

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

Follow-up review of the audit of the  
Parking Services Enterprise Fund (07/08-3)

*Report #09/10-04*

August 20, 2010



City Auditor's Office

## Memorandum

No: 09/10-08

Date: August 20, 2010

To: Mayor John P. "Jack" Seiler  
Vice-Mayor Romney Rogers  
Commissioner Bruce G. Roberts  
Commissioner Charlotte E. Rodstrom  
Commissioner Bobby B. DuBose

From: John Herbst, CPA, CGFO  
City Auditor

Re: Follow-up review of the audit of the Parking Services Enterprise Fund

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The City Auditor's Office has performed a follow-up of our *Audit of the Parking Services Enterprises Fund (Report #07/08-3)*. Our review procedures consisted of staff inquiries and limited analysis of documentation provided by management. We did not perform substantial tests of evidence supporting the replies from staff responsible for resolving audit findings and recommendations. City administration has the ultimate fiduciary responsibility to make sure that all known operational deficiencies are addressed and to make sure manage public resources in the most efficient manner.

According to the Comptroller General of United States:

“Auditing is essential to government accountability to the public. Audits and attestation engagements provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the audit.

Audit recommendations are well researched solutions to deficiencies noticed during the audit. Implementation of recommendations results in improvements in processes and controls. Not implementing recommendations allows the known deficiencies to continue resulting in waste or operational inefficiencies.”

In our initial report, we made four recommendations related to our audit findings and five management comments that represent opportunities for improvement. To date, three of the audit finding recommendations have been implemented or are otherwise considered closed. Human Resources continues to resist implementation of the remaining recommendation.

In addition, all of the management comments have been implemented or are otherwise considered closed.

The attached report illustrates the status of each of the recommendations and management comments.

We are asking that the Commission direct the City Manager to implement the recommendation to finding 3.1, described on page 6 of the report.

cc: Allyson Love, Acting City Manager  
Ted Lawson, Assistant City Manager  
Diana Alarcon, Director of parking and Fleet Services  
Averill Dorsett, Director of Human Resources

**Finding- 1.1**

**Finding/Condition-** An improper segregation of duties exists because personnel responsible for counting the meter collections could also be responsible for preparing the Parking Collection Report that is submitted to the Treasury Division and used to book the revenue in the general ledger

**Auditor Recommendation-**To further ensure the safeguarding of assets, the City Manager should require the Director of Parking Services to develop a back-up procedure to address the proper segregation of duties to ensure that personnel responsible for counting the meter collections will not be the same personnel preparing the Collection Report for those periods of time when they might be understaffed due to illness or vacations

**Management Response-** Management concurs with this recommendation. In fact, it is Parking Services' policy that someone other than the person who counts the cash prepares the reports. However, there have been one or two occasions in the past where there has been a break in the segregation of duties caused by staffing issues. In those very rare cases, Parking Services' Financial Administrator verifies and confirms additional aspects of the reports in her review to compensate for the additional risk associated with the decreased segregation of duties. This includes verification of the initial amount collected against the amount deposited. An additional mitigating control is that all vault activity is recorded by overhead cameras. Notwithstanding these safeguards, every effort will be made to continue to keep these occasions to an absolute minimum/emergent necessity only.

**Follow-Up Action** – Parking Services has advised the CAO that there were no instances where someone counting the money in the vault has also prepared the collection report for that activity since the audit report was issued.

**Status – CLOSED**

**Implementation Date- 09-08-2008**

**Finding-1.2**

**Finding/Condition-** The Parking Collection Report is not prepared and submitted daily. Parking Services aggregates multiple days on one Parking Collection Report before submitting to the Treasury Division, which would delay the posting of those revenues to FAMIS.

**Auditor Recommendation-** The City Manager should require the Director of Parking Services to have the Parking Collection Report prepared and submitted to the Treasury Division on a daily basis.

**Management Response-** Management agrees that daily collection reporting is a “best practice”. Parking Services has (since the time of this audit) worked closely with the Information Technology Services Department to automate reporting for the collection reports. All daily revenue activities are now electronically imported directly into collection reports. Once verification is received of all bank deposits, weekly reports are prepared and forwarded to the Finance Department for data entry into

### **Finding-1.2 - continued**

FAMIS. This new process allows the department to verify monthly FAMIS activities. However, the data entry component must still be performed manually based on current system abilities.

