDMD Accounting. Copies of master list updates will be maintained in the RDMD Parking Administration offices. This will go into effect by 10/01/06.

**C. Documentation for Keycards Activated**

When the McGann software was implemented, it is our understanding that an inventory of 12,000 keycards existed. Each keycard has a sequential number. PCI utilizes the McGann software to account for activated keycards as well as lost or damaged keycards. The person's name, keycard number, and account code is entered in the McGann software. The account code represents the applicable employer/department that will be billed by RDMD for the keycards. Each lot/structure has its own account code for monthly keycards purchased by the general public. Each lot/structure is assigned a range of keycards.



**Finding Nos. 16 and 17:** PCI was only able to generate limited reports from the McGann software for key cards activated. For example:

- PCI was unable to generate a summary report of the total amount of keycards activated for each structure/lot.
- For the Stadium Structure, Courthouse Structure, and the Manchester Avenue Complex, PCI could not generate a detailed report of keycards by sequential number, only by employer/account code.
- For the Twin Towers Structure, PCI did generate a detailed report of keycards by sequential number. However, there were numerous gaps in the numerical sequences. There was no documentation available to explain the gaps.

Also, PCI also did not have a written documentation of the range of keycard numbers assigned to each structure/lot and the unused keycard inventory. As a result, we could not verify the number of keycards activated vs. authorized.

**Recommendation No. 16:** We recommend that RDMD and PCI work with the software vendor to determine which reports can be generated from the McGann software for keycards activated.

**RDMD Response:** Concur. PCI is already in the process of scheduling a meeting with the software vendor to determine which reports can be generated. RDMD Parking Administration and RDMD Accounting will be included in this training. This will be implemented by 9/01/06.

**Recommendation No. 17:** We also recommend that RDMD require PCI to perform a periodic accounting of the number of keycards allocated to each structure/lot, the number of keycards activated, and the number of keycards remaining in inventory.

**RDMD Response:** Concur. The ability to generate this report is subject to the access control system and related software being able to generate this information. If it is possible for the McGann software to generate this information, PCI will generate this report by 9/15/06 and give copies to RDMD. PCI will update this report and give copies to RDMD on a quarterly basis.

**D. Segregation of Duties for Keycard Payments**

Monthly keycards are available for purchase by individuals at the Twin Towers Structure, Stadium Structure, Courthouse Structure (purchased at Stadium Structure), and the Manchester Avenue Complex. When the card is activated, customers pay PCI for the first month and an activation fee.

**Finding No. 18:** Cash handling duties for individual keycard purchases are not adequately segregated. Responsible PCI staff receive the monthly payments, prepare deposits, and



update customer payment records (activate keycards) in the McGann software.

PCI stated that due to staffing limitations, further segregation of duties is not possible. As a mitigating detective control, a monthly reconciliation of individual monthly keycards activated vs. monies collected is performed by PCI. However, this reconciliation is not performed or reviewed by an independent person.

**Recommendation No. 18:** We recommend that RDMD require PCI to have an independent person perform or review the reconciliation of individual monthly keycards activated with monies collected.

**RDMD Response:** Concur. RDMD will require PCI to have an independent person perform or review the reconciliation of individual monthly keycards activated with monies collected. This procedure is presently in place.

**E. Timely Deposit of Keycard Payments**

Clause 10.A of the Agreements requires PCI to deposit cash receipts by the following business day. PCI generally receives payments from individuals for monthly keycards between the middle and last day of the month.

**Finding No. 19:** PCI does not deposit cash receipts for monthly keycard payments by the following business day. For example, monthly keycard payments received at the Twin Towers Structure between February 22, 2006 and March 2, 2006 were deposited on March 9, 2006. According to PCI, deposits for monthly keycards are made when a significant number of checks are accumulated. Awaiting deposit, the monies are kept in a locked safe.

**Recommendation No. 19:** We recommend that RDMD require PCI to deposit monthly keycard cash receipts by the next business day.

**RDMD Response:** Concur. PCI will deposit the monthly keycard cash receipts by the next business day. This procedure has already been implemented.

**Audited Statement of Gross Receipts**

Clause 12.C of the Agreements requires PCI, at its own expense, to submit to RDMD an annual Statement of Gross Receipts audited by an independent CPA.

**Finding No. 20:** Since the Agreements inception on May 23, 2000 and June 4, 2002, PCI has not submitted the required annual audited Statements of Gross Receipts.

**Recommendation No. 20:** We recommend that RDMD require PCI to provide audited Statements of Gross Receipts as required by the Agreements.

**RDMD Response:** Concur. "Outside" auditors (CPAs) are currently in the process of preparing the audited Statement of Gross Receipts for the period of March 1, 2005 through February 28, 2006. Additionally, these reports will be prepared routinely for each subsequent year.



**Customer Refusals to Pay Deducted from Gross Receipts**

Clause 9 of the Agreements defines gross receipts as all income collected or required to be collected by PCI whether payment is actually collected or not. The clause also states that "Bad debt losses shall not be deducted from gross receipts."

If a customer refuses or is unable to pay their parking fee, the exit gate cashier documents the customer's name, driver's license number, license plate, and make of car to facilitate collections.

