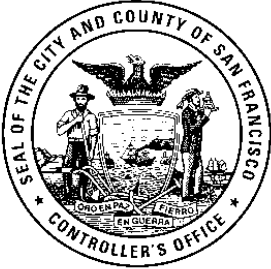


# LAZ Parking, LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Polk Bush Garage

San Francisco Municipal Transportation Agency



AUDITS DIVISION



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  
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## 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 Laz Parking, LLC, (LAZ) operates the Polk Bush 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: \$608,653

Results:

LAZ reported to SFMTA \$608,653 in operating revenues and \$528,449 in expenses during the audit period. In general, SFMTA ensured that LAZ appropriately performed most garage activities, with the goal of achieving optimal operational and financial performance at the Polk Bush 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 13 recommendations for SFMTA to improve its oversight of the Polk Bush 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](mailto: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: LAZ Parking, LLC, Needs to Improve Some Controls to Strengthen Its Operations at the Polk Bush Garage

July 2019



# Executive Summary

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## 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 Laz Parking, LLC, (LAZ) complied with certain provisions in its lease agreement with the City and County of San Francisco (City) to operate the Polk Bush 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 LAZ appropriately performed most parking garage activities to ensure optimal operational and financial performance at the Polk Bush 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 LAZ:

- Certain revenue controls and management practices need improvement.
- Although garage operator expenses were generally supported, 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.

## Key Recommendations

The report includes 13 recommendations for SFMTA to ensure LAZ uses cash-handling best practices and complies with the provisions of the lease agreement, including that SFMTA:

- Require LAZ to reconcile monthly parking revenue collected and deposited with active monthly card holders reflected in SKIDATA.
- Not only verify that supporting documents in LAZ'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 SFMTA did not previously reimburse expenses LAZ incurred in earlier months.
- Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.

# INTRODUCTION

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## Audit Authority

The lease agreement between the City and County of San Francisco (City) and Laz Parking, LLC, (LAZ) 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 LAZ under which it operates the Polk Bush Garage, and to assess SFMTA's management of the agreement.

## Background

The City has a lease agreement with LAZ to manage the Polk Bush Garage, a public parking garage located at 1399 Bush Street in San Francisco, California. The lease commenced on February 1, 2012 with a contract term of six years, and expired January 31, 2018. In 2018, the City extended the lease agreement with LAZ 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.<sup>1</sup> 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 Summer 2020, SFMTA will be able to streamline operations and enable demand-based pricing from its Central Monitoring Center.

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

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<sup>1</sup> The previous parking control system was known as Datapark.

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 LAZ:

- Reported and correctly submitted to SFMTA, all revenues collected from the operation of the Polk Bush 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 LAZ 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 LAZ.
- Assessed LAZ'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 LAZ'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 LAZ 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

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## Summary

From July 1, 2017, through June 30, 2018, LAZ reported to SFMTA total operating revenues of \$608,653 and expenses of \$528,449. The exhibit below summarizes Polk Bush Garage's revenues, expenditures, and operating income for the audit period.

Exhibit Polk Bush 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	\$608,653	\$528,449	\$80,204

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

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

The audit found that, in general, LAZ appropriately performed most parking garage activities at the Polk Bush Garage, in accordance with the lease agreement. In addition, the newly implemented parking access and revenue control system, SKDATA, allowed the garage to automate many 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.
- While garage operator expenses were generally supported, 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 not consistent 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 LAZ cannot assure the accuracy of collecting, processing, and remitting parking payments, including inadequate monthly contract parking reconciliation processes, insufficient petty cash/change fund practices, and untimely deposit of non-parking revenue funds.

#### *LAZ's Processes to Reconcile Monthly Contract Parking Revenue Require Improvement*

In addition to parking for transient (daily) customers, the Polk Bush Garage also offered monthly parking to customers who signed a parking contract for a flat recurring monthly fee. Monthly parkers receive a garage access card. LAZ automatically charges monthly parker fees from the customer's credit cards and deposits the funds into its LAZ's bank account. The funds are then transferred into SFMTA's bank account on a rolling basis throughout the month.

During the audit period, LAZ 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. According to LAZ, the SKIDATA system did not allow staff to upload the list of monthly parkers into LAZ's keycard audit program, but SKIDATA has this functionality effective June 2019.