**Follow-Up Action** – Parking Services provided the CAO with a scanned copy of a collection report for the Digital meters, and for credit card transactions. These are downloaded from the web into the automated database and from the Access-based system; Parking Services reconciles the collection reports to access reports monthly. The Access database creates the collection report and the reports are compared.

**Status –CLOSED**

**Implementation Date- 10-01-2007**

### **Finding-2.1**

**Finding/Condition-** The Parking Services Enterprise fund does not have a comprehensive long-term strategic plan. Walker Parking Consultants conducted a parking study focused on the beach area in the year 2000. The study assessed the parking conditions around the beach and provided a supply/demand, site, and financial analysis. The study was updated in April 2003; however, the economic climate in the Fort Lauderdale area has since changed, making the report obsolete. The Director of Parking Services indicated that they are currently preparing to issue a Request for Proposal for a new demand/rate study for the City of Fort Lauderdale to be completed next year.

**Auditor Recommendation-** The City Manager should require the Director of Parking Services to develop a long-term strategic analysis to determine whether the unrestricted net assets are sufficient to fund future capital improvements and complete ADA remediation projects per the August 2003 Consent Decree. The long-term strategic analysis should also address future parking needs on a citywide basis based on the current economic outlook.

**Management Response-** Management does not agree with the statement that Parking Services lacks a “long-term strategic plan” to determine whether net assets are sufficient to fund future capital improvements as well as ADA remediation projects.

Parking Services participates in the annual CIP budgeting process, projecting its capital needs for the next five years on a rolling basis; prioritizes projects; and indicates funding sources required to complete the necessary ADA improvements. Imbedded in the capital budgeting process is the identification of funding resources for these projects. As previously indicated, a new consultant demand/rate study is now underway and is scheduled to be completed within sixty days. The net available balance for such projects and improvements is \$2,715,045 as of October 1, 2007.

**City Auditor Rebuttal-** It is our position that the CIP does not represent the type of comprehensive strategic planning we feel is needed. We noted that during FY07/08, Parking Services reallocated all of its funding for capital projects exclusively to one project, ADA remediation. As evidenced by the ability to reallocate funds away from projects previously identified to the Commission as priority projects, we conclude that the assertion that the CIP is a long-range planning tool is undermined.

Furthermore, the caption of “To be programmed” in the CIP gives no indication of how future projects will be funded or when they will be needed to be brought on line. Finally, there is no linkage between the amount of funds needed for Parking Services capital projects in the CIP and the present Parking Fund unrestricted net assets and the rate at which the balance is growing. Therefore, if management intends for some or all of the unrestricted net assets be utilized to fund future CIP projects, we recommend the use “Restricted for Capital Improvements” in the Statement of Net Assets to communicate that intent.

**Follow-Up Action** – Parking Services has created a multi-year spreadsheet for the purpose of identifying all known parking projects that will have to be funded over the next 10 to 15 years and their anticipated cost. Parking’s response is noted below.

**Status –CLOSED**

**Parking Response:**

Parking presented this recommendation to Finance but management declined to set up reserves outside of the CIP Plan for long-range estimates that are subject to frequent priority shifts. The preservation of unrestricted fund balances has been determined to be the preferred method of building capital, given the present economic climate and budget uncertainties.

The shifting of funds to the ADA projects is a good example of the priority shifts that we need to accommodate. The Commission agreed that the court-ordered completion of the ADA projects was the highest priority and other, more aesthetic, projects were delayed until a later date.

The new RFP was released at the request of the City Commission and is now in the evaluation/selection-committee stage. It should be noted that the scope has been expanded to include a long-range strategic partnership with Planning and Zoning to review both public and private parking needs and strategies for inventory adequacy. The cost will be in the range of \$49,000-\$59,000, depending on which vendor is selected. Whether any or all of the recommendations in resulting study report will be implemented will depend on the City Commission’s direction, available funding, public input, and private investment participation.

