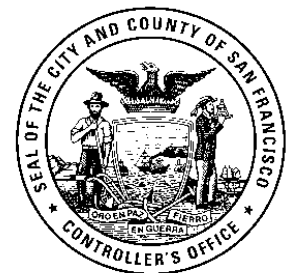
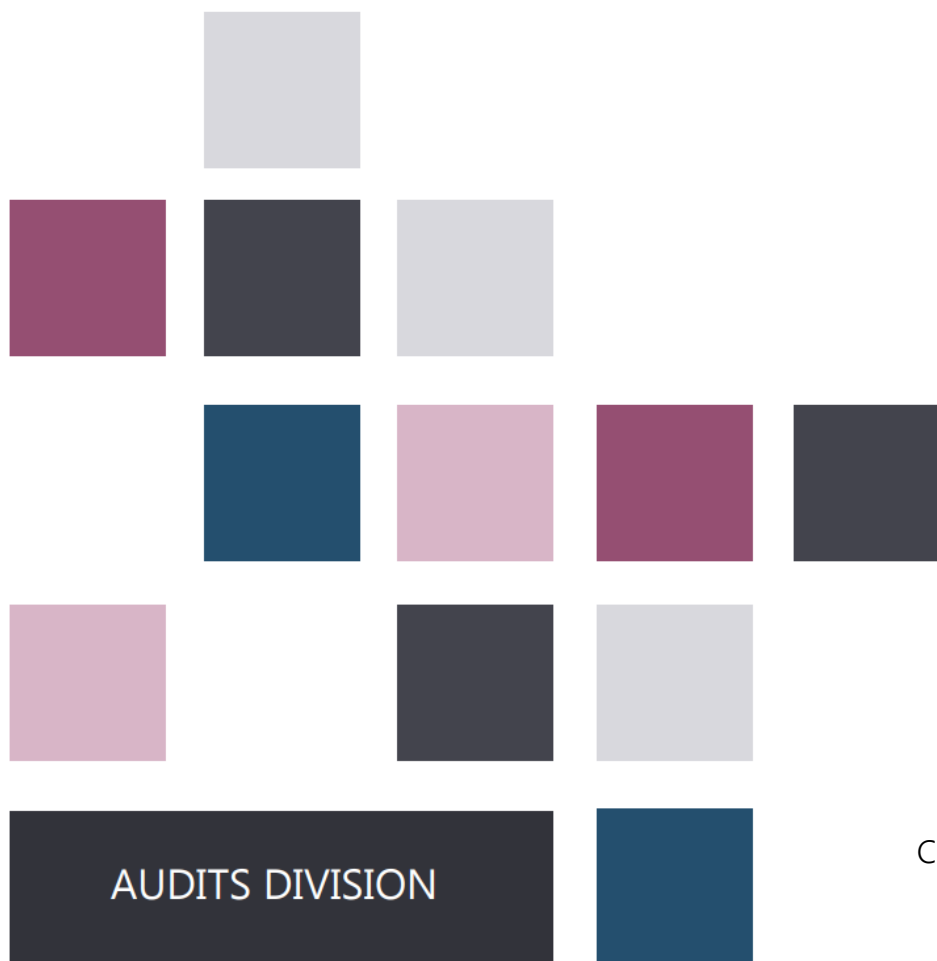


Imperial Parking (U.S.), LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Lombard Street Garage

San Francisco Municipal Transportation Agency



August 29, 2019

City & County of San Francisco
Office of the Controller
City Services Auditor

About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

Team:

Winnie Woo, Senior Auditor

Consultant:

Sjoberg Evashenk Consulting, Inc.

For more information please contact:

Mark de la Rosa
Acting Chief Audit Executive
Office of the Controller
City and County of San Francisco
(415) 554-7574



<http://www.sfcontroller.org>



[@sfcontroller](https://twitter.com/sfcontroller)



<https://www.linkedin.com/company/sfaudits/>

Audit Authority

CSA conducted this audit under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.

Statement of Auditing Standards

This performance audit was conducted in accordance with generally accepted government auditing standards. These standards require planning and performing the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. CSA believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

August 29, 2019

Board of Directors
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Mr. Tom Maguire
Acting Director of Transportation
San Francisco Municipal Transportation Agency
1 South Van Ness Avenue, 7th Floor
San Francisco, CA 94103

Dear Board Chairman, Board Members, and Mr. Maguire:

The Office of the Controller's City Services Auditor (CSA), Audits Division, engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the lease agreement under which Imperial Parking (U.S.), LLC, (Impark) operates the Lombard Street Garage (Lombard Garage). SEC also reviewed the management and oversight of the lease by the San Francisco Municipal Transportation Agency (SFMTA).

Reporting Period: July 1, 2017, through June 30, 2018

Revenue: \$691,973

Results:

Impark reported to SFMTA \$691,973 in operating revenues and \$556,182 in expenses during the audit period. In general, SFMTA ensured that Impark appropriately performed most garage activities, with the goal of achieving optimal operational and financial performance at the Lombard Garage. However, the audit identified some areas in which SFMTA could improve its oversight of the garage's operations and better monitor compliance with the lease.

