

City of Detroit

OFFICE OF THE AUDITOR GENERAL



Audit of the Municipal Parking Department Parking Violations Bureau

July 2008 – June 2013



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Mark W. Lockridge
AUDITOR GENERAL

MEMORANDUM

DATE: April 7, 2014

TO: Honorable City Council
Honorable Mayor Mike Duggan

FROM: Mark Lockridge, CPA, CIA, CGAP
Auditor General

RE: Audit of the Municipal Parking Department- Parking Violations Bureau

CC: Norman White, Interim Director
Palencia Mobley, City Council Liaison

Attached for your review is our report on the Audit of the Municipal Parking Department-Parking Violations Bureau. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Municipal Parking Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Municipal Parking Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral.aspx>.

**Audit of the Municipal Parking Department
Parking Violations Bureau**

July 2008 – June 2013

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AGENCY RESPONSE

Municipal Parking Department

ATTACHMENT A

AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Municipal Parking Department was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of this audit was an independent review and assessment of the effectiveness and efficiency of the Municipal Parking Department's operations internal control procedures for transactions and its compliance with applicable Finance Directives, policies, plans, procedures, laws and regulations regarding financial transactions for the period July 1, 2008 through June 30, 2013. This report focuses on the Municipal Parking Department's Parking Violations Bureau.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The objectives of the audit were:

- To assess the Municipal Parking Department's internal controls related to financial transactions.
- To determine the Municipal Parking Department's compliance with applicable Finance Directives, policies, procedures, laws, and regulations.

AUDIT METHODOLOGY

To accomplish the audit objectives, our audit work included:

- Reading the prior audit report.
- Reviewing prior audit working papers, City Charter, Municipal Manual, DRMS reports, the department's budget reports, the CAFR, and organization charts.
- Gathering policies and procedures of core operations and similar data.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Developing questions regarding the department's transactions, controls, functions, records, and personnel.
- Identifying risks relative to financial transactions and mitigating controls with department personnel.
- Interviewing department personnel, review documentation, and make observations to aid in developing audit programs.

- Develop audit programs for financial transactions and/or areas selected for audit.

CONCLUSIONS

As a result of our audit we have concluded that MPD:

- Lacked appropriate internal controls and did not properly manage the disbursement process.
- Was not in compliance with City Finance Directives, policies and procedures regarding financial transactions.
- Was not efficient and effective in the departments operations of the PVB Division.
- Did not properly monitor activities of the PVB contractor.

Concern

The OAG is concerned about MPD's collection of unpaid parking ticket revenue. The chart below details uncollected revenue as of February 4, 2014 per MPD.

Category	Current	31-90	91-1 Year	1 -2 Years	2-3 Years	Over 3 Years	Total
MICHIGAN							
Not on DMV Hold with Registered Owner							
Number	7,244	12,880	58,814	65,355	54,921	600,163	799,377
\$ Amount	\$206,930.75	\$604,195.50	\$3,762,750.58	\$4,240,781.10	\$3,550,184.51	\$44,999,694.28	\$57,364,536.72
Without Registered Owner							
Number	5,165	708	4,135	9,433	8,007	35,408	62,856
\$ Amount	\$144,515.00	\$19,770.00	\$117,650.00	\$268,885.00	\$225,063.69	\$1,082,106.00	\$1,857,989.69
OUT OF STATE							
With Registered Owner							
Number	327	700	3,788	4,203	2,960	15,982	27,960
\$ Amount	\$8,770.00	\$33,995.00	\$222,584.00	\$240,003.00	\$176,249.30	\$1,117,935.55	\$1,799,536.85
Without Registered Owner							
Number	465	186	596	1,223	1,101	7,579	11,150
\$ Amount	\$13,090.00	\$5,120.00	\$18,000.00	\$36,730.00	\$34,413.00	\$303,398.50	\$410,751.50
TOTALS							
Number	13,201	14,474	67,333	80,214	66,989	659,132	901,343
\$ Amount	\$373,305.75	\$663,080.50	\$4,120,984.58	\$4,786,399.10	\$3,985,910.50	\$47,503,134.33	\$61,432,814.76

BACKGROUND

The Municipal Parking Department's (MPD) mission is to provide and promote economically on and off-street public parking services; to enforce City of Detroit parking ordinances; and to coordinate parking with economic development projects throughout the City of Detroit. The MPD is organized into two core divisions, the Auto Parking System (APS), which is one of the City's enterprise agencies, and the Parking Violations Bureau (PVB), which is a part of the general fund.