Because the list of active garage access cardholders in SKIDATA was not compared to monthly parking fees collected and deposited, LAZ and SFMTA could not be assured that all monthly parking fees were appropriately collected from every monthly contract 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*

LAZ maintains \$100 in the pay stations with specified bill denominations as a change fund and petty cash for small emergency purchases. A walk through of LAZ's revenue collection processes revealed that change fund/petty cash activity was not tracked, which increases the risk that monies could go missing or inappropriately handled. While the audit found that \$100 in petty cash/change fund monies was present at the

time of the auditor's site visit, prudent business practices require tracking of all cash, including petty cash/change. LAZ had cash handling procedures detailing certain activities, such as accepting cash payments and preparing and booking deposits, but the procedures did 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 written policies and procedures increases the risk that employees will use inconsistent practices in handling cash.

*LAZ Did Not Always Deposit Non-Revenue Funds on Time*

During a walk-through of the revenue collection process, auditors discovered there was \$100 in miscellaneous funds collected from a customer who damaged the gate arm at the entry of the garage. Although the garage operator could not provide the exact date the funds were collected, the garage operator acknowledged that the funds had not been deposited within 24-hours, as required by section 6.5 of the parking regulations. The risk of cash being misplaced and stolen increases the longer it is withheld from the bank. Once the issue was identified, garage management instructed staff to deposit the cash immediately.

**Recommendations**

The San Francisco Municipal Transportation Agency should:

1. Require LAZ to reconcile monthly parking revenue collected and deposited with active monthly cardholders reflected in the SKIDATA revenue control system.
2. Require LAZ to revise and improve current cash-handling processes and procedures, such as tracking and logging daily change fund/petty cash transactions.
3. Require LAZ to ensure all funds collected, including revenue collected from damage to equipment, are deposited to the bank within 24 hours.

**Finding 2**

**While Garage Operator Expenses Were Generally Supported, SFMTA's Invoice Review Processes Could be Improved**

The master agreement between SFMTA and LAZ 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 of 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 LAZ for reimbursement found that one expense did not include the required support and SFMTA's review processes require improvement.

*Garage Operator Did Not Submit the Required Summary Sheet for its Janitorial Expenses*

While the audit found that expenses in the August 2017 and April 2018 invoice packages submitted by LAZ were allowable and generally supported, one expense item lacked additional support. Specifically, SFMTA internal procedure 1.1 requires garage operators to submit a janitorial hour summary sheet detailing the hours worked and rate paid for janitorial services; however, the janitorial hour summary sheet was not included in the April 2018 invoice package. According to LAZ, the janitorial hour summary sheet is typically included with the invoice packages, and its exclusion from the April 2018 package was unintentional. Because the janitorial hour summary sheet was not included, SFMTA cannot ensure if the amount invoiced reflected actual services provided.

*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 do not require SFMTA staff to review the details of supporting documentation to ensure 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 LAZ 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 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:

4. Ensure LAZ is aware of SFMTA's expense reporting requirements and require LAZ to provide adequate supporting documentation for all expenses incurred when submitting invoice packages, including a sheet summarizing janitorial hours.
5. 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.
6. Develop and formalize a process to verify that SFMTA did not previously reimburse garage operator expenses incurred in earlier months.

## 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 LAZ was 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 January 2018 including an increase in the daily early bird rate from (\$18 to \$20) and the daily maximum rate (from \$27 to \$28). Based on our review of SKIDATA documentation, neither of these rate adjustments were implemented on time. While the early bird rate adjustment to \$20 was later implemented in July 2018, the daily maximum rate adjustment to \$28 was never implemented. Further, the daily maximum rate is not expected to be adjusted until July 2019 (\$27 to \$36). According to SFMTA, the revised rates were given to SKIDATA, but the change may not have been implemented properly at their end. Because the daily parking rate adjustments were not implemented timely, SFMTA lost approximately \$10,080<sup>2</sup> in revenue for the audit period.

Also, 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.

## Recommendation

The San Francisco Municipal Transportation Agency should:

7. Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.
8. 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.

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<sup>2</sup> Lost revenue was estimated using the average monthly tickets multiplied by the daily and early bird rate difference for each month the rates were not adjusted, with actual revenue lost calculated for April 2018 and June 2018. The monthly average tickets were based on volumes reported in the August 2017, April 2018, and June 2018 MSRs.

## 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 LAZ staff 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.