The report includes 17 recommendations for SFMTA to improve its oversight of the Lombard Garage lease. SFMTA's response is attached. CSA will work with the department to follow up every six months on the status of the open recommendations made in this report.

CSA appreciates the assistance and cooperation of all staff involved in this audit. For questions about the report, please contact me at mark.p.delarosa@sfgov.org or 415-554-7574 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read "Mark de la Rosa".

Mark de la Rosa
Acting Chief Audit Executive

cc: Board of Supervisors
Budget Analyst
Civil Grand Jury
Citizens Audit Review Board
City Attorney
Mayor
Public Library

San Francisco Municipal Transportation Agency: Imperial Parking (U.S.), LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Lombard Street Garage

July 2019



Executive Summary

Purpose of the Audit

As authorized by the San Francisco Administrative Code, the Office of the Controller's City Services Auditor engaged Sjoberg Evashenk Consulting, Inc., to assess whether Imperial Parking (U.S.), LLC, (Impark) complied with certain provisions in its lease agreement with the City and County of San Francisco (City) to operate the Lombard Street Garage (Lombard Garage). The audit also assessed whether the San Francisco Municipal Transportation Agency (SFMTA) conducted appropriate contract management and oversight activities of the leases.

Highlights

Overall, the audit found that SFMTA ensured Impark appropriately performed most parking garage activities to ensure optimal operational and financial performance at the Lombard Garage.

However, the audit identified the following areas where SFMTA could improve its oversight of garage operations and better monitor compliance with the lease agreement between the City and Impark:

- Certain revenue controls and management practices need improvement.
- Impark needs to improve its documentation of operational expenses, and SFMTA's invoice review processes could be improved.
- Parking rate adjustments were not always implemented in a timely manner.
- Certain aspects of SFMTA regulations appear outdated, and some improvements can be made to SFMTA's internal procedures.
- SFMTA did not adequately document the resolution of issues found during garage inspections.
- A few system access processes were inconsistent with best practices.

Key Recommendations

The report includes 17 recommendations for SFMTA to ensure Impark uses cash-handling best practices and complies with the provisions of the lease agreement, including that SFMTA:

- Require Impark to reconcile monthly parking revenue collected and deposited with active monthly cardholders reflected in the new SKIDATA system.
- Ensure Impark is aware of SFMTA expense reporting requirements and require Impark to submit invoice packages that include adequate supporting documentation, including copies of payroll documents and proof of expenditures payments, for all expenses incurred.
- Not only verify that supporting documents in Impark's invoice packages agree with the invoice summary, but also thoroughly review supporting documentation details to ensure all required support is included and all costs are allowable and appropriate. If its staffing is too limited to enable this, SFMTA should select two garages per month for full invoice package reviews.
- Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.

INTRODUCTION

Audit Authority

The lease agreement between the City and County of San Francisco (City) and Imperial Parking (U.S.), LLC, (Impark) authorizes the City and its representatives to audit all accounts and records established under the lease. The San Francisco Administrative Code, Chapter 10.6-2, grants the Office of the Controller (Controller) the authority to audit departments to ensure they are adequately managing their leases for leased property. Also, the City Charter provides the Controller's City Services Auditor (CSA) with broad authority to conduct audits. This audit was conducted under these authorities and pursuant to an audit plan agreed to by the Controller and the San Francisco Municipal Transportation Agency (SFMTA). CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the lease agreement between the City and Impark under which Impark operates the Lombard Street Garage (Lombard Garage) and to assess SFMTA's management of the agreement.

Background

The City has a lease agreement with Impark to manage the Lombard Garage, a public parking garage located at 2055 Lombard Street in San Francisco. The lease commenced on July 1, 2014, with Impark as parking garage operator under the previous management company Pacific Park Management (Parking Corporation). An assignment and assumption agreement between the City, the Parking Corporation, and Impark established that the Parking Corporation would no longer have any interest in or manage the Lombard Garage as of July 1, 2014, and that Impark would continue as the parking garage manager and operator through January 31, 2018, the lease termination date. In 2018, the City extended the lease agreement with Impark through July 31, 2019.

In 2016 the SFMTA awarded SKIDATA, Inc., a \$19 million contract to replace aging parking equipment in 22 city-owned parking garages.¹ The newly implemented SKIDATA system allows the garage to automate the payment process. Other technological upgrades include the addition of Automated License Plate Recognition (ALPR), a camera system that converts the image of a license plate to computer-readable data. The ALPR system collects data for the purpose of calculating parking fees, issuing citations, and re-issuing lost tickets. Once all the equipment is replaced at the 22 garages, which is scheduled to occur by

¹ The previous parking control system was known as Datapark.

Summer 2020, SFMTA will be able to streamline operations and enable demand-based pricing from its Central Monitoring Center.