The function of the PVB is to enforce the City's on-street parking ordinances, process all violation notices for payment, and collect the payments associated with the violations. Currently the MPD contracts out the processing and collections portion of this process.

The PVB utilizes four software systems to enforce parking ordinances for the entire city. One of the software systems is provided by the Michigan Secretary of State which is utilized by the department to confirm if reported citizen vehicle information is valid.

The remaining three software systems utilized are provided by the PVB contractor. The PVB contractor provides the following software systems:

- 1) AutoCite Handheld Device Software which is utilized by PVB Enforcement Officers to issue parking tickets to citizens for parking violations.
- 2) ELSAG Mobile Plate Hunter 900 Software which is utilized by PVB Boot & Tow Enforcement Officers to identify the license plates of citizen vehicles who owe fines and penalties for six or more individual parking violations.
- 3) AutoProcess Software which is utilized by PVB Control Specialists to indicate if citizens' bootable plates can be legally booted, towed, and held by the department until all fines and penalties are paid.

The APS is responsible for the management of the City's parking facilities including lots and garages. The APS is accounted for as an enterprise fund, the Automobile Parking Fund. The APS contracts out the management of the parking facilities. The contractor is responsible for the day-to-day operations and maintenance of the facilities. A separate report will be issued on the APS; this report is on the PVB.

The Interim Director of MPD is Norman White. He was appointed in September 2013. Prior to his appointment the director was Shawntuan DeBerry. Ms. DeBerry served as director of the department until her resignation in September 2013.

The following table shows the budgeted appropriations, revenues and number of staff for MPD for the 2012-2013 and 2011-2012 fiscal years broken down by enterprise fund and general fund.

	Fiscal Years Ended June 30	
	2013	2012
General Fund	\$ 9,981,000	\$ 19,781,000
Enterprise Fund	12,900,314	24,591,770
Budgeted Revenues	\$ 22,881,314	\$ 44,372,770
General Fund	\$ 6,314,424	\$ 6,678,940
Enterprise Fund	12,900,314	24,591,770
Budgeted Expenditures	\$ 19,214,738	\$ 31,270,710
Net Tax Cost	\$ (3,666,576)	\$ 13,102,060
Budgeted Positions		
General Fund	55	58
Enterprise Fund	42	44
Total Budgeted Positions	97	102

AUDIT FINDINGS AND RECOMMENDATIONS

1. Municipal Parking Department (MPD) Did Not Monitor the Data in the Revenue Systems Maintained by the Parking Violations Bureau (PVB) Contractor

During the audit of the MPD, the auditors reviewed a Report of the Top Parking Violators provided by the PVB contractor. The auditors randomly selected seven citizens from the report to compare to the same information that was available within the software systems used by the MPD.

The auditors determined that the PVB contractor's report indicated that seven Final Boot Notices were sent to the seven citizens. As illustrated in the chart below, the same MPD citizen records indicated that Final Boot Notices were sent to only three of the seven citizens. Citizen vehicles are not bootable unless MPD software systems indicate that Final Boot Notices were issued to the citizens.

	Citizen's License Number	Citizen's Name	Citizen's Address	Citizen's License Plate Number	Final Boot Notice Date	Report Amount Owed
1	Yes	Yes	Yes	Yes	04/22/2008	\$13,684
2	Yes	Yes	Yes	Yes	No Date	12,890
3	Yes	Yes	Yes	Yes	No Date	9,114
4	Yes	Yes	Yes	Yes	No Date	11,353
5	Yes	Yes	Yes	Yes	02/19/2008	7,080
6	Yes	Yes	Yes	Yes	05/06/2005	7,233
7	Yes	Yes	Yes	Yes	No Date	6,833

The PVB contractor's report included amounts owed by the seven citizens. As illustrated in the chart below, the same MPD citizen records indicated discrepancies existed in the amounts. The amount differences ranged from \$50 to \$3,913. The auditors could not determine what amount the citizens would owe the city if his or her vehicle was booted.

