



CITY OF SAN ANTONIO

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July 9, 2020

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SUBJECT: Follow-up Audit Report of City Center Development Office Downtown Parking Operations

Mayor and Council Members:

We are pleased to send you the final report of the City Center Development Office Downtown Parking Operations Follow-Up Audit. This audit began in May 2019 and concluded with an exit meeting with department management in March 2020. Management's verbatim response is included in Appendix C of the report. The Center City Development Office Department management and staff should be commended for their cooperation and assistance during this audit.

The Office of the City Auditor is available to discuss this report with you individually at your convenience.

Respectfully Submitted,

Kevin W. Barthold, CPA, CIA, CISA
City Auditor
City of San Antonio

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CITY OF SAN ANTONIO
OFFICE OF THE CITY AUDITOR



Follow-Up Audit of Center City Development Office

Downtown Parking Operations

Project No. AU19-F03

July 9, 2020

Kevin W. Barthold, CPA, CIA, CISA
City Auditor

Executive Summary

As part of our annual Audit Plan approved by City Council, we conducted a follow-up audit of the recommendations made in the Center for City Development Office (CCDO) Parking Operations dated March 1, 2018. The objective for this follow-up audit is:

Determine if downtown parking operations are managed in accordance with ordinances and policies, and parking operation collections and revenue recognition are adequate.

We determined that CCDO has made significant progress implementing management action plans to address prior audit recommendations; however, the action plan for one of the six areas identified for improvement was only partially implemented and we recommend it be fully implemented.

Table 1: Recommendation Status Summary

Recommendation Status	Number of Recommendations
Implemented	5
Partially Implemented	1
Not Implemented	0
Total Recommendations Reviewed	6

CCDO has implemented the following recommendations:

Parking management has made significant efforts to improve vendor monitoring over the HUB and Parkeon agreements by establishing Contract Administrative Plans (CAPs) and designating a contract administrator to monitor significant contractual terms. Furthermore, Parking management has created new guidelines for the treatment of magnetic cards and implemented compensating controls to ensure timely deactivated of magnetic cards. Parking management has also implemented policies and procedures for the monitoring of the OMNI hotel contractual agreement. Moreover, reconciliations over Parking revenue sources are performed and approved on a periodic basis. Finally, decal applications we reviewed indicate the implementation of application approvals.

Parking management has created new guidelines over the issuance of validation tickets. However, the newly implemented guidelines do not include reconciliation requirements or address tracking of costs associated with no charge validations. In order to enhance the current guidelines, Parking management should:

- Create and implement a process to reconcile the issued tickets log to the validation encoder program and investigate discrepancies.
- Track costs associated with no charge validation tickets.

CCDO Management agreed with the audit results and has developed positive action plans to address them. Management's verbatim response is in Appendix C on page 10.

Table of Contents

Executive Summary	i
Background.....	1
Audit Scope and Methodology	2
Prior Audit Recommendations and Status	3
A. Vendor Contract Monitoring	3
B. Validation Ticket Control Deficiencies.....	3
C. MAG Card Operational Control Deficiencies	4
D. Contract Compliance	5
E. Revenue Account Reconciliations	6
F. Parking Decal Controls	6
Appendix A – Recommendation Status Summary	8
Appendix B – Staff Acknowledgement.....	9
Appendix C – Management Response	10

Background

On March 1, 2018, the Office of the City Auditor completed an audit of the CCDO Parking Operations. The objective of the audit was as follows:

Determine if downtown parking operations are managed in accordance with ordinances and policies, and parking operation collections and revenue recognition are adequate.

The Office of the City Auditor concluded that Downtown Parking Operations (Parking) was not managed in accordance with internal policies and procedures. Specifically, we identified the following internal control issues.

- Parking equipment vendor contracts were not adequately monitored. Policies and procedures to monitor vendor maintenance issues were not effective.
- Authorization and issuance of validation tickets and MAG cards were not adequately controlled and managed.
- Contract terms regarding allotted spaces were not monitored for a hotel licensee.
- Adequate reconciliations were not performed for parking revenue accounts.
- Existing procedures for documentation of issuance of parking decals were not consistently followed.

CCDO management agreed with the conclusions and developed action plans to address the audit recommendations.