Impark is responsible for supervising and overseeing Lombard Garage operational activities and ensuring revenues and operational expenses generated through the garage are appropriately remitted to the City. Impark remits all Lombard Garage revenues to the City daily and submits monthly requests for reimbursement for operational expenses, including staff salaries and benefits.

SFMTA is tasked with the management and oversight of the City's public, off-street parking garages. The City delegated authority to SFMTA to oversee the activities of the parking garage operators responsible for the daily management and operations of the parking garages. SFMTA is responsible for reviewing and approving parking garage budgets and operational expenses, conducting physical garage inspections, and ensuring the parking garage operators adhere to their lease agreements.

Objectives

The purpose of this audit was to determine whether Impark:

- Reported and correctly submitted to SFMTA all revenues collected from the operation of the Lombard Garage;
- Calculated and correctly reported all of its operating expenses; and,
- Complied with other provisions of its lease agreement with the City.

Also, the audit included evaluating whether SFMTA's contract management practices and procedures adequately ensured that Impark complied with certain lease agreement provisions.

Scope and Methodology

The audit covered July 1, 2017, through June 30, 2018.

To meet the objectives of the audit, the audit team:

- Reviewed the applicable terms of the lease agreement between the City and Impark.
- Assessed Impark's internal controls and procedures over collecting, recording, summarizing, and reporting gross revenues and expenditures, including day-end close-out practices associated with verification of amounts collected and preparing the daily deposit.
- Assessed Impark's process to reconcile monthly parking payments received against active monthly parking passes.

- Evaluated controls associated with the automated parking access and revenue control system, SKIDATA.
- Determined whether Impark submitted complete and accurate monthly statements to report accurate revenues and expenditures and remitted all revenues collected according to the terms of the lease agreement.

**Statement of
Auditing Standards**

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.

AUDIT RESULTS

Summary

From July 1, 2017, through June 30, 2018, Impark reported to SFMTA total operating revenues of \$691,973 and expenses of \$556,182. The exhibit below summarizes Lombard Garage's revenues, expenditures, and operating income for the audit period.

Exhibit Lombard Garage Operating Revenues and Expenses July 1, 2017, Through June 30, 2018			
Reporting Period	Revenues*	Expenses	Operating Income (Revenues less Expenses)
July 1, 2017 – June 30, 2018	\$691,973	\$556,182	\$135,791

* Includes revenues from transient parking, monthly parking, and other garage revenues.

Source: Lombard Garage Monthly Summary Report (MSR) June 2018.

The audit found that, in general, Impark appropriately performed most parking garage activities at the Lombard Garage, in accordance with the lease agreement. In addition, the newly implemented parking access and revenue control system, SKIDATA, allowed the garage to automate many of the traditional cash-handling procedures, such as transient revenue collection, physical parking ticket reconciliation, and cashier drawer closeout. However, the audit identified the following areas where SFMTA could improve its oversight:

- Certain revenue controls and management practices need improvement.
- Impark needs to improve its documentation of operational expenses and SFMTA's invoice review processes could be improved.
- Parking rate adjustments were not always implemented in a timely manner.
- Certain aspects of SFMTA regulations appear outdated, and some improvements can be made to SFMTA's internal procedures.
- SFMTA did not adequately document garage inspection issue resolution.
- A few system access processes were inconsistent with best practices.

Finding 1

Certain Revenue Controls and Management Practices Need Improvement

The audit identified several revenue control practices that increase the risk that Impark cannot assure the accuracy of collecting, processing, and remitting parking payments, including inadequate monthly contract parking reconciliation processes, insufficient petty cash/change fund practices, ticket exception documentation processes, and lack of documentation authorizing free monthly parking.

Impark's Processes to Reconcile Monthly Contract Parking Revenue Require Improvement

In addition to parking for transient (daily) customers, the Lombard Garage also offers monthly parking to customers who sign a parking contract for a flat recurring monthly fee. Monthly parkers receive a garage access card. Impark automatically charges monthly parker fees from the customers' credit cards and deposits the funds into its bank account. The funds are then transferred into SFMTA's bank at the beginning and end of the month.

During the audit period, Impark did not have a process to reconcile the active monthly access cardholders listed in SKIDATA—the parking revenue control system that tracks and activates garage access cards—to amounts collected and deposited into the bank. Rather, Impark compared a manual list of active monthly cards maintained by the garage facility manager to a list in Impark's Monthly Parking System (MPS)—a system used to track monthly payments collected.

Because the list of active garage access cardholders in SKIDATA was not compared to monthly parking fees collected and deposited, Impark and SFMTA could not be assured that all monthly parking fees were appropriately collected from every monthly parking customer with access to the garage. Although auditors did not identify any discrepancies, a reconciliation between active cardholders and collections ensures accountability for any overage and shortages and prevents risk that lost or misappropriated collections may go undetected.