	Contractor's Report Amount Owed	MPD's Report Amount Owed	Variance
1	\$ 13,544	\$ 13,684	\$ (140)
2	11,170	12,890	(1,720)
3	8,770	9,114	(344)
4	7,440	11,353	(3,913)
5	7,030	7,080	(50)
6	6,150	7,233	(1,083)
7	5,000	6,833	(1,833)
	\$ 59,104	\$ 68,187	\$ (9,083)

The auditors concluded the following:

- The PVB contractor does not ensure that daily AutoCite parking enforcement activity is electronically downloaded into the AutoProcess and the ELSAG software systems.
- The PVB contractor does not ensure that citizen bootable plate information is actually electronically uploaded in the ELSAG Mobile Plate Hunter 900 software daily.
- The PVB contractor does not monitor PVB citizen software to ensure that all three systems contain the same electronic citizen information.
- MPD does not enforce the provisions of the contract that requires the contractor to provide accurate and timely electronic data to PVB personnel.

According to the contract agreement, the contractor agrees to provide for the provisions and ongoing operation, maintenance, and enhancement of the city's parking violation processing and collections system. The contractor shall be responsible for the ongoing operation of the automated and non-automated requirements of the system. The project's objective is to have a unified, sophisticated and comprehensive user-oriented system.

When information is not downloaded from the AutoCite software, citizen daily parking violations are not reported and electronically transferred to the ELSAG Mobile Plate Hunter 900 or the AutoProcess software to be tracked and monitored by MPD personnel. When all three software systems do not have the same information, the PVB Division cannot legally boot and tow bootable citizen plates and hold the vehicles until citizens pay fines and penalties owed to the City. Fines and penalties owed to the City are a major portion of budgeted revenue for the MPD. The loss of this revenue adds to the city's deficit and limits the enforcement of parking ordinances within the city.

The auditors determined that a lack of management oversight lead to the systems not having consistent information. Although MPD management was aware of the conflicting information in the systems they did not correct the problem.

Recommendations

We recommend the MPD:

- Ensure that daily AutoCite parking enforcement activity is electronically downloaded into the AutoProcess and the ELSAG software systems.
- Ensure that citizen bootable plate information is actually uploaded in the ELSAG software daily.
- Monitor PVB citizen software to ensure that all three systems contain the same electronic citizen information.

2. MPD Had Revenue Procedure Deficiencies

During the audit of MPD, the auditors noted the following revenue procedural deficiencies:

- The PVB contractor was not required to provide supporting documentation to substantiate reported revenue provided to MPD on an excel spreadsheet.
- The PVB contracted cashiers in the Pay by Mail Area do not immediately endorse checks or money orders “For Deposit Only” along with the bank account number on citizen payments received when opening incoming mail.
- MPD could not provide written policies and procedures for the:
 - PVB Citizen Non Sufficient Funds (NSF) Process.
 - Submission of NSF notices to the PVB contractor for collections.
- PVB did not have a current list of authorized employees to pickup (receive) cash deposits from the armored car service.
- MPD does not monitor the status of PVB Citizen Not Sufficient Fund (NSF) accounts handled by the PVB contractor to ensure collection efforts are being made by the contractor.

The State of Michigan Accounting Procedures Manual for Local Units of Government in Michigan states:

- Authorization procedures need to include a thorough review of supporting documentation to verify the propriety and validity of transactions.
- Checks must be restrictively endorsed (stamped for deposit only) at the point and time of collection.
- Management should make sure that policies and operating procedures in every department are written down and communicated to employees.

Standard cash handling practices require that:

- The identification of all persons receiving cash deposits for transfer to the bank are verified through use of a current employee list provided by the armored car service; and
- The collection of non-sufficient funds checks.

