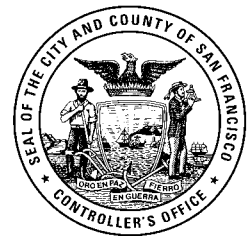


PARKING AUTHORITY:

Review of the Performing Arts
Garage's Revenue Parking
System

**FINANCIAL AUDITS
DIVISION**



September 26, 2005
04004



CITY AND COUNTY OF SAN FRANCISCO
OFFICE OF THE CONTROLLER

Ed Harrington
Controller
Monique Zmuda
Deputy Controller

September 26, 2005

Audit Number 04004

The Board of Directors
Municipal Transportation Agency and Parking Authority
401 Van Ness Avenue, Room 334
San Francisco, CA 94102

President and Directors:

The Office of the Controller (Controller) presents its report concerning the review of the revenue parking system at the Performing Arts Garage (garage). DAJA, Inc., has a management agreement with the Parking Authority (authority) of the City and County of San Francisco to operate the garage. The authority's acting director requested that we review the garage's parking control system and related revenue collection procedures. The review covered the period from January through March 2004.

Generally, the garage's parking control system and revenue collection procedures are adequate. However, we found that the authority needs to implement or improve several policies and procedures concerning certain garage revenues. While the authority grants free parking for some patrons at the garage, it does not have a written policy designating who should receive it. We also found that the authority does not adequately administer the discounted monthly parker program at the garage, in which the authority provides a \$50 discount to the \$150 monthly parking rate for certain city employees. We also found that the procedures for allowing jurors that park at the garage to receive a discounted parking rate are not adequate to ensure that only legitimate jurors receive the discounted rate.

The responses from the authority and DAJA, Inc. are attached to this report. The Controller's Financial Audits Division will be working with the authority to monitor the status of the recommendations made in the report.

Respectfully submitted,

Original signed by:
Ed Harrington
Controller

INTRODUCTION

BACKGROUND

The Parking Authority (authority) of the City and County of San Francisco (City) in March 2001 entered a five-year management agreement with DAJA, Inc. to operate the Performing Arts Garage (garage). The garage has a computerized parking system that allows parkers to enter and exit the garage by using tickets with magnetic strips and access cards. The garage allows transient parkers to use the garage on a daily basis, and pay parking fees based on an hourly rate. The garage also allows monthly parkers to use the garage, and pay parking fees based on a monthly rate. The management agreement requires monthly parkers to complete a monthly parking agreement and pay a security deposit. Also, jurors who are summoned to appear at the San Francisco Superior Court located at McAllister Street, may park at the garage and pay a discounted daily rate. Finally, the garage has allowed free parking for persons authorized by the authority's acting director or the City's Board of Supervisors. To help ensure that the garage is collecting all the revenues it is due, the authority's acting director requested that we review the garage's parking control system and related revenue collection procedures.

SCOPE AND METHODOLOGY

The purpose of this review was to determine if the parking control system and related revenue collection procedures are adequate to ensure that the authority is collecting all the revenues it is due. We also determined if the garage has adequate controls over the collection of parking fees to prevent revenue losses due to errors or irregularities. Our review covered the period from January through March 2004.

To conduct the review, we interviewed DAJA staff to obtain an understanding of the garage's parking operations. We also assessed the adequacy of the controls over the parking operations. To determine if DAJA appropriately administered the monthly parking program, we reviewed the monthly parker data and documentation maintained by the authority and DAJA. To determine if the authority and DAJA appropriately administered

free parking, we reviewed the authority and DAJA's practices in authorizing and allowing parkers to park free at the garage. To determine if DAJA appropriately administered the juror-parking program, we reviewed DAJA and the Superior Court's practices in allowing jurors to receive discounted parking.