Petty Cash/Change Fund Not Sufficiently Tracked and Secured

Impark maintains \$600 in the pay stations with specified bill denominations as a change fund and petty cash for small emergency purchases. A walk through of Impark's revenue collection processes revealed that petty cash activity was not tracked and the funds were not secured in a locked safe or drawer, making the money accessible to any person with authorization to enter the garage office and increasing the risk that money could go missing or inappropriately handled. While the audit found that the \$600 in petty cash/change fund monies was present

at the time of the auditor's site visit, prudent business practices require tracking and safeguarding all cash, including petty cash/change. Further, the City's cash handling guidelines state that cash should be secured in locked drawers.

Although Impark has brief cash handling procedures detailing certain activities, which guide cash handling for pay stations, the procedures do not address petty cash/change fund activities and requirements. Written policies and procedures are essential to ensure staff can effectively and consistently perform duties in accordance with documented guidelines. Not having complete and updated written policies and procedures increases the risk that employees will use inconsistent practices in handling cash. According to Impark, as of February 2019, improvements to petty cash/change fund practices have been implemented as a result of the audit, including formally tracking and securing the monies.

Impark Did Not Document Detailed Explanations for Exceptions to Revenue Generating Parking Activities

Impark uses SKIDATA to track transient (daily) parking revenue. Transient parkers are issued a ticket on entry to the garage. Each ticket details the parker's entry and exit time and calculates the parking fee due based on the amount of time parked and the time of day. Normally, each time a parker enters the garage, a parking ticket is issued and a payment is collected upon exit; however, there are certain exceptions where parking tickets are not generated and fees are not assessed or collected. Key exceptions to normal ticketing processes include manual gate openings, replacement tickets, and voids.

The SKIDATA system generates a daily activity report listing the number of exceptions by type, but Impark did not document the reasons necessitating for the exceptions or require supervisors to review and approve such activities. Impark included some information related to voided transactions on a daily shift report, but the auditors did not find documentations for other types of exceptions.

According to Section 6.9(e) of SFMTA's Parking Facility Operation and Management Regulations (parking regulations), garage managers are required to submit a monthly exception report that analyzes all manual transactions including details of the garage manager's follow-up on any suspicious transactions and/or pattern transactions. According to SFMTA, garages have not been required to submit this report, but were instead required to submit an Unaccounted Parking Ticket (UPT) report. However, the UPT report only provides a count of certain types of exception activities (e.g., grace period allowances, unprocessed tickets, and voided tickets) and does not detail the reasoning for the exceptions or any information related to manual transactions, such as manual arm lifts.

Without detailed documentation of exceptions, Impark and SFMTA cannot ascertain whether exceptions to normal ticketing processes were appropriate. Therefore, SFMTA should require Impark to document the explanations, approve, and report daily exceptions to ticketing processes. According to Impark, improvements related to formally documenting and approving exceptions have been implemented in February 2019 as a result of the audit, including a parking ticket exception log.

Impark Issued Seven Free Monthly Parking Access Cards to Post Office Staff Without SFMTA's Written Approval

The audit found that Impark authorized seven free monthly parking access cards to a local United States Postal Service (Post Office) facility that shares the same building as the garage without SFMTA's formal approval. The value of the seven parking passes during the audit period was \$21,840. Section 3 of SFMTA's parking regulations only allows free parking in city-owned garages under certain circumstances, unless otherwise authorized by SFMTA via formal written approval. Although a lease agreement commenced in May 1989 between SFMTA and the Post Office indicates the seven parking spaces are part of the Post Office's lease agreement, neither SFMTA nor Impark could provide SFMTA's written authorization for the garage operator to allow the free monthly parking, as required by parking regulations. SFMTA explained that the free passes were authorized and issued prior to the current lease agreement.

Recommendations

The San Francisco Municipal Transportation Agency should:

1. Require Impark to reconcile monthly parking revenue collected and deposited with active monthly cardholders reflected in the SKIDATA revenue control system.
2. Require Impark to continue recently implemented efforts to improve and expand current cash handling processes and procedures, such as tracking and logging daily petty cash/change fund transactions, securing petty cash/change fund in a locked safe with limited access, and documenting, approving, and reporting daily exceptions to ticketing processes.
3. Provide the garage operator formal written approval to authorize free parking spaces, including the spaces currently provided to the Post Office.
4. Require and remind the garage operator to maintain documents for all SFMTA authorized free parking.

5. Develop a process to regularly seek information from garage operators related to free parking access passes to ensure SFMTA is aware of all circumstances where free passes are provided and to ensure written authorization has been provided. SFMTA should consider collecting this information as part of the garage inspection process.

Finding 2

Impark Needs to Improve its Documentation of Operational Expenses and SFMTA's Invoice Review Processes Could Be Improved

The master agreement between SFMTA and Impark includes invoicing provisions for the operator to seek reimbursement each month for specific operating expenses, such as payroll costs, utilities, maintenance, supplies, and contracted services. In order for an expense to be reimbursed by SFMTA, complete documentation must be submitted, including a detailed statement listing all operating expenses incurred since the previous invoice, copies of all invoices, receipts or other evidence to support each listed expense, and evidence of payment of all items. The invoiced expenditure amounts are also reflected on the monthly summary reports (MSR), a report submitted by garage operators that summarizes the total monthly revenues and expenditures. Our review of August 2017 and April 2018 invoices submitted by Impark for reimbursement found that Impark did not always provide sufficient documentation, and SFMTA's review processes require improvement as described in detail below.

