

California State University, San Bernardino
5500 University Parkway
San Bernardino, CA 92407

MEMORANDUM

DATE: March 4, 2014

TO: Robert Gardner, Vice President Administration and Finance/CFO

FROM: Michael Zachary, University Internal Auditor

SUBJECT: Special Audit of Selected Parking Procedures

EXECUTIVE SUMMARY AND BACKGROUND:

As a result of a special request, this audit was initiated. An MPP (management) employee (MPP) approached the Auditor and stated that they wanted to make an anonymous request for an audit of Parking Services (Parking). The MPP stated that the original request came to the MPP from two employees in Parking who believed that there needed to be an audit of Parking. When asked for specific areas that were requested for review, or for specific concerns, the MPP requested that the following areas be reviewed:

1. Cash handling for special events: Whenever there is a special event, and paid parking is involved, the employees are not confident that the cash is handled as well as it should be, or that procedures are as strong as they should be. Note that this area was a greater concern because there was a special investigation of this very topic, by the Chancellor's Office, in 2010 and it showed control weaknesses for special events cash handling.
2. Proper utilization of the Parking budget: The employees are not certain that the Parking budget always used appropriately.
3. Management style overall: The employees questioned whether Parking was being managed as effectively as it could be.

In addition to these areas, the Auditor choose to include a review of Parking Pass Reconciliations, based on the knowledge that there had been a transition from office sales of parking passes to online sales of parking passes, and formal reconciliations of the older sales method were discontinued at about the time Parking made a physical move from temporary structures near the College of Education to newly remodeled offices in University Hall, in about March/April of 2013. By that time, Parking had moved to a substantially online sales methodology for most parking passes. Also included in the audit was a review of the business purpose and documentation of special events parking fees that were waived.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included such audit tests that were considered necessary in evaluating the administrative and accounting controls surrounding the areas audited.

The audit included a review of compliance with specific regulations and policies that were considered relevant to the topic, such as the CSUSB Parking Policy, applicable portions of the Education Code, and specific provisions of Title 5 California Code of Regulations. Additionally, the Auditor reviewed prior audits from the Chancellor's Office that were considered relevant, such as the 2010 Investigative Report (10-91) and the 2010 audit of Main and Satellite Cashiering (10-24). The Auditor conducted certain interviews that were considered necessary in the circumstances, to obtain background data, accounting information, other factual data, and opinions related to this project. Specifically, we reviewed cash handling and collections for special events, and related requests for lot clearances and chargebacks, or other methods of payment for the special events parking. We performed a validation of the special events database versus the chargebacks database to ensure that they were consistent, and that chargebacks (or other methods of payment) existed to pay for special events parking fees that were not waived. We discussed with executive management the sources and uses of the Parking budget, as well as management of the department. We accomplished a focused review of reconciliations and tracking for parking permits and, lastly, we reviewed the business purposes for, and documentation of, any special events wherein the parking fees were waived.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations may not be cost-effective; moreover, an audit may not always detect these limitations.

The following brief summary bullets provide management with an overview of conditions that may require attention. Areas of review that are not mentioned in the audit observations and recommendations, such as (1) cash handling for special events, (2) utilization of the parking budget, and (3) overall management of parking services, are considered to be satisfactory. Details of the bulleted observations below, along with audit recommendations follow in the body of this report.

➤ **Reconciliations for Online Parking Permit Sales**

Online parking permit sales were not being reconciled. At the time of audit, a periodic (monthly) reconciliation of online parking permit sales was not being performed.

➤ **Fee Waivers for Special Events Parking**

Valid business purposes were not always provided for complimentary lot clearances and parking fees waived. Parking procedures appeared to be more lenient than Title 5 state regulations.

PURPOSE AND SCOPE OF AUDIT:

The primary audit objective was to evaluate a specific request for an audit of Parking Services that was provided to the Auditor Verbally, on August 6, 2013. An MPP (management) employee (MPP) approached the Auditor and stated that they wanted to make an anonymous request for an audit of Parking Services (Parking). The MPP stated that the original request came to the MPP from two employees in Parking who believed that there needed to be an audit of Parking in the areas described below.

