

Office of the City Auditor and Clerk

Internal Audit



PARKING MANAGEMENT DIVISION CASH RECEIPTS

Audit #22-05

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A handwritten signature in blue ink that reads "Shayla Griggs". The signature is written in a cursive style.

Shayla Griggs, City Auditor and Clerk

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Executive Summary

Audit #22-05 Parking Management Division Cash Receipts

Audit Purpose, Scope and Time Period

Internal Audit performed an operational/compliance audit of the Parking Management Division's (PMD) cash receipt procedures.

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of cash receipts. The scope of this audit included a review of metered and garage payment and cash receipt procedures, activities, processes and management review.

The audit period was October 1, 2019 to November 30, 2021.

Audit Objectives

1. Determine if internal controls are operating as intended for safeguarding cash collections at metered and garage locations.
2. Determine if metered and garage cash receipts are properly recorded, deposited and reconciled.

Summary Background

The City of Sarasota's (City) Parking Management Division (PMD) is responsible for oversight of the City's parking assets and management of the parking system. PMD currently oversees all the garages, on street parking and off-street surface parking lots, parking enforcement of city and state parking ordinances, valet parking permits, employee parking permits, residential parking permits, collection of parking fines, parking projects and statistical reporting.

The focus of this audit, however, is on cash receipts for only the garages and metered parking in Downtown and St. Armands.

Summary of Conclusions

- Controls were generally operating as intended for safeguarding cash collections, however, there were opportunities for improvement identified.
- Controls over the customer payment receipting process should be improved to ensure proper reconciliation, reporting and monitoring processes are in place and functioning properly, see detailed audit report.

At the conclusion of the audit, management is in the process of implementing controls over reconciling, reporting and monitoring, see detailed audit report for management responses.

This Executive Summary is limited in detail. To obtain the full background on a particular item, please read the Detailed Audit Report or contact Internal Audit prior to drawing conclusions based upon the limited information contained in this summary.

Detailed Audit Report

Audit #22-05 Parking Management Division Cash Receipts

Background and Introduction

The City of Sarasota's (City) Parking Management Division (PMD) is responsible for the collection and recording of the hourly fees paid for parking in City garages and meter locations. The City currently has over 3,000 parking spaces in Downtown Sarasota, 1,100 metered parking spaces and three parking garages. The three current parking garages accepting payments include:

State Street
Palm Avenue
St. Armands

All metered and garage cash revenue is generally collected on a weekly basis. Two cash collection employees work together to retrieve, count and deposit the funds. The City also has events that charge for parking called Pay on Entry Events or POE. For these events, pre numbered tickets are handed out as vehicles enter and a \$5.00 fee is collected for every ticket. Once the event is over, an employee stands at the exit and collects the other half of the ticket to verify all vehicles have paid. After their shift is over, each employee fills out a POE shift report that breaks out the number of tickets issued with the revenue earned. Then this report, along with their tickets and cash, are dropped in a safe to be counted later and deposited. When the cash collection employees count the money, they verify that the number of tickets sold matches the total number of tickets used during the event and that the revenue matches the tickets sold. All revenue collected is entered into FMS along with attached back up.

Audit Standards

The auditors conducted this audit in conformance with the International Standards for the Professional Practice of Internal Auditing. Those standards require 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 findings and conclusions based on the audit objectives.

Audit Purpose, Scope and Time Period

The purpose of this audit was to provide reasonable assurance that there are adequate controls for the collection, recording and reconciling of cash receipts. The scope of this audit included a review of PMD's payment and cash receipt procedures, activities, processes and management review.

The audit period was October 1, 2019 to November 30, 2021.

Audit Objectives

The audit focused on the following objectives:

1. Determine if internal controls are operating as intended for safeguarding cash collections at metered and garage locations.
2. Determine if metered and garage cash receipts are properly recorded, deposited and reconciled.

Testing Methodology

To achieve the objectives the auditor:

- Utilized computer-generated software to select a random sample of revenue entries,
- Reviewed a sample of FMS accounting entries and the timing of the cash deposits,
- Obtained and reviewed Parking Policies and Procedures along with the City's Administration Regulation for Cash Receipts Procedures,
- Interviewed appropriate personnel from PMD and Financial Administration to gain an understanding of the staff duties and documented the process of metered cash collections,
- Observed the collection, counting, deposit and recording in FMS of cash from St. Armands meters and garage,
- Reviewed supporting documentation for indications of supervisory approval, and
- Traced cash deposits to bank statements.

Audit Criteria

- City of Sarasota Administrative Regulations and Municipal Codes
- Government Auditing Standards (GAO) "General Standards for Preparing Accounting Records and Financial Standards"
- Parking Policies and Procedures

Audit Observations and Testing

For **objective one**, we determined that controls were generally in compliance and operating as intended for safeguarding cash collections with opportunities for improvements.

Observations and Recommendations – Cash Collection

Cash collections - Observations indicated cash handling policies and procedures were generally in accordance with City of Sarasota Administrative Regulation No.037.A002.0817.

Cameras - Cameras are installed in parking garages, but they are currently not operational. Revenue is collected throughout the year with daily parking and Pay on Entry (POE) events. By repairing or replacing the current non-functional cameras, PMD would be able to strengthen and enhance existing controls over security, handling and safeguarding of cash.