Garage Operator Did Not Always Provide Adequate Supporting Documentation for Monthly Expenditures Reimbursement

A review of the August 2017 and April 2018 expense reports submitted by Impark revealed that some expenses claimed did not always have sufficient supporting documentation. For example, we found that a reimbursement request for a \$60 cell phone expense submitted in April 2018 was hand-written on a garage reimbursement form without any documentation from the telephone company to substantiate the reimbursement request.

Additionally, a janitorial services expense submitted on the August 2017 invoice did not agree with the supporting documentation. The janitorial services invoice submitted by Impark stated that \$3,899 was due; however, the documentation showed only \$2,097.60 in provided services when multiplying the janitorial staff hours by the hourly rate paid. SFMTA's internal policies and procedures, specifically the monthly invoice review and approval procedures, require a summary sheet detailing the hours worked and rate paid for security and janitorial services, but Impark submitted invoices using a monthly fixed fee.

According to Impark, this discrepancy occurred because the monthly janitorial charge was a fixed monthly rate that assumed twenty hours of services was performed each week during the fiscal year; however, this payment arrangement was not reflected in the invoice documentation and does not allow SFMTA to ensure that all hours of service paid for was provided throughout the year. According to the garage operator, janitorial expenses are now charged based on actual hours worked as a result of the audit.

Further, the audit found that payroll summaries prepared by the garage operator included in the August 2017 and April 2018 expense reports did not include documentation to sufficiently support the amounts claimed for reimbursement, such as a copy of payroll documents. While Impark provided payroll records to auditors to support the amounts invoiced, SFMTA should ensure the garage operator provides a copy of payroll documents with all submitted invoice packages.

Impark Did Not Provide to SFMTA the Required Proof of Payment for Expenditures in its Monthly Reimbursement Request

Section 6.10 of the agreement between SFMTA and Impark requires each invoice submitted to SFMTA for reimbursement be accompanied by proof of payment. However, no such documentation was included in either the August 2017 or April 2018 invoice packets, making it difficult to ascertain whether the expenses had been paid prior to Impark seeking reimbursement from SFMTA. Without evidence of payment, SFMTA cannot be certain that the expenses being reimbursed had been paid by Impark. Although Impark did not submit the required payment records, SFMTA paid Impark the requested amounts for the sampled months and did not request Impark to submit the required proof of payment.

SFMTA Invoice Review Processes Could Be Improved

SFMTA's internal invoice review procedures include a number of steps to guide staff through the invoice review and approval process and generally focused on ensuring the amounts reflected on the invoice matched the numbers reflected on the underlying supporting documentation. However, the procedures did not require SFMTA staff to review the details of supporting documentation for completeness, accuracy, or allowable expenses.

According to SFMTA, because only one staff member is responsible for reviewing the invoices, there is not enough time to perform an in-depth review of each submitted document. Specifically, invoice packets are submitted by Impark to SFMTA's Parking Group, the unit responsible for overseeing parking garage operators, between the 15th and 18th of each month and SFMTA's accounts payable department must process the corresponding reimbursement payments by the 23rd. As a result, parking group staff have only a few days to review and approve the invoices and

documents submitted by 22 city-owned garages. A detailed and complete review of the submitted expenditures helps to ensure SFMTA only pays for appropriate and allowable costs, and all supporting documentation is included.

Lastly, auditors noted that many expenses included in the invoice packets for August 2017 and April 2018 involved costs incurred several months earlier, making it difficult for SFMTA to identify whether those earlier costs had been previously reimbursed. Although SFMTA indicated there is an informal process to research expenses submitted related to earlier months to guard against double payments, there is no process to document that a review had occurred. Therefore, SFMTA should develop a process that minimizes the risk that the same expense can be included in multiple months of invoicing and reimbursed more than once.

Recommendations

The San Francisco Municipal Transportation Agency should:

6. Ensure Impark is aware of SFMTA expense reporting requirements and require Impark to provide adequate supporting documentation for all expenses incurred when submitting the invoice package, including copies of payroll documents and proof of expenditures payments.
7. Require Impark to charge janitorial service providers for actual time spent providing services.
8. Thoroughly review invoice packages submitted by the garage operator beyond verifying that supporting documents agree with the invoice summary. Review supporting documentation details to ensure all required support is included and all costs are allowable and appropriate. If staffing is limited, SFMTA should select two garages each month and fully review their invoice packages.
9. Develop and formalize a process to verify that SFMTA did not previously reimburse garage operator expenses incurred several months earlier.