Management also declined to request increases in rates given the sensitivity of the Commission to increased fees that could impact individuals, businesses, and visitors at this time. We do anticipate requesting modest increases in permit rates and possibly meter rates sometime in the first half of FY9/10 now that the Commission and the Budget Advisory Board have shown an inclination to support incremental fee increases.

Parking requested but there was no political will to increase rates in the FY9/10 budget. Parking is willing to request the recommended rate changes at any time, if directed to do so in the current fiscal year. Otherwise, as part of the FY10/11 budget process, Parking will again request rate changes for permits, some metered areas, and possibly citations in accordance with the rate study recommendations.

### **Finding- 3.1**

**Finding/Condition-** The Human Resources Department performs criminal background checks only for initial hires and promotions and does not currently conduct credit checks for employees with cash handling responsibilities. The Parking Services Financial Administrator explained that based in accordance with the personnel policy, criminal background checks are only performed at initial hire or upon promotion.

**Auditor Recommendation-**The City Manager should require the City’s Human Resources Director to develop and implement a citywide policy for mandatory periodic credit and criminal background checks for all employees in cash handling positions. If necessary, language should be incorporated into all collective bargaining agreements giving this authority to the City.

**Management Response-** The implementation of this process may create legal issues, including but not limited to potential “adverse impact” claims. A legal opinion has been requested from the City Attorney. The results of this opinion will be reported to the City Auditor once it is received and this response will be updated.

**Follow-Up Action** – Although the legal issues raised were determined not to be a problem, HR still disagrees with the substance of this recommendation and declines to implement it.

#### **Human Resources Response:**

The recommendation is unnecessary in light of existing managerial supervision and other internal controls over employees who handle cash. It is incumbent upon department managers and supervisors to ensure that sufficient checks and balances and security measures are in place in all work units **and** that those measures are strictly followed, so that the possibility of theft, fraud, bribery, etc. is minimized. These security measures are tailored to the wide variety of functions performed by different departments. As examples, the Parking Department utilizes interior cameras in all areas of cash handling. In the field, cash handler’s work in pairs and GPS units are attached to the collection trucks. Importantly, HR performs pre-employment background checks.

Implementation of this program in the limited departments recommended by the Auditor would not be sufficient to address fully any criminality or fraud, since many more City employees handle cash on a routine basis than would be screened. Listed below are **some** of the departments/work units in which employees handle cash, but which would not be screened if the Auditor’s recommendation is followed:

- Finance/Treasury
- Parking and Fleet Services/Parking Services
- Parks and Recreation/Recreation
- Police/Records
- Building Services/Building and Code Divisions
- Business Enterprises/Various Divisions

Moreover, undertaking the limited screening proposed by the Auditor seems to be an incomplete solution, at best, as other job classes and duties would seem to warrant higher screening, including:

- Police Officers – confiscate and impound money, drugs, jewelry and other valuables;

- Paramedic/Firefighters – enter private residences and motor vehicles to administer medical care to victims who are injured and often unconscious and have access to purses, jewelry and other valuables;
- Fire Inspector I and II – enter a broad range of businesses to inspect for fire/life safety codes, may be offered bribes to overlook violations;
- Building/Electrical/Mechanical/Plumbing Inspectors – enter private residences to inspect construction work completed, may be offered bribes to approve substandard work;
- Code Compliance Officer and Senior Code Compliance Officer – may be offered bribes to overlook code violations.

The proposed screening is also costly, even on the limited basis proposed. There are approximately 250 employees noted in the Auditor’s recommendation who handle cash. With an approximate cost of \$30 for each credit/criminal background check, the cost would be \$7,500 for an annual check of these employees. More frequent checks and expanding the classes of employees to sufficiently make an impact would increase the cost proportionally. Fiscal responsibility demands that public funds be spent on items that would definitely benefit the city, not on proposals of arguable benefit.

This proposal would possibly subject the City to additional claims and exposure to liability. Many of the job classes that handle cash (Customer Service Representative I and II, Senior Customer Service Representative, Service Clerk, Clerk III, Police Records Clerk, Senior Police Records Clerk, Recreation Worker, and Recreation Programmer I) are comprised primarily of females - which could potentially result in adverse impact claims, if personnel action is taken as a result of such checks. Although counsel has advised us, that with certain restrictions and limitation, it is legal to conduct intermittent criminal background and credit checks, doing so unnecessarily opens a Pandora’s box of issues for little correlated benefit. Not the least of which is that there is no easily defensible reasoning as to why the employees noted in the Auditor’s recommendation should be required to undergo a credit check, yet employees in other classes, as partially listed above, should not.