The scope of audit, per the original request, was to include reviews of: (1) cash handling for special events, (2) proper use of the parking budget, and (3) the overall management (style) of Parking. Based on knowledge of higher risk areas, the Auditor included a review of parking pass reconciliations, and a separate review of special events parking fees that were waived in 2011-12 and 2012-13.

Cash handling for special events was a particularly important topic for review because in 2010 the Chancellor's Office performed an audit/investigation and found significant weaknesses in that area, issuing Audit Report # 10-91, Special Investigation, Parking Services. Upon receiving the verbal audit request, the auditor discussed the request with the VP Administration and Finance, and described how it included a request of cash handling which was the focus of the CO audit, and he agreed that an audit was necessary.

The audit started with a substantial focus on detailed testing of cash handling procedures for special events for FY 2012-13. Midway through the audit, the scope was modified with regard to cash handling for special events only. The initial testing plan was to review first FY 2012-2013 (2013) special events data, and then FY 2011-2012 data, on a stop-and-go basis. However, we ultimately tested only the 2013 special events data, based on the fact that no significant errors were detected during the many test procedures.

From the 2013 listing of all special events provided by Parking, we selected 10 events for sampling and documentation testing. The sample of 10 amounted to about \$30,696 (or about 74 percent) of the total \$41,407 revenue received for 2013 special events parking. Based on detailed testing of sales revenues, evidence of deposits to the Bursar's Office, reconciliations of cash received, reviews and approvals of overages and shortages, and 100% ticket counts (stubs) for every event tested, we concluded that, other than minor clerical errors, no significant deficiencies were identified as a result of this focused review.

AUDIT OBSERVATIONS AND RECOMMENDATIONS

RECONCILIATIONS FOR ONLINE PARKING PERMIT SALES

Online parking permit sales were not being reconciled. At the time of audit, a periodic (monthly) reconciliation of parking pass sales was not being performed.

Over a period of many months Parking had been working toward the goal of selling parking passes online, rather than in-person or through-the-mail. Online sales are seen as attractive because of various efficiencies to be gained through the automated process. Prior to online parking permit sales, there was a manual monthly reconciliation that included both parking passes and citations sales. In our audit of a sample of monthly reconciliations for the period July 2011 through April 2013, we took no exception to the process or procedures used in the reconciliations.

By November 2012 online parking permit sales were fully operational, and a hybrid system of online and in-person/mail sales was in place. The last full reconciliation of parking permits sold through the mail and in-person was completed in April 2013. Since that time there has not been an adequate method in place to reconcile actual permits sold (by permit number) and the overall dollar value of permits sold online. Parking management and staff explained that a method for reconciliation had not yet been devised, mainly because the flow of information for the online parking permit sales was very different than the previous method used, and a method for reconciliation needed to be thoroughly evaluated and vetted. The Auditor consulted with Parking management on various occasions and by the conclusion of the audit fieldwork it appeared that a pilot process had been identified that could reconcile both the physical sales of tickets and sales dollars, using a total sales approach (estimates would be involved).

Recommendation 1:

Develop and implement a parking permit reconciliation process. The process should ensure that parking permits are reconciled monthly, including permits sold, permits not sold, and any permits lost or otherwise not available. The process should be able to account for all permits sold by permit number with a corresponding receipt. Additionally, the process should be able to reconcile sales amounts in the T2 system versus sales amounts in PeopleSoft, and allow for comparison of actual sales amounts to estimates of anticipated monthly cash receipts (due to prorated sales and other reasons).

Management Response:

We concur. We are developing a process for reconciliation of all permits by permit number, receipt number, and person sold to, along with cash amounts received. The reconciliation procedure will allow for comparison of the T2 system amounts to PeopleSoft amounts, while allowing for a comparison to estimates of anticipated sales.

Due Date: May 4, 2014

FEE WAIVERS FOR SPECIAL EVENTS PARKING

Valid business purposes were not always provided for complimentary lot clearances and parking fees waived. Parking procedures appeared to be more lenient than Title 5 state regulations

The audit sample of lot clearance transactions included “complimentary” lot clearances (fees waived) for the CSUSB main campus (SB) and the Palm Desert Campus (PDC). Lot clearances are typically ordered through an online utility that is monitored daily. We reviewed samples of 2011-12 and 2012-13 activity and noted that, as stated by Parking staff, there was no paper trail (supporting documents) to support many of the online requests. The online requests did provide verbiage describing the event, and sometimes it provided the reasons why parking fees should be waived. However, in the Auditor’s opinion, the descriptions were not always sufficient to justify the lost revenue, and possibly not sufficient to meet the Title 5 standards.