Finding 3

Parking Rate Adjustments Were Not Always Implemented on Time

SFMTA reviews garage parking rates for both transient and monthly parkers on a quarterly basis and makes adjustments to achieve both efficient and equitable utilization. According to SFMTA's internal procedure that guides staff on how to conduct garage rate analysis and adjustments, there are several factors that are considered to determine whether or not adjustments are warranted, such as consideration of when rates were most recently adjusted, overall garage utilization,

whether or not a wait-list exists, and benchmarking of competing garages rates. SFMTA is responsible for contacting the SKIDATA administrator to adjust the daily transient rates, while Impark is responsible for adjusting monthly parking rates in their monthly parking system and contacting monthly pass holders of the rate change.

During the audit period, two rate adjustments were slated to take effect during the first quarter of 2018—implementation of a new 24-hour daily maximum rate (\$28) in January and an increase in the regular monthly parking (from \$255 to \$265) in March. While SFMTA appropriately implemented the new maximum 24-hour daily rate timely with SKIDATA, Impark did not adjust the regular monthly parking rate until April 2018. Impark could not provide support to justify the delay in the monthly fee adjustment. Because the monthly parking rate adjustment was not implemented on time, SFMTA lost \$1,300 in revenue during the month of March 2018.

Additionally, although SFMTA's internal procedures outline the steps to complete a garage rate change review and adjustment, the procedures do not address steps needed to ensure rate adjustments occurred appropriately and timely. According to SFMTA, once the SKIDATA system is fully upgraded, SFMTA will be able to verify daily parking rate adjustments remotely on a real time basis.

Recommendations

The San Francisco Municipal Transportation Agency should:

10. Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.
11. Collect the \$1,300 in lost revenue from Impark for the failure to implement monthly reserved parking rates timely.
12. Update the parking regulations to require the imposition of a monetary penalty for not implementing rates in a timely manner, and consider incorporating similar language in contracts with garage operators and system administrators.

Finding 4

Certain Aspects of SFMTA Regulations Appear Outdated and Some Improvements Can Be Made to SFMTA's Internal Procedures

In addition to the SFMTA's parking regulations that stipulate oversight requirements, SFMTA recently implemented formal policies and procedures to guide its staff in carrying out parking garage lease agreement oversight duties. These policies and procedures include instructions on how to perform garage inspections, review expense and monthly summary reports, and implement parking garage rate

adjustments. However, the audit found that the parking regulations and internal procedures could benefit from some updates.

Certain Aspects of SFMTA's Parking Regulations Appear Outdated Due to New Parking Control System and Some Regulations are not Enforced

The implementation of the new SKIDATA parking revenue control system appears to have rendered certain aspects of SFMTA's parking regulations outdated. For example, Section 3(a) requires Impark to reconcile the number of physical tickets with the amount of revenue collected to ensure the appropriate amount of revenue was received, a process previously necessary because ticket generation was separate from revenue collection. With the implementation of SKIDATA in April 2017, the system generates the tickets and tracks the corresponding amount of revenue due; as a result, the physical ticket reconciliation process required by the parking regulations appears to no longer be necessary.

Further, Section 6.9 of the parking regulations requires SFMTA to impose a late fee of \$100 in liquidated damages for each day the MSR documenting revenue and expenditure activity is submitted after the 10th of the month. Of the two MSRs reviewed as part of the audit, we found that one was submitted on time while the other report was submitted five days late. According to SFMTA staff, this parking regulation requirement was informally adjusted to require MSRs be submitted by the 15th of the month due to the increased invoice detail required to be submitted by the garage. However, this deviation from the parking regulation was not formally memorialized through an amendment to the lease agreement.

SFMTA's Internal Procedures Guiding the review of MSR Submissions Could Be Enhanced

SFMTA recently developed internal procedures to guide many of its oversight responsibilities, including high-level review processes that the Parking Group staff performs related to expenditure and revenue activity reflected in the MSRs submitted by garage operators. While the MSR review procedures include steps to examine budget to actual variances, the procedures do not address review processes needed to validate the monthly revenue activities reflected on the MSR submittals, which could lead to inaccurate reporting. The monthly revenue amounts reflected on the MSRs should be consistent with daily revenue amounts verified by the Financial Reporting Unit to assure the garage revenue is accurately reported and supported. According to SFMTA, reliance is placed on the daily revenue tracking and reconciliation activities performed by staff in the Financial Reporting Unit that involve comparing amounts reflected on daily revenue reports provided by Impark to amounts deposited into SFMTA's bank accounts. Data on the MSR is generally used for management reporting purposes and the auditors did not find

discrepancies between amounts deposited in the bank and reported on the MSRs. However, SFMTA's ability to effectively evaluate and monitor the performance of the garage may be hindered without adequate procedures to verify revenue amounts reported on the MSR.

Recommendations

The San Francisco Municipal Transportation Agency should:

13. Update parking regulations to reflect current business processes and requirements.
14. Expand current procedures to require verification of all amounts reported on Monthly Summary Reports.