According to Michigan State Act 236 a payee or an agent of a payee may make a written demand for payment of a check, draft, or order of the type specified.

When revenues are received and reported to MPD by the contractor without proper documentation substantiating the revenue collected being required of the contractor, revenues cannot be verified as being accurately reported or recorded.

The possibility of employee errors increases substantially when adequate written policies and procedures do not exist. Employees do not have access to accurate

instructions and guidelines that would assist them in completing their job responsibilities correctly.

Funds may be given to someone that is not an employee of the armored car service.

The failure to effectively manage and collect bounced check revenues reduces the amount of revenue available to the City to pay for City operations. Public knowledge of the lack of collection efforts undermines the City's reputation. Written policies and procedures should be periodically reviewed, revised, and updated as needed.

The auditors determined that MPD's confidence in the PVB contractor's performance led them to not require supporting documentation for revenue reports or formal standard operating procedures for daily tasks.

According to MPD personnel, the MPD-Finance Division does not have regular access to bank statements which are forwarded from the City of Detroit's Finance Department. Also, the current MPD-Finance Manager is new to the position and is in the process of writing policies and procedures for the MPD-Finance Division.

Recommendations

We recommend that MPD:

- Require sufficient supporting documentation for all revenue reports received.
- Require that all checks be restrictively endorsed upon receipt.
- Develop written policies and procedures for the:
 - Citizen Non-Sufficient Fund (NSF) Process.
 - NSF Notices forwarded to PVB Contractors for collections.
- Obtain updated employee list from the armored car service at least quarterly.
- Monitor the status of NSF checks to ensure collection efforts are being made.

3. The Parking Violations Bureau (PVB) Bank Account Was Not Properly Reconciled

The auditors tested the PVB bank account and noted the following conditions:

- MPD failed to reconcile its bank account in a timely fashion.
 - One bank reconciliation was completed eleven days late in fiscal year 2009-2010
 - Six bank reconciliations were completed untimely in fiscal year 2010-2011. The bank reconciliations were completed between 10 and 39 days late. The average days the reconciliations were late was 26 days.
 - Nine bank reconciliations were completed untimely in fiscal year 2011-2012. The bank reconciliations were completed between six and 185 days late. The average days the reconciliations were late was 93 days.
- MPD did not monitor PVB bank deposit overages and shortages.
- Bank withdrawals for credit card chargebacks and error corrections were not listed on the bank reconciliations.

Finance Directive 154, Procedures for Preparing Monthly Bank Reconciliations requires that:

- An employee not involved in the recording receipts and disbursements must perform the reconciliation no later than 30 days after receipt of the monthly bank statement to safeguard assets; and
- Differences should be identified, investigated, explained and corrected (posted) to the account in the month immediately following the reconciliation period.

MPD did not comply with the City's bank reconciliation policy. Revenue could be misstated due to unexplained variances between the contractors' revenue records and the actual bank account balance.

The auditors determined that MPD did not properly manage the bank reconciliation process.

Recommendation

We recommend that MPD:

- Comply with Finance Directive 154 to submit bank reconciliations no later than 30 days after receipt of the monthly bank statement.
- Ensure that contractor revenue reports are properly reconciled to the monthly bank statements.

4. MPD Does Not Adequately Monitor Reimbursement Expenditure Requests

During a review of the disbursement process, the following deficiencies were noted:

- MPD did not have appropriate internal controls to ensure that the PVB contractor did not over charge the department and/or the City.
- MPD did not have appropriate internal controls to ensure that the PVB contractor was conducting the services that MPD was paying them to perform per the contract.
- MPD reimbursed the PVB contractor for charges that were not supported by documentation at the time the reimbursement was processed by the MPD Finance Division.
- MPD reimbursed the PVB contractor for items that were not used by MPD personnel.

Thirty-seven (37) MPD payment requests were selected for review by the auditors. Six (6) of the 37 payment requests or 16% could not be located.