Audit Scope and Methodology

The audit scope was limited to the recommendations and corrective action plans made in the original report for the time frame of October 2017 to June 2019.

We interviewed CCDO Parking personnel to gain an understanding of newly implemented controls and processes related to Downtown Parking operations. Testing criteria included the City Administrative Directives, CCDO Parking operations Standard Operating Procedures, and CCDO Parking agreements.

Our direct testing included reviewing contract monitoring processes and procedures for the OMNI hotel, Parkeon and HUB agreements. We also reviewed procedures surrounding the monitoring of equipment service tickets submitted, validation tickets issued, magnetic parking (MAG¹) cards issued, parking decals issued, and performance of revenue reconciliations.

We relied on computer-processed data in SAP, WebPARCs², Parkfolio³, and ADAPT⁴ systems. Our reliance was based on performing direct tests on the data rather than evaluating the system's general and application controls. Our direct testing included comparing transactional data between systems to determine accuracy and performance. We do not believe that the absence of testing general and application controls had an effect on the results of our audit.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ MAG card is an electronic card which allows customers to access City owned parking facilities.

² WebPARCs is an application reporting system that reports garage revenue, through the use of PARCs reports.

³ Parkfolio is a system application used to monitor revenue of street pay stations, through the use of SmartFolio reports.

⁴ ADAPT is the system application for MAG Cards.

Prior Audit Recommendations and Status

A. Vendor Contract Monitoring

Prior Recommendation:

The Director of CCDO should ensure sufficient vendor monitoring efforts are established and implemented to ensure vendors are performing expected services.

Status: Implemented

Parking management has made significant efforts to improve vendor monitoring over the HUB and Parkeon agreements. We noted that Parking management has established Contract Administrative Plans (CAPs) and designated a contract administrator to monitor significant contractual terms. We found that the number of open service tickets has decreased from 68 to 30, a difference of 56% from the previous audit.

Recommendations

None.

B. Validation Ticket Control Deficiencies

Prior Recommendation:

The Director of CCDO ensures Parking staff develop sufficient procedures and follows existing procedures for the issuance and proper approval of validation tickets.

Status: Partially Implemented

Parking management has created new guidelines over issuance of validation tickets in *Policy and Procedures for Issuing, Billing and Collecting Revenue on Parking Validation*, effective February 2019. However, the newly implemented guidelines are insufficient to ensure proper controls over the issuance of validation tickets. Specifically, the procedures do not include reconciliation requirements or address tracking of costs associated with no charge validations.

B1. Electronic Activity Logs

We reviewed the new guidelines over the issuance of validation tickets and found that current practices do not include the review and reconciliation between the

electronic activity logs produced by the encoder machine and Parking staff records. Best practices include the review and reconciliation of electronic records as they are less susceptible to human error and manipulation. A lack of periodic review of the electronic records creates an opportunity for individuals with access to the encoder machine to run validation tickets, creating monetary instruments, with little detection from operations management and no record of the financial transaction. Furthermore, at the time of our observation, we noted that electronic activity logs produced by the validations program include the time the batch was initiated, the number of validations in the batch, the type of validation produced, but do not indicate the individual who ran the batch. Information on the individual who ran the validation batch can only be determined by manual records maintained by the Parking staff.

B2. Issuance of No Charge Validations

During our review of validation tickets issued between March 2019 and May 2019, we noted that 3,036 tickets associated with various internal departments were issued at no charge. Per the CCDO Standard Operating Procedure named *Issuing, Billing, and Collecting Revenue on Parking Validations* effective February 2019, "CCDO management may provide validations at no charge on a case by case basis to, but not limited to the following groups: municipal court jurors, COSA sponsored events and City Manager or designee approved situations". The issuance of validation tickets at no charge to clients includes an associated cost to the Parking department that is not allocated to the corresponding program or service provided. The 3,036 validation tickets issued during the three month period represented unrecorded costs ranging from \$4 to \$10 per ticket. Improved cost allocation may increase transparency and allow for more accurate budget forecasts for future programs and services provided by the City.

Recommendations

Parking management should:

1. Create and implement a process to reconcile the issued tickets log to the validation encoder program and investigate discrepancies.
2. Track costs associated with no charge validation tickets.