Vehicle Counter - As stated previously, revenue is collected at parking garages throughout the year for POE events. During these events there is a large influx of vehicles that need to be parked quickly. In an effort to speed up this process, the gate arm is left open for these events. Unfortunately, by leaving the gate arm open, a key control is being circumvented because the system is no longer able to track how many vehicles are entering the parking garage. With the addition of a vehicle counting mechanism, PMD would be able to incorporate a compensating control to safeguard cash receipts, while also allowing patrons to park their cars timely. Monitoring the vehicle counts would allow a reconciliation between the number of vehicles entering the garage to the revenue received.

Internal Audit Recommends

- Strengthen controls over security and cash collections of the garages by repairing or replacing cameras to monitor the number of vehicles that enter the garages along with observing all activity taking place at the time of customer payment, including transactions and money counting.
- Install vehicle counters in all three garages for added controls on POE events to agree and reconcile the number of vehicles entering the garage to the amount of revenue collected.

Management Response

- Estimates to repair and expand the system making it more effective have been received and proposed for upcoming budget year. Committed resolution date is pending budget approvals.
- Parking Management has confirmed equipment availability and waiting installation. Committed resolution date per vendor indicates installation may be completed by the first week of May 2022.

For **objective two**, we determined customer payment receipts controls should be improved to ensure proper reconciliation, reporting and monitoring processes are in place and functioning properly to identify errors, as detailed below.

Observations and Recommendations – Reconciling, Reporting and Monitoring

Reconciling and Reporting - Reconciliations of funds received to vendor reports does not fully reconcile amounts received to meter/pay station close outs. Testing performed determined that the supporting back up (meter/pays station machine close out) documentation was missing some, or all the pay station tickets, or bank deposit receipts. Additionally, instances were identified where vendor pay station machine close outs were not properly capturing the amount of cash received. This prevented complete reconciliation of funds received to supporting vendor reports due to the missing back up. From an audit sample of 344 tested transactions, 91 transactions included support that did not agree to the FMS accounting entry and 64 lacked supporting documentation. For these transactions, the auditor was unable to determine if amounts recorded and deposited agreed to actual amounts received.

Monitoring - When reviewing the attached FMS accounting back up, there did not appear to be management review and approval documentation of daily cash receipt reports and the corresponding FMS accounting system entries for any of the garages or meters during the audit period. Management review should determine that funds received agree to meter/pay station close out reports, amounts are properly recorded and discrepancies, if any, are properly documented and researched. Areas identified during the audit that could have been corrected with proper management review were:

- **Over/Short** - Over/short Cash variances greater than \$5.00 did not appear to have been researched or have a supervisor or manager signature with an explanation as to the variance as per Parking Meter Collections and Cash Balancing procedures. Out of 344 transactions tested, 39 lacked an explanation for differences greater than \$5.00.
- **Late Deposits** - Deposits included in the audit testing were not always made in a timely manner, however, there were improvements in the timing of deposits during the Fiscal Year 2022 period. Timely deposits ensure funds are safeguarded.
- **FMS** - PMD should reconcile revenue recorded once posted in FMS. Employees have access to post the Cash Receipt entries but are not reviewing revenue accounts to verify postings and performing a reconciliation.

Internal Audit Recommends

- Daily cash receipts backup should include a cash receipt reconciliation cover page, meter/pay station close out support and bank deposit receipt. Any missing support or pay station tickets that do not have the correct printed amounts need to include an explanation as to the reason for the pay station ticket error. Cash receipts with over/short amounts of more than \$5.00 should be researched and signed off by a supervisor or manager with an explanation as to the variance. Errors should be brought to management's attention, tracked and monitored to determine if vendor software problems are resulting in unreliable data that is critical to proper controls over the cash receipting process. Additionally, PMD should review and monitor amounts recorded in FMS for proper reconciliation between revenue received and revenue recorded.

Management Response

- Parking Management has strengthened this procedure, accordingly, providing detailed back up and answers for any unacceptable variances. Past practice had been performed after initial consultation with the accounting system administrator who tracks the report activity. This level of monitoring and daily transactional analysis is important for any burgeoning revenue operation to perform. The Parking Management Division, with adequate staffing can accomplish this task. Variances occur frequently due to a wide range of variables (electronic, mechanical, user errors) that are not often attributable to vendor software problems. When revenue and transactional variances happen, a more detailed analysis should be performed by personnel, not associated with field operations, who reports directly to the Parking GM, so that a higher level of accountability is assured. Investigating errors requires time to research and track down materials. It requires a trained eye in accounting, parking systems analysis, ensuring adequate investigation of the level of complexity, amounts, frequency and association of personnel

involved. This structure allows the field staff to continue working and prevents possible falsification of data. Committed resolution date for providing detailed explanations effective immediately, staff review of reconciliation and reporting errors and staffing request submitted.

Audit Conclusions

The observations noted above could generally be resolved with additional management review of revenue recorded in FMS, installing vehicle counters, and repairing the cameras in the two garages. Although adequate controls appear to be in place for safeguarding cash collections, recommendations noted above would improve the effectiveness over recording, monitoring and reconciling. Current reconciling, reporting and monitoring process may not identify missing revenue or other errors. We recommend management implement the noted recommendations to strengthen controls and mitigate risk over the cash receipting process.

We would like to thank Parking Management Division and Financial Administration staff for providing their time and assistance during this audit.