Current Parking procedures describe various special dispensations and circumstances wherein parking fee waivers may be issued, but they require that the purpose for the waiver be documented, and the procedures appear to be more lenient than state regulations, citing such things as “extraordinary ceremonies” or “community events” as being allowable. Title 5 California Code of Regulations (CCR) §42201 states that a parking fee waiver may be granted for persons, *not employed by the campus, visiting the campus for the purpose of transacting State business with the campus*. It also allows for fee waivers for persons with disabilities (ADA), and some other very limited circumstances, but makes no mention of extraordinary ceremonies or community events.

Based on review of a sample of actual lot clearances, and the online requests, the following observations were noted:

- The audit sample of fees-waived transactions for the SB campus included events where it could not be determined if event had a valid business purpose, such as including persons not employed by the campus and visiting for the purpose of transacting state business with the campus, ADA provisions, or other allowable conditions, as defined in Title V (CCR) §42201.
- Some of the lot clearance requests referenced prior parking agreements established by the previous Parking Director that allowed for fees being waived automatically, as a courtesy. Some requests even said that the event was sanctioned by the University. However, those prior agreements were verbal only, and there was no documentation of the agreement available for the audit.
- PDC had automatic “complimentary lot closures” allowed, 12 per year, and there was no written agreement describing the logic behind these, or why they were always allowed.
- Some lot clearances were described by Parking as being departmental events, but clearly not a campus-sanctioned event, and the fee waiver was still allowed.

While it is clear that each lot clearance with fees waived must be reviewed on a case by case basis, there is still an opportunity to support the lost revenues with more substantial descriptions of the business purpose, as recommended below.

Recommendation 2:

The Auditor recommends that:

- a. Parking ensure compliance with Title V CCR §42201 by documenting that the fee waiver is granted based on the applicable provisions such as a valid business purpose, ADA provisions, or other allowable provisions.
- b. The practice of allowing automatic lot clearances based on prior verbal agreements should be discontinued. Automatic, cyclical, lot clearances should be based on documented agreements that state valid business purposes for such agreements.
- c. Campus-sanctioned events or departmental events with valid business purposes should be documented as to why they are sanctioned. This would include either a memo from the requesting department establishing the business purpose, or a memo-to-file written by Parking, documenting the reasoning behind the sanctioned event.
- d. Parking should consider reviewing parking policies to ensure that they comply with Title 5, CCR §42201 regulations with regard to parking fee waivers.

Management Response:

We concur. We will ensure that

- a. Title V compliance is achieved by documenting valid a business purpose, ADA allowances, or other allowable provisions for lot clearances or complimentary fee waivers.
- b. Verbal agreements for automatic or cyclical lot clearances will be replaced with valid written agreements stating the business purpose of such agreements.
- c. Campus sanctioned events will be documented such that reasons for the event being a sanctioned event are explained. Memos will be obtained from the applicable departments or Parking will prepare memos to file.
- d. We will review parking policies to ensure that they comply with Title 5, CCR §42201 regulations with regard to parking fee waivers.

Due Date: May 4, 2014

AUDIT FOLLOW-UP AND CLOSURE:

The Auditor considers this audit closed, and encourages management to appropriately address the observations and recommendations contained in this report. Follow-up review will be performed based on the agreed-upon remediation due dates for implementation of the audit recommendations.

If you have any questions or concerns, please contact me at 909-537-3430, or via e-mail.

c: President Tomás Morales
Debbie Burns
Ron Profeta
Deloren West

**APPENDIX A:
PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Tomás Morales	President
Debbie Burns	Assistant Vice President, Aux. & Bus. Services & Risk Management
Robert Gardner	Vice President for Administration and Finance/CFO
Claudia Campos	Administrative Analyst, Bursar's Office
Susan Parker	Customer Service Specialist, Parking Services
Ron Profeta	Director, Parking Services
Javier Torner	Information Security Officer, Information Technology Services
Deloren West	Special Projects Coordinator, Parking Services
Paige Williams	Accounting Technician, Parking Services
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