C. MAG Card Operational Control Deficiencies

Prior Recommendation:

The Director of CCDO ensures:

Parking is adhering to existing procedures for the issuance of MAG card transactions and collection of fees. In addition, establish procedures and controls for the issuance of MAG cards when a fee is not applicable and for unique circumstances related to City business. Also, ensure Parking is executing and documenting the semi-annual reconciliation of MAG cards with the ADAPT system.

Status: Implemented

Parking management has created new guidelines for the treatment of magnetic cards in *Policy and Procedures for Issuance, Billing, Collection, and Safeguarding of Magnetic Cards*, effective February 2019. We selected 30 newly issued magnetic cards between October 2018 and June 2019. We reviewed supporting documents to ensure applications, requisitions, and release forms were completed and on file for each selection. We obtained evidence of sufficient documentation over applications, requisitions, and release forms for each of our selections, noting no significant exceptions.

C1. Semi-Annual Reconciliations

Parking management has created policies and procedures over the issuance, billing, collection, and safeguarding of magnetic cards effective February 2019 which includes the performance of semi-annual reconciliations between ADAPT reports and the records kept by senior office assistants for each garage. This process is to ensure that inactive magnetic cards are deactivated. We found that the reconciliations are not completed because ADAPT reports are dynamic, making reconciliations to one point in time difficult when customer data is updated in real-time.

However, Parking management has implemented a monthly key-out process, acting as a compensating control to ensure unpaid magnetic cards are deactivated on a timely basis. To identify possible delinquent magnetic card holders with active cards, we ran an accounts receivable report on September 2019 and noted no delinquent customers over 30 days.

Recommendations

None.

D. Contract Compliance

Prior Recommendation:

The Director of CCDO develops controls and monitoring procedures to ensure adherence to contractual terms.

Status: Implemented

Parking management has implemented policies and procedures for the monitoring of contractual agreements. Parking management has designated a Contract Officer to oversee the contract administrative plan for the OMNI hotel agreement.

We reviewed the monitoring of adequate insurance coverage and significant contractual terms, and deemed the procedures reasonable.

Recommendations

None.

E. Revenue Account Reconciliations

Prior Recommendation:

The Director of Finance ensures reconciliations for all Parking revenue sources are performed and approved on a monthly basis.

Status: Implemented

Parking management has made significant efforts to improve revenue account reconciliations since the prior audit. We reviewed supporting documents for the following Parking revenue accounts: Flat Rate, Meter Collection, and Lease Rental. Additionally, we also reviewed supporting documents for revenue collected with the use of hand-held cash devices. The performance of reconciliations for Flat Rate, Meter Collection, Lease Revenue, and Hand-held cash collections was also reviewed and was deemed reasonable.

Recommendations

None.

F. Parking Decal Controls

Prior Recommendation:

The Director of CCDO ensure policies and procedures are followed and provide periodic training as needed to ensure adherence to department policies and procedures.

Status: Implemented

We obtained supporting documents for 30 decals issued between March 2018 and June 2019 and reviewed the completed applications, approvals, receipts issued, and payments received. No significant exceptions were noted.

We also reviewed physical access controls to secure rooms used for cash counting and inventory of cash equivalents. We obtained a list of individuals with badge access rights to secure rooms used for cash counting and storage of cash

equivalent inventory from ITSD. We found that four (4) individuals have badge access rights to the Fiscal Secured Storage location where a high volume of cash equivalents are stored when their role does not require access. Parking management was unaware of the inappropriate badge access rights of certain employees because badge access rights were not tested on the first day of employment. Inappropriate badge access rights to rooms with cash equivalent inventory increases the risk of misappropriation of assets. On discovery, Parking management immediately moved to correct the badge access rights.

Recommendations

None.