This proposal is not realistic. Current economic conditions have affected too wide a swath of the American population for credit scores to serve as an accurate indicator of personal responsibility, reliability or propensity to commit theft. Furthermore, there is no indication that current supervision and internal controls are insufficient. Therefore, the current policy does not require change.

However, if a decision is made to conduct credit and criminal background checks on City employees that handle cash the following issues must be addressed:

- 1) Will the policy apply to all employees that handle cash, no matter how sporadic/occasional that may be or will there be a threshold established based upon the amount of cash handled or some other criteria?
- 2) How often will the credit and background checks be conducted?
- 3) What actions are necessary to implement the policy? Would the proposed policy be subject to collective bargaining?
- 4) What City policy and practice would govern, if negative information is received in an employee’s credit and/or criminal background check?

**Status-OPEN**

**Auditor Rebuttal:**

We take exception to the follow-up response from Human Resources to this recommendation. HR’s initial response indicated that they would seek an opinion from the City Attorney’s Office. That wasn’t done. Instead, outside counsel was consulted, with no copy of their opinion provided.

Since there are apparently no legal issues precluding the use of ongoing background checks, it is our expectation that the recommendation would be implemented. If management objected to the substance of the recommendation, the appropriate time to raise that objection was in the initial response to the audit. It is disingenuous to now proffer additional reasons for opposing the recommendation after the primary objection was determined to be invalid.

HR response notes, “Importantly, HR performs pre-employment background checks.” The fact that they conduct pre-employment background checks is a tacit admission by HR of the value of those checks. By refusing to conduct subsequent checks, HR is suggesting that an individual’s propensity to commit fraud is fixed forever in time, when in fact it changes constantly as need and opportunity arise.

The response also suggests that our recommendation “would not be sufficient to address fully any criminality or fraud, since many more City employees handle cash on a routine basis than would be screened under our limited recommendation”. We fail to understand this assertion, since our recommendation is clear that it applies to **all** employees who handle cash, not just Parking Services’ employees.

Finally, the response raises numerous extraneous issues and facetious examples rather than addressing the limited and specific scope of the recommendation. Ongoing background and credit checks are commonplace and effective tools used throughout the corporate world to prevent and detect fraud in the workplace. There is nothing unique to the City of Fort Lauderdale that would suggest it would not work here.

**Finding-MC.1**

**Finding/Condition-** The parking collection vans are not currently equipped with anti-theft devices and GPS tracking

**Auditor Recommendation-** Consider the cost/benefit of upgrading the security of the parking collection vans. The cost of the Tremco Anti-theft system is only \$148.00 per vehicle. In addition, Parking Services should evaluate the cost/benefits of equipping the collection vans with a Global Positioning Satellite (GPS) system used to track the whereabouts of the vehicle in the event it is stolen.

**Management Response-** Management verbally communicated at the exit conference that they would consider the costs and benefits of enhancing the physical security of the collection vans.

**Follow-Up Action** – Two new replacement Sprinter collection vans that were placed in service are equipped with a Tremco anti-theft alarm system and the other three collection vans were equipped with the same as of 10/31/08. The Parking Services Operations Supervisor is also working with the Police Department to determine the costs and logistics required to adopt the Police Department GPS system for use in the Parking Services collection vans.

**Status- CLOSED**

**Implementation Date- 10-31-2008**

**Finding-MC.2**

**Finding/Condition-**Ingress to the vault storage area in the Parking Services Administration building could be easily compromised through the drop ceiling.

**Auditor Recommendation-** Weigh the costs and benefits of creating a more secure environment in and around the vault room to secure ingress into the vault

**Management Response-** Management verbally communicated at the exit conference that they would consider the costs and benefits of enhancing the physical security of the vault room.