AUDIT RESULTS

THE GARAGE GENERALLY HAS ADEQUATE CONTROLS OVER ITS REVENUE COLLECTIONS

The garage's parking control system and revenue collection procedures are generally adequate. For example, we found that the procedures for transient parking, including the procedures for special event parking are adequate. We also found that DAJA's procedures for collecting, depositing, and reporting the parking fees to the authority appear adequate. Further, we found that controls over access cards, which are issued to monthly parkers, are generally adequate.

THE PARKING AUTHORITY DOES NOT HAVE A WRITTEN POLICY REGARDING FREE PARKING AT THE GARAGE

Although some patrons are allowed to park free at the garage, the authority does not have a written policy that clearly states who is allowed to park free at the garage. Without a written policy, there is less assurance that the authority authorizes free parking only to appropriate persons. As of August 16, 2004, we found that the garage provided 43 access cards at no charge to city staff, city departments, or garage operations:

- City staff:
 - 22 Board of Supervisors aides personal cars
 - 6 Parking Authority board of directors and staff personal cars
 - 1 Clerk of the Board staff personal car
- City cars:
 - 8 Department of Parking and Traffic cars
 - 1 City Assessor department car
- Garage operations:
 - 4 DAJA employees
 - 1 garage computer system vendor staff

In addition, DAJA allows other persons to park for free, including DAJA employees while on duty, and vendors and service vehicles that have a business need at the garage.

Through a resolution (No. 107-95), the Board of Supervisors authorized not more than 28 of its aides to park at the garage for free. The authority's acting director authorized the remaining free parkers. However, the authority should have a written policy indicating who should be allowed to park free at the garage to give greater assurance that only authorized persons are allowed to park free at the garage. According to the authority's acting director, he is developing a written policy for free parking at all garages that the authority administers.

THE PARKING AUTHORITY DOES NOT ADEQUATELY ADMINISTER THE GARAGE'S DISCOUNTED MONTHLY PARKER PROGRAM FOR SOME CITY EMPLOYEES

Although the authority commission had authorized a discounted rate for city employees to park at the garage, the authority did not establish criteria for awarding the discounted monthly parking. As a result, it is unclear how the authority determined which city employees have been allowed to pay the discounted rate, and the authority's attempt to administer this program was not effective.

According to the rates adopted by the authority effective September 16, 2003, city employees may park at the garage for \$100 per month, which is \$50 less than the standard monthly rate charged to most monthly parkers. As of August 16, 2004, the garage had 96 monthly parkers who paid the discounted rate and 175 monthly parkers who paid the standard rate.

The authority commission broadened the discounted monthly parker program over the years. The program started in December 1996 when the authority commission established a discounted rate for Mayor's Office staff. In February 1998, the authority commission included the Board of Supervisor's clerk and staff to also receive discounted parking. In October 1999, the authority began allowing employees in other city departments to also be included in the discounted rate program, but the authority did not establish a policy specifying the criteria for awarding the discounted monthly to city employees. Over the years the commission increased the discounted rate from the \$40 rate established in December 1996 to the \$100 rate effective March 2003.

The authority's acting director stated that the authority administered this program until it became too difficult to accommodate all of the requests for discounted parking. The authority's acting director stated that the Mayor's Office assumed responsibility in 1999 for identifying the city employees who were to receive the discounted rates at the garage. According to the authority's acting director, the Mayor's chief of staff would orally inform the acting director of those employees who were to be entered into or removed from the discounted parking program. In about January 2002, the acting director stated that the authority again administered the discounted monthly parking program, and the authority's acting director approved those city employees who were to receive the discounted rate. While the authority did not develop a policy specifying the criteria for discount rates, the authority did develop an application form at that time. The form required that the applicant explain how the car will be used for city business, and how often it will be used. This suggests that the discount rate would be provided to only those city employees who use their personal car for city business. The authority did not require existing participants to complete the form.