Appendix A – Recommendation Status Summary

No.	Original Report Recommendation	Current Status
1	The Director of CCDO should ensure sufficient vendor monitoring efforts are established and implemented to ensure vendors are performing expected services.	Implemented
2	The Director of CCDO ensures Parking staff develop sufficient procedures and follows existing procedures for the issuance and proper approval of validation tickets.	Partially Implemented
3	The Director of CCDO ensure: Parking is adhering to existing procedures for the issuance of MAG card transactions and collection of fees. In addition, establish procedures and controls for the issuance of MAG cards when a fee is not applicable and for unique circumstances related to City business. Also, ensure Parking is executing and documenting the semi-annual reconciliation of MAG cards with the ADAPT system.	Implemented
4	The Director of CCDO develops controls and monitoring procedures to ensure adherence to contractual terms.	Implemented
5	The Director of Finance ensures reconciliations for all Parking revenue sources are performed and approved on a monthly basis.	Implemented
6	The Director of CCDO ensure policies and procedures are followed and provide periodic training as needed to ensure adherence to department policies and procedures.	Implemented

Appendix B – Staff Acknowledgement

Gabriel Treviño, CISA, Audit Manager
Judith Flores, CPA, Auditor in Charge
Denise Trejo, Auditor

Appendix C – Management Response



CITY OF SAN ANTONIO
 SAN ANTONIO TEXAS 78283-3966

April 17, 2020

Kevin W. Barthold, CPA, CIA, CISA
 City Auditor
 San Antonio, Texas

RE: Management’s Acknowledgment and Corrective Action Plan for CCDO Downtown Parking Operations

- X Fully Agree (provide detailed comments)
- Agree Except For (provide detailed comments)
- Do Not Agree (provide detailed comments)

CCDO has reviewed the audit report and has developed the Corrective Action Plans below for the 2 in process recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person’s Name/Title	Completion Date
1	B.1 Electronic Activity Logs Create and implement a process to reconcile the issued tickets log to the validation encoder program and investigate discrepancies.	4	Agree	John Jacks, Director	March 2021

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: The Parking Division created a policy in February 2018 (updated February 2019) for the issuance and approval of validation tickets with respect to paying customers that would like to purchase validations for their employees, customers and visitors. This policy was reviewed twice by the Finance Department Contract Compliance Division. With the recommendations, CCDO created new guidelines in February of 2019 over the issuance of validation tickets in <i>Policy and Procedures for Issuing, Billing and Collecting Revenue on Parking Validations</i>. At the time of audit, the review team found CCDO to be following the developed policy and procedures and had addressed all findings of the 2018 Audit.</p> <p>During this audit review, the audit team identified increased measures and procedures to improve the process further. The audit team has recommended that the policy be expanded to reconcile between the tickets issued and the encoder machine. This is in addition to the segregation of duties and log sheet that are in place. Parking administration is agreeable to enhancing its reconciliation process and policy. To accomplish this, an upgrade to the HUB system is needed. The Parking Division is working with the vendor on an upgrade and is testing reporting options to meet audit recommendations.</p> <p>In the meantime, an interim process has been developed where fiscal staff updated the validation request form to include secondary staff verification of the encoder series sequence to the number of validations created. The secondary reviewer is required to sign off on the validation request form the time of review and prior to delivery of validations.</p> <p>CCDO will provide updates to City Auditor's Office and the Finance Contract Compliance division on discussions with HUB vendor to finalize ability of requested reports but anticipate completion by March 2021.</p>				
2	<p>B.2 Issuance of No Charge Validations</p> <p>Track costs associated with no charge validation tickets.</p>	4	Agree		March 2021

Recommendation					
#	Description	Audit Report Page	Accept, Decline	Responsible Person's Name/Title	Completion Date
	<p>Action plan: We are in agreement that the recommendation will enhance transparency and provide information that can improve the management of the parking system. CCDO is committed to operational improvements thru periodic review and enhancement of its policy and standard operating procedure (SOP).</p> <p>With the Audit Team's recommendation, CCDO fiscal staff has consulted with the City's Finance Department and determined that recording of no charge validations in SAP is possible.</p> <p>CCDO will setup SAP account(s) to record no charge validation(s). We plan to consult with finance and city auditor staff on the impact of these entries and request any input they may have to optimize the process, entry or account(s) used. These updated processes and accounts will then be incorporated in CCDO's SOP named <i>Issuing, Billing, and Collecting Revenue on Parking Validations</i>, last updated on February 2019. We expect completion of the updated SOP and full implementation of this process by Mar 2021.</p>				

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

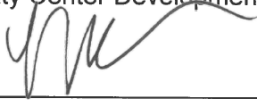
Sincerely,



 John Jacks
 Director
 City Center Development & Operations

6-23-2020

 Date



 Lori Houston
 Assistant City Manager
 City Manager's Office

6/24/2020

 Date