**Follow-Up Action** – Parking advised the CAO that the entire vault is on camera, as are all of the building's exterior entranceways, Parking Services has decided that necessary construction would not serve any real purpose. Absent fortifying all walls, a determined thief would find other ways to penetrate the vault. Instead, Parking minimizes the cash exposure to the greatest extent possible by locking collections in safes, rather than the large coin canisters. The cage and gate has been completed and installed.

**Status- CLOSED**

**Implementation Date- 09-08-2008**

**Finding- MC.3**

**Finding/Condition-** The City is endeavoring to comply with an ADA consent decree.

**Auditor Recommendation-** Continue to review the CIP project funding to ensure that ADA projects are prioritized.

**Management Response-** Management agreed that they would continue to prioritize ADA compliance.

**Follow-Up Action** – Parking Services will continue to review the CIP project funding to ensure that the ADA projects are prioritized. The Director of Parking Services stated that an RFP was issued in March 2009 for 1.1 million for Parking Services ADA projects. Other citywide ADA projects are in various stages of completion and are not funded by the 1.1 million noted above.

**Status – CLOSED**

**Implementation Date- 03-18-2009**

**Finding- MC.4**

**Finding/Condition-** Parking Services has not segregated resources to replace facilities and equipment.

**Auditor Recommendation-** Establish a new enterprise fund to segregate and accumulate resources for the replacement of facilities and equipment.

**Management Response-** Parking Services has agreed to meet with the Finance Department to discuss segregation of resources to replace facilities and equipment.

**Follow-Up Action** –Note Parking’s response below, Finance is unwilling to set up separate reserve fund.

**Status –CLOSED**

**Parking Response:**

Parking presented a spreadsheet and plan to set up meter replacement reserves but Finance declined to set up a reserve for this relatively small annual purchase that is adequately funded by Parking’s fund balances.

**Finding-MC.5**

**Finding/Condition-** Parking Services does not have an established procedure to reconcile the WinWedge Excel spreadsheet to the General Ledger.

**Auditor Recommendation-** Establish a procedure to reconcile collections per the WinWedge Excel spreadsheet to postings in the general ledger revenue accounts.

**Management Response-** Parking Services is committed to establishing a reconciliation procedure beginning FY08/09.

**Follow-Up Action**– Parking advised the CAO that the WinWedge Excel spreadsheet (bills/coins) is only a part of the revenue that is posted to the g/l revenue accounts. In addition, revenue is posted to those same accounts from credit card collections, mail in payments for meter mitigation, etc. FAMIS does not segregate by revenue source, making it very difficult to reconcile. In addition, since Treasury posts collection reports according to their own schedule and staff availability, several collection reports can be posted on the same day and FAMIS aggregates the totals into one line. This further complicates reconciliations because we are unable to determine which collection reports were posted into a particular aggregated amount. To facilitate reconciling individual postings to a revenue account, we would need a printout (Crystal or Excel) to show us the amounts that make up that posting.

Beginning 4/1/09, Parking Services will begin performing a monthly reconciliation of their Access

revenue database to FAMIS. The initial reconciliation will include a look back to 10/1/08, i.e. the beginning of FY08/09

**Status - CLOSED**

**Parking Response:**

Parking staff has attempted to reconcile the revenue collection reports to FAMIS but it has turned out to be very time consuming because of the way FAMIS handles the data and we have limited resources to do so. We must do revenue subobject-by-subject and transaction-by-transaction drill down to do such reconciliation. We have approximately 800-1,000 transactions per month on collection reports, total, in over 40 revenue subjects and 60-80 collection reports that would need to be reconciled. In some cases, a day's collection reports are aggregated as one transaction in FAMIS and in others; collection reports posted on the same day are shown as separate transactions. Errors between revenue subobjects are not material and the expenditure of time for this activity cannot be justified at this time. The Financial Administrator does analyze each subobject at least quarterly and investigates any anomalies that are detected. For example, an entry of \$2,500 in a revenue code that typically has entries less than \$1,000 would be investigated and corrected if found to be an error.

Staff has attended COGNOS training and will purchase an 'author' license in FY9/10. We intend to create a report, with the assistance of ITS, to extract the data into an efficient report that will assist us with reconciling on an aggregate basis and we will attempt to reconcile again but it most likely will be at the index level, not by subobject.