Of the 96 employees who received the discounted rate, the authority had 33 applications on file as of July 12, 2004, for parkers it authorized to receive the discounted parking since the authority again began administering the discounted monthly parking program in January 2002. We reviewed five applications and found that the authority did not adequately review them to ensure that the employee should have been granted discounted parking rates. While the form required the applicant to explain how the car would be used for city business, we found that one applicant indicated her car would not be used for city business and another applicant left this question blank. The form also required the approval of a Department of Parking and Traffic staff person. However, none of the applications had such approvals documented. In addition, we found the authority had authorized two employees to receive the discounted rate after January 2002, but the authority did not have their applications on file. Finally, we found that a non-city employee, the operator of the City Hall café, began receiving the discounted monthly rate in February 2002.

Subsequent Event: Discontinuance of Discounted Rate for City Employees

On February 28, 2005, the Parking Authority board of directors changed the garage's parking rates, which took effect on April 1, 2005. As part of these changes, the board of directors eliminated

the discounted rate for city employees. Although the authority staff conducted extensive parking rate analyses for the garage, the authority did not specifically analyze whether a discounted rate for city employees would enhance parking volume and revenues at the garage.

THE PARKING AUTHORITY DOES NOT CHARGE CONSISTENT RATES FOR MONTHLY PARKING BY CITY DEPARTMENTS

The authority authorized DAJA to charge different monthly rates to four city departments for parking vehicles at the garage. While the San Francisco Sheriff's Department pays a monthly rate of \$100 for three of its staff to park their personal cars at the garage, the Office of the City Attorney pays \$120 for some of its staff to park their personal cars at the garage. In addition, the Department of Parking and Traffic parks 12 city cars for department use and the Office of the Assessor-Recorder parks 1 city car for department use at the garage at no cost. According to the San Francisco Business and Tax Regulations Code (Section 6.8-1), governmental agencies are not required to pay city taxes. At the current regular monthly parking rate of \$150, which includes parking taxes of \$30, the governmental rate without taxes would be \$120 per month.

The authority's acting director stated that he would establish a rate for vehicles owned by governmental agencies that would be the regular monthly rate exclusive of parking taxes. He further stated that if a department wanted to pay for employees to park their personal cars, the department would be charged the regular monthly rate.

JUROR PARKING PROCEDURES NEED IMPROVEMENT TO ENSURE THAT ONLY LEGITIMATE JURORS RECEIVE THE DISCOUNTED RATE

The authority does not have adequate procedures in place to ensure that only legitimate jurors who park at the garage receive a discounted parking rate. The Municipal Transportation Agency established in September 2003 a discounted parking rate of \$3 per day for jurors appearing at the Superior Court of California, County of San Francisco (Superior Court), located on McAllister Street. Without the discounted rate, the parking charge for jurors parking

at the garage would usually be from \$8 to \$16, depending upon the juror's arrival and departure times.

Garage parking procedures in effect at the time of our audit included the following: Persons parking at the garage for the day receive parking tickets upon entering the garage. Jurors are to validate their tickets at the ticket validation machine located in the Superior Court's jury room. A validated ticket shows that they appeared as a result of a jury summons. When exiting the garage, a juror presents the validated ticket to the garage cashier, and pays the cashier \$3. To verify that parkers receiving the discounted rate are legitimate jurors, the garage cashiers request one juror each day to provide his or her name, and the cashier would write the name on the ticket. Each week the garage supervisor sends the names to the Superior Court, and Superior Court staff verify whether the person was a legitimate juror and in attendance that day.

In reviewing the procedures for giving discounted rates for juror parking, we identified several weaknesses. For instance, we observed that non-jurors could enter the juror room and access the ticket-validation machine. This could result in a non-juror validating a parking ticket and receiving the discounted parking rate. This appears to be occurring since we found that for the list of five names submitted to the Superior Court for the week ending May 21, 2004, the Superior Court staff was able to verify only two persons as jurors. We provided to the authority's acting director, DAJA's regional vice president, and the Superior Court's deputy jury commissioner suggested steps that the parking operator and Superior Court could establish to ensure that only legitimate jurors receive the discounted parking rate. These steps include:

- Improve signage near the ticket-validation machine to state that only those present for jury duty are authorized to validate parking tickets.
- Require all jurors who receive the discounted parking rate to write their name and juror number on the back of the parking ticket to improve the Superior Court's ability to check that parkers are legitimate jurors.
- Increase the number of juror tickets to be reviewed by the Superior Court to ensure the program is working properly.
- For any former juror identified by the Superior Court as having inappropriately paid the discounted rate, have the Superior Court send a letter to the non-juror advising the

person of the potential abuse, and requesting the person to remit additional parking fees due to the garage.