**Finding Nos. 21 and 22:** We reviewed a sample of two days' non-cash tickets and noted two instances in which a customer refused to pay. For both instances, the customer information was not documented and the gross receipts were not remitted to the County. Because of collectibility and public relation issues, PCI stated that RDMD verbally authorized PCI to deduct customer refusals to pay from gross receipts. For our sample months of July and November 2005, the total amount of customer refusals to pay were \$23 and \$150, respectively.

**Recommendation No. 21:** If RDMD continues to authorize PCI to deduct customer refusals to pay from gross receipts, we recommend that RDMD provide written documentation to PCI of the authorization.

**RDMD Response:** Concur. RDMD will continue to authorize PCI to deduct customer refusals to pay from gross receipts and will provide written documentation to PCI of this authorization by 9/01/06.

**Recommendation No. 22:** If RDMD authorizes this deduction, we also recommend that RDMD require PCI to provide monthly reports of customer failure to pay activity and amounts so that RDMD can monitor.

**RDMD Response:** Concur. RDMD will require PCI to provide monthly reports of customer failures to pay activity and amounts so that RDMD can monitor. RDMD Accounting has requested that PCI utilize the customer information form shown below, and attach a completed form to each ticket where the customer refused to pay (see below). This will be implemented by 9/01/06.

CUSTOMER INFO	
DATE	
CUSTOMER NAME	
LICENSE PLATE #	
TICKET #	
TICKET AMOUNT	
APPROVED BY:	
Printed Name:	
Signature:	



**Debit Card Report from the McGann Software**

Debit Cards can be utilized at the Hall of Administration (HOA) Lot at the request of County Departments. Debit Cards are keycards that allow employees making frequent trips to the HOA Lot to use the card rather than submit numerous requests for parking reimbursement.

The Debit Card feature was added to the McGann software after its initial implementation. A reporting module was added for the Debit Cards by RDMD. Each quarter, a report of Debit Card usage activity is generated from the McGann software. This report is used by RDMD to bill parking charges to the County Departments.

**Finding No. 23:** The quarterly report of Debit Card usage generated from the McGann software contains calculation errors. It is our understanding that the report has had errors since its inception and RDMD is aware of this issue.

As a result of the errors, each quarter RDMD Accounting reviews the report and corrects obvious errors (such as amounts exceeding daily maximum parking rates). As the report can be 40 pages or more, RDMD Accounting does not recalculate every line. Based on our review of the McGann report for the quarter ending December 31, 2005, RDMD reviewed the report and reduced the amount to be billed from \$9,364 to \$7,910.

**Recommendation No. 23:** We recommend that when RDMD updates or replaces the McGann software, the quarterly debit card report should be corrected.

**RDMD Response:** Concur. RDMD is in the process of evaluating parking equipment and software systems to replace the existing system. The ability of the new system to generate adequate reports, such as the Debit Card report, will be a primary consideration when evaluating prospective new systems. Installation of the new parking system is scheduled to begin in December 2006 with the initial installation in the Appellate Court Parking Structure and the Superblock Parking Lot. The balance of the Civic Center parking locations will be outfitted with the new parking system over a phased installation, with an estimated project completion dated of December 2008.

**Review and Approval of PCI's Monthly Invoice**

RDMD Parking Administration and RDMD Accounting review and approve PCI's monthly invoices of employee hours worked. RDMD's review includes recalculation of the invoice for accuracy.

**Finding No. 24:** RDMD Parking Administration informed us that it does not compare PCI's invoice with a written Operating Schedule. This may be partially due to the previously lacking updated written Operating Schedule as described in Finding No. 9 above

**Recommendation No. 24:** We recommend that RDMD Parking Administration compare PCI's invoices to the approved Operating Schedule before authorizing payment.



**RDMD Response:** Concur. RDMD Parking Administration will compare PCI's invoices to the approved Operating Schedule before authorizing payment. This procedure is already being implemented.

**Cash Drawers at Parking Facilities**

**Finding No. 25:** We visited six structures/lots and observed cashiers processing ticket transactions and collecting monies. Register drawers were not consistently closed after every transaction at five of six booths observed.

**Recommendation No. 25:** We recommend that RDMD require PCI to remind its cashiers to close the cash register drawer after every transaction.

**RDMD Response:** Concur. It is the policy of PCI to instruct its cashiers to close the cash register drawer after every transaction. This policy has been reemphasized and will continue to be monitored by the PCI Managers.

Should you have any questions regarding the RDMD Responses to Internal Audit's Recommendation, or require additional information on these items, please contact Debra Lakin, Chief, RDMD Central Quality Assurance at (714) 834-5593. Thank you.

Sincerely,



Bryan Speegle, Director

CC: Thomas G. Mauk, County Executive Officer  
Dave Rudat, Acting Deputy County Executive Officer  
Bob Wilson, Director, RDMD Internal Services  
Tony Ferrulli, Manager, DMD Internal Services/Asset Management  
Peter Warren, Parking Administrator, RDMD Internal Services/Asset Management  
Steve Danley, Director, RDMD Administration  
Mary Fitzgerald, Manager RDMD Accounting Services  
Betsy Estrada, Chief, RDMD Accounting Services/External Claims/HB&P Programs  
Debra Lakin, Chief, RDMD Central Quality Assurance  
Eli Littner, Deputy Director, Internal Audit  
Autumn McKinney, Audit Manager, Internal Audit  
Toni Smart, Senior Auditor, Internal Audit  
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