Finding 5

SFMTA Did Not Adequately Document Garage Inspection Issue Resolution

SFMTA's Parking Group, staff conducts walk-throughs of each of the 22 city-owned garages at least once per year and complete a garage inspection checklist noting any items that require attention. According to SFMTA's internal policies and procedures related to garage inspections, Parking Group staff responsible for conducting garage inspections must sign a checklist after completion of the inspection. The signed checklist is given to a parking analyst in the Parking Group who is responsible for working with Impark to ensure all improvement areas were addressed adequately and timely. However, our review of the Lombard Garage inspection checklists for August 2017 and May 2018 found that the documentation did not include signatures of the parking analyst confirming that items needing attention were adequately addressed. As a result, SFMTA cannot be assured that garages adequately addressed maintenance and safety needs to the satisfaction of the agency on a timely basis.

Recommendation

15. The San Francisco Municipal Transportation Agency should ensure staff follows internal procedures surrounding garage inspections and require formal verification that items needing attention were adequately addressed.

Finding 6

A Few System Access Processes Were Inconsistent with Best Practices

SFMTA approves access levels in SKIDATA system upon the request of garage management. Access levels for garage employees include roles, such as cashier, chief cashier, facility supervisor, and car park manager, and are assigned based on the job duties of the employee. Additionally, SKIDATA and SFMTA have additional access levels to perform

administrator and troubleshooting duties. According to SFMTA, Impark does not have the ability to add or delete users in the SKIDATA system or modify access levels.

A review of Impark's access levels for its employees revealed that although current access levels in SKIDATA appear appropriate, Impark did not have a process to disable system user access when individuals left employment. Additionally, SFMTA does not have a data glossary to describe SKIDATA system access authorization levels.

Impark Did Not Have a Process in Place to Disable SKIDATA System User Access

While the system access level authorization designations appeared appropriate for current garage employees, the audit determined that there were five former employees with continued system access to SKIDATA. Prudent business practices suggest that only authorized employees should have access to information systems--for the minimum amount of time necessary--to ensure no authorizations more than required to perform required job functions are designated. Granting permissions beyond the scope of the necessary accessibility levels heightens the risk that the user could inappropriately use the system, even if the user is no longer employed with the organization. Furthermore, a user who is no longer employed with the company should have no system access credentials as they have no legitimate job functions. Written procedures to guide employees on disabling user access will mitigate system security risks.

When notified that the five employees still had access to the system, Impark requested that SKIDATA disable system access for the former employees.

SFMTA Did Not Have a Data Glossary to Describe SKIDATA System Access Authorization Levels

To assess whether Impark's system access level designations were appropriate, auditors obtained a SKIDATA report that listed numerous access levels by employee, including "passage permitted", "ext. device login allow", and "allow remote log-on". However, because the listing only provided authorization titles without any description of the associated roles and permitted actions for each level, auditors requested a data dictionary from SKIDATA and SFMTA describing the definition of designated roles and actions. A SFMTA staff member indicated that a SKIDATA data dictionary was not available but verbally provided descriptions of the access levels. While it appeared that current employees had appropriate access based on the descriptions provided by the SFMTA staff member, auditors were unable to formally assess the appropriateness of all authorization actions permitted by each

employee's authorization designation through written system documentation. SFMTA should work with SKIDATA to develop a data dictionary, otherwise known as a metadata repository, to describe the meaning and usage of each of the authorization levels and permitted actions. Without a data dictionary, SFMTA staff tasked with approving access level designations within SKIDATA cannot ensure that the authorization levels requested by Impark are consistent and appropriate.

Recommendations

The San Francisco Municipal Transportation Agency should:

16. Work with Impark to develop a formal process to disable user accounts on a timely basis upon separation from employment.
17. Work with SKIDATA to develop a data glossary that describes the definition and usage of each system access authorization/action.

Attachment A: San Francisco Municipal Transportation Agency Response



London Breed, Mayor

Malcolm Heinicke, Chair
Gwyneth Borden, Vice Chair
Cheryl Brinkman, Director
Amanda Eaken, Director

Steve Heminger, Director
Cristina Rubke, Director
Art Torres, Director

Edward D. Reiskin, Director of Transportation

August 6, 2019

Mark de la Rosa
Acting Chief Audit Executive
City Hall, Room 476
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: Lombard and Polk Bush Garage Audits

Dear Mr. de la Rosa:

We have reviewed the two draft reports, "Imperial Parking (U.S.), LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Lombard Street Garage" and "LAZ Parking, LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Polk Bush Garage," and have included our responses to the recommendations in the attached documents. I would like to thank you and your audit team for the work conducted during these important audits.

If you have any questions or need additional information, please do not hesitate to contact me at (415)701-4720.

Sincerely,

A handwritten signature in black ink that reads "Tom Maguire".