THE PARKING AUTHORITY HAS NOT CORRECTLY RECORDED THE SECURITY DEPOSITS IT RECEIVED FROM DAJA

The authority incorrectly recorded the security deposits that DAJA received from monthly parkers and remitted to the authority. The authority requires DAJA to remit to the authority the security deposits that DAJA collects from monthly parkers. According to the authority's acting director, when a monthly parker terminates his or her parking agreement, the authority requires DAJA to refund the security deposit to the monthly parker, and to seek reimbursement from the authority. When the authority receives remittance of the security deposits from DAJA, the authority records in the Controller's Financial Accounting Management Information System (FAMIS) the amount of the security deposits as revenue. When the authority pays DAJA for refunds of security deposits, the authority records in FAMIS the amount of the security deposit refunds as a reduction in revenues. This is not the appropriate accounting entry for this transaction. Instead, the authority should record the security deposits as a deferred credit in FAMIS, and record the refund of the deposits as a reduction in the deferred credit account.

We also found that the monthly revenue report submitted by DAJA to the authority does not show the balance of the security deposits that DAJA received from monthly parkers. As a result, the authority is unable to verify that the balance of security deposits it recorded in FAMIS agrees with DAJA's records.

RECOMMENDATIONS

To ensure that the Parking Authority has adequate controls over its revenue collection processes, it should take the following actions:

- Establish a written policy on free parking at the garage, and adhere to that policy.
- Consider if it is appropriate and feasible to establish equitable and practical criteria for having a discounted monthly parking rate for city employees. The Parking Authority should consider garage utilization statistics to determine if parking volume and

revenues will be enhanced by a discounted rate for city employees. If the Parking Authority chooses to reinstate a discounted rate, it should establish a policy that specifies its criteria for awarding discounted monthly parking to city employees. Further, the Parking Authority should improve its administration of the program so that it has adequate records for the employees it authorized to receive the discounted rate.

- Establish a monthly parking rate for vehicles owned by governmental agencies that is the regular monthly rate less parking taxes. Once this rate is established, the authority should require DAJA to collect this rate from all governmental agencies that park government-owned vehicles at the garage.
- Implement the steps we have separately communicated to the authority in order to improve the procedures for providing discounted parking to jurors parking at the garage.
- Correct the accounting treatment of security deposits received from the garage's monthly parkers and record in FAMIS these receipts as deferred credits, and refunds of the security deposits as a reduction in the account. In addition, Parking Authority should revise the monthly report of gross revenues and require DAJA to also report the balance of security deposits according to its records. The authority should then periodically verify that the total amount of security deposits recorded in FAMIS agrees with DAJA's records.

We conducted this review according to the standards established by the Institute of Internal Auditors. We limited our review to those areas specified in the audit scope section of this report.

Staff: Ben Carlick, Audit Manager
Leon Valle, Jr.

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PARKING AUTHORITY RESPONSE TO THE AUDIT:



Municipal Transportation Agency
Board of Directors & Parking Authority



MEMORANDUM

Date: April 5, 2005

To: Edward Harrington
Controller
Office of the Controller

From: Ronald Szeto *RS*
Acting Director
Parking Authority

Re: Performing Arts Garage Audit Response

The purpose of this memorandum is to provide the Controller's Audits Division with a response to the Performing Arts Garage audit.

(I) The Parking Authority Does Not Have a Written Policy Regarding Free Parking at the Garage.

Response: I concur with the audit recommendation and drafted the following written policy for free ("no-fee") parking.