We noted discrepancies between revenue amounts deposited in the bank and revenue amounts reflected on the MSR. Specifically, the MSR reported \$18,560 and \$14,700 in monthly pass holder parking revenue for August 2017 and April 2018 respectively, while the amounts deposited into SFMTA's bank statements were \$19,416 and \$14,960. LAZ was unable to explain the differences between the MSRs and deposited amount. 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 LAZ to amounts deposited into SFMTA's bank accounts.

Although data on the MSR is generally used for management reporting purposes, 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:

9. Update parking regulations to reflect current business processes and requirements.
10. 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 the garage inspection must sign the 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 LAZ to ensure all improvement areas were

addressed adequately and on time. However, our review of the Polk Bush Garage inspection checklists for July 2017 and February 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

11. 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, LAZ does not have the ability to add or delete users in the SKIDATA system or modify access levels.

A review of LAZ's access levels for its employees revealed that although current access levels in SKIDATA appear appropriate, some employees did not have individual system access. Additionally, SFMTA does not have a data glossary to describe SKIDATA system access authorization levels.

#### *LAZ Did Not Have a Process in Place to Create Individual SKIDATA User Access Accounts*

While the system access level authorization designations appeared appropriate for current garage employees, the audit determined that LAZ did not have a process in place to create specific SKIDATA system user access accounts. As a result, there were two current employees without individual SKIDATA access accounts. Rather, the two individuals used generic default logins that were not unique to the employee. Prudent practices suggest that employees should have individual specific user accounts so management can adequately monitor and review system activity. Without specific access accounts to track activity, SFMTA and Polk Bush cannot hold employees accountable who deviate from

standard processes or violate organizational policies surrounding SKIDATA usage.

When the auditors notified LAZ that two employees did not have specific individual user accounts in SKIDATA, LAZ requested that SKIDATA provide the new employees with access to the system.

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

To assess whether LAZ'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 LAZ are consistent and appropriate.

**Recommendations**

The San Francisco Municipal Transportation Agency should:

12. Work with LAZ to develop a formal process to create individual user accounts for new employees on a timely basis.
13. Work with SKIDATA to develop a data glossary that describes the definition and usage of each system access authorization/action.



## 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 LAZ 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 directed LAZ to complete the reconciliation, and LAZ began the procedure in July 2019.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Require LAZ to revise and improve current cash-handling processes and procedures, such as tracking and logging daily change fund/petty cash transactions.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has consulted with LAZ and requested an update to LAZ's SOPs [standard operating procedures] to incorporate the suggested procedure updates. Staff will review and approve LAZ's updated SOPs by 9/15/2019.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
3. Require LAZ to ensure all funds collected, including revenue collected from damage to equipment, are deposited to the bank within 24 hours.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff will direct LAZ to ensure all revenues received are deposited into the location's electronic safe within 24 hours.	<input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested
4. Ensure LAZ is aware of SFMTA's expense reporting requirements and require LAZ to provide adequate supporting documentation for all expenses incurred when submitting invoice packages, including a sheet summarizing janitorial hours.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff reviewed and confirmed all invoice-submission requirements with LAZ in June 2019.	<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*
<p>5. 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.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>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.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>6. Develop and formalize a process to verify that SFMTA did not previously reimburse garage operator expenses incurred in earlier months.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>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.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>7. Develop and formalize a process to verify that scheduled daily and monthly parking garage rate adjustments are implemented in a timely manner.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>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.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>8. 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.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>Staff will add in such language to the next update of the Parking Regulations, which will be completed by 6/30/2020.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

\* 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. 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 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
10. 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
11. 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
12. Work with LAZ to develop a formal process to create individual user accounts for new employees on a timely basis.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Staff has reinforced with LAZ that a procedure is needed to ensure no new employee needs to use any other staff member's log-in credentials.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
13. 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 12/31/2019 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: LAZ Parking LLC Response

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August 15, 2019

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

Dear Mr. de la Rosa:

We have received and reviewed the draft audit report, *San Francisco Municipal Transportation Agency: LAZ Parking LLC Needs to Improve Some Controls to Strengthen its Operations at the Polk-Bush Garage*. LAZ will implement and practice the recommendations provided.

If you have any questions, please feel free to call me at 415-986-4800.

Cordially,

A handwritten signature in black ink, appearing to read "Neal Schlosser".

Neal Schlosser  
Portfolio Manager