Tom Maguire
Acting Director of Transportation

Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled *Agency Response* whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The San Francisco Municipal Transportation Agency should:		
1. Require Impark to reconcile monthly parking revenue collected and deposited with active monthly cardholders reflected in the SKIDATA revenue control system.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff provided direction to Impark, and the monthly reconciliation process began in June 2019.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Require Impark to continue recently implemented efforts to improve and expand current cash handling processes and procedures, such as tracking and logging daily petty cash/change fund transactions, securing petty cash/change fund in a locked safe with limited access, and documenting, approving, and reporting daily exceptions to ticketing processes.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has consulted with Impark and requested an update to Impark's SOPs [standard operating procedures] to incorporate the suggested procedure updates. Staff will review and approve Impark's updated SOPs by 9/15/2019.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
3. Provide the garage operator formal written approval to authorize free parking spaces, including the spaces currently provided to the Post Office.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff will coordinate with SFMTA real estate staff to confirm parking privileges includes in the Post Office's lease, then provide written approval to Impark by 8/31/2019 for any parking that is authorized.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
4. Require and remind the garage operator to maintain documents for all SFMTA authorized free parking.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff provided this direction to Impark.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
5. Develop a process to regularly seek information from garage operators related to free parking access passes to ensure SFMTA is aware of all circumstances where free passes are provided and to ensure written authorization has been provided. SFMTA should consider collecting this information as part of the garage inspection process.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has requested that Impark provide a monthly report regarding non-revenue access cards that are active in the parking control system.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
6. Ensure Impark is aware of SFMTA expense reporting requirements and require Impark to provide adequate supporting documentation for all expenses incurred when submitting the invoice package, including copies of payroll documents and proof of expenditures payments.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff is working with Impark to confirm a procedure by which Impark will submit payment verification for all expenses included within its monthly invoice package. A final procedure will be agreed to by 8/31/2019.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
7. Require Impark to charge janitorial service providers for actual time spent providing services.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff provided this direction to Impark.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
8. Thoroughly review invoice packages submitted by the garage operator beyond verifying that supporting documents agree with the invoice summary. Review supporting documentation details to ensure all required support is included and all costs are allowable and appropriate. If staffing is limited, SFMTA should select two garages each month and fully review their invoice packages.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has been advised by management to ensure that all actions outlined in the unit's written procedures regarding operator-invoice review are followed for every garage invoice package, each and every month.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
9. Develop and formalize a process to verify that SFMTA did not previously reimburse garage operator expenses incurred several months earlier.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has been directed to provide additional scrutiny to any expense items submitted by a parking operator for which the expense occurred during a prior month (e.g. for an expense being billed in June that appears to have been incurred in March) to ensure it doesn't represent a duplicate request for reimbursement by the parking operator.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
10. Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Effective with the next scheduled set of rate changes in August 2019, staff will require written confirmation from the parking operators and/or SKIDATA to confirm the approved rate changes were actually implemented.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
11. Collect the \$1,300 in lost revenue from Impark for the failure to implement monthly reserved parking rates timely.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has requested and Impark will provide a credit within its monthly invoice package no later than August 2019.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
12. Update the parking regulations to require the imposition of a monetary penalty for not implementing rates in a timely manner, and consider incorporating similar language in contracts with garage operators and system administrators.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff will add such language to the next update of the Parking Regulations.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
13. Update parking regulations to reflect current business processes and requirements.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff is in the process of reviewing and re-engineering business practices as the new SKIDATA PARCS is fully implemented. A comprehensive update to the Parking Regulations is planned for completion by 6/30/2020.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
14. Expand current procedures to require verification of all amounts reported on Monthly Summary Reports.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Parking staff will coordinate with Financial Reporting staff to ensure the two units' procedures regarding review of garage revenues complement each other and help to ensure any reporting inaccuracy in the MSRs submitted by operators are flagged and followed up on.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
15. Ensure staff follows internal procedures surrounding garage inspections and require formal verification that items needing attention were adequately addressed.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has been directed to submit a monthly report to unit management regarding the disposition of all open items identified during garage inspections.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
16. Work with Impark to develop a formal process to disable user accounts on a timely basis upon separation from employment.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has directed Impark to conduct a monthly review of access credentials to the SKIDATA system to confirm former employees have their access removed in a timely fashion.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
17. Work with SKIDATA to develop a data glossary that describes the definition and usage of each system access authorization/action.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff will request SKIDATA to provide written detail by 9/30/2019 describing the permissions included with each access level.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested

* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Attachment B: Impark Response



August 21, 2019

Mark de la Rosa
Acting Chief Audit Executive
City Hall, Room 476
1Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Subject: SF CSA Lombard Garage Audit Response Letter

Dear, Mr. de la Rosa,

In response to the SF CSA Lombard Garage Audit - Draft Audit Report August 9, 2019, Imperial Parking concurs with the recommendations and plans to complete and implement those recommendations prior to the dates listed in the report.

Our group has discussed the recommendations and the necessary steps with SFMTA. We have put a plan together to implement the recommendation as a part of our Normal Operation Procedures.

If you have any questions, please do not hesitate to contact me.

Thank you,

Francisco J. Lira Sr.

Francisco J. Lira Sr.
Impark Operations Manager, San Francisco.