No-fee Monthly Parking Policy

The Parking Authority Division issues the following No-fee Monthly Parking policy.

- 1) Effective July 1, 2004, no new "No-fee Monthly Parking" arrangements are to be entered into except in case of an emergency.
- 2) All City Departments and other agencies which are currently receiving free parking will begin paying the full, posted monthly rate beginning July 1, 2005. These departments and agencies are being allowed to continue parking at no charge for the remainder of the fiscal year 2004-2005 as their budgets are set and there would be no revenue available to pay for parking. The Parking Authority Division and its parking management firms will inform these government entities of the requirements for next year.
- 3) Free monthly parking for the Board of Supervisors aides will continue unless the Board of Supervisors requests otherwise. Refundable deposits shall be waived. The BOS shall continue to administer record keeping of aides names corresponding access card numbers.

- 4) The Municipal Transportation Agency Board of Directors and its management staff who have an official City-business need to park at the parking facilities will continue receiving no-fee monthly parking. Refundable deposits shall be waived.
- 5) No-fee Monthly Parking shall be allowed for garage management and its essential operations vendors who have a garage business need to park at the facilities. Refundable deposits shall be required.
- 6) No-fee transient parking shall be allowed for City Commissioners at the Civic Center Plaza Garage only when such Commissioner is parking at the Garage to attend a commission meeting.
- 7) Only the Municipal Transportation Agency Board/Parking Authority Board of Directors or the Director of Transportation of the MTA has the authority to amend this parking policy.

(II) The Parking Authority Does Not Adequately Administer the Garages' Discounted Monthly Parker Program for Some City Employees.

Response: I concur with the audit's recommendation. On February 28, 2005, the Municipal Transportation Agency Board of Directors discontinued the discounted monthly rate effective April 1, 2005. However, I will consider reinstating a discounted rate for City employees if the demand for such a discounted rate will not adversely impact transient volume and revenues.

(III) The Parking Authority Does Not Charge Consistent Rates for Monthly Parking by City Departments

Response: I concur with the audit's recommendation and am in the process of recommending rate adjustments that would do so.

(IV) The Parking Procedures Need Improvement to Ensure That Only Legitimate Jurors Receive the Discounted Juror Rate.

Response: The Parking Authority staff, the garage's parking management firm and the courts have a written procedure in place that includes the audit's recommendation.

(V) The Parking Authority Has Not Correctly Accounted for the Security Deposits it Received from DAJA.

Response: The Parking Authority accounting staff and the Office of the Controller's staff have corrected the accounting of the deposits received.

DAJA, INC. RESPONSE TO THE AUDIT:



353 Sacramento Street, Suite 1740 • San Francisco, California 94111
(415)956-4029 • Fax: (415)956-3435 • Email: JBesser@DAJAINC.com

February 10, 2005

Mr. Noriaki Hirasuna, Director
Financial Audits Division
Office of the Controller
City and County of San Francisco
City Hall Room 316
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94103

Re: Audit Report – Performing Arts Garage

Dear Mr. Hirasuna:

DAJA, Inc. has reviewed the draft Audit Report, dated January 19, 2005, and we have the following comments:

- 1) We were pleased that the report confirmed that the garage's parking control system and revenue collection procedures are adequate. This included transient parking and special event parking, as well as DAJA's procedures for collecting, depositing, and reporting of parking fees. In addition, the controls over access cards issued to monthly parkers were adequate.
- 2) The bulk of the Audit Report involved issues and recommendations addressed directly to the Parking Authority, including new procedures and policies they should implement. These would mostly impact City employees and jurors that get preferred parking rates. DAJA agrees with the recommendations in the Audit Report and feel the future implementation should help DAJA manage and control the parking.

If you have any questions, please give me or Richard Fehr a call.

Sincerely,

James T. O'Dea
SVP and COO
DAJA, Inc.

cc: Jacqueline Besser, Richard Fehr

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cc: Mayor
Board of Supervisors
Civil Grand Jury
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