Thirty-one (31) payment requests were available for review. The thirty-one (31) MPD payment request had the following deficiencies:

- One (1) or 3% of the payment requests did not have an invoice number or vendor address.
- Twenty-seven (27) or 87% of the payment requests did not have an authorized signature.
- Two (2) or 6% of the invoices did not have an invoice date.
- Thirty (30) or 97% of the invoices did not have a city agency or department received stamped on the invoice.
- Fourteen (14) or 45% of the invoices did not have a purchase order number on the invoice.
- MPD did not obtain prior approval from the Budget Department for food purchases.

Finance Directive 145, requires that authorization requests must be made in writing to the Finance Director prior to making commitments with any vendor(s). Requests can be presented in a formal letter or via email.

According to best practices, reimbursement request should be thoroughly scrutinized for the safeguarding of city assets. Management should have written internal controls to ensure the detection and prevention of fraudulent expenditures.

According to the Finance Department Accounts Payable Division policies and procedures, vendor invoices submitted by City departments and agencies for payment must contain required information in order to be processed. The required information serves as internal controls to ensure that fraudulent invoices and payment requests are

not processed for payment by the Accounts Payable Division.

When adequate internal controls over disbursements are not implemented and enforced, fraudulent payments maybe processed and the City maybe over charged by vendors. The processing of fraudulent payments and over charges increases the City's financial expenditures and deficit spending.

The auditors determined that MPD failed to properly review invoices and that there was a lack of management oversight for the payment of expenditures.

Recommendations

We recommend that MPD:

- Develop and implement internal controls to ensure that contractors do not over charge the department and/or City.
- Develop and implement internal controls to ensure that contractors are conducting the services that they are being paid to perform for the City.
- Require that supporting documentation be submitted to the Finance Division before reimbursement payments are processed.
- Review and approve all contract expenditures before reimbursements are processed.
- Ensure that all invoices include the required information before they are processed by the Finance Department Accounts Payable Division.
- Ensure that the Budget Department approves all food purchases.

5. MPD's Monitoring of the PVB Contractor Was Insufficient

The following deficiencies were noted in MPD's monitoring of the PVB contractor:

- The PVB Cashiering Area was not visited by MPD staff to ensure that the contractors were in place and that citizens were being properly serviced.
- MPD did not randomly audit the starting cash of each PVB contracted teller to ensure that the daily starting cash of \$300 provided by MPD was accounted for.
- MPD did not ensure that the PVB contractor provided written training materials to MPD employees relating to their specific job responsibilities nor documentation that employees actually received training from the PVB contractor.

The City's Contract Administration Manual under Section V, Documenting Contractor Performance states that:

It is the responsibility of the using department to always document contractor performance. This may be the most important step in monitoring contracts. Since the department is the entity that is utilizing the contract, they are responsible for keeping a written record of any performance issues.

- Assure that contracts contain performance schedules and that the vendor's performance is monitored on a periodic basis.
- Establish and maintain a process to routinely and periodically monitor the quality of a vendor's work.

According to the PVB contractor agreement, the key elements will include the following: project planning, systems testing, systems documentation, staffing, and user training to MPD employees.

City of Detroit customers may not be serviced timely if the PVB contractor's cashiers are not open and ready for business at the start of their shift. The PVB contractor's cashiers may not have the appropriate funds to make change for customers if their starting cash is short at the beginning of their shift. Employees who are not properly trained and given training materials for reference, or given proper instructions on how to utilize resources required to fulfill their job responsibilities cannot fulfill their job responsibilities.

The auditors determined that MPD did not properly monitor the PVB contractor because MPD's management was confident that they were performing their designated task.

According to MPD, the PVB contractor did not distribute training materials to PVB employees when initial training was conducted. The PVB contractor stated that written policies and procedures were available for review, but did not provide any training materials specific to PVB employees' job responsibilities for review by the auditors.

Recommendations

We recommend that MPD:

- Properly monitor the PVB contractor's performance to ensure that cashiers are in place and ready to service customers at the beginning of their shifts;
- Conduct random audits of the PVB contractor's cashiers starting cash; and
- Require the contractor to develop written policies and procedures so that MPD personnel can be adequately trained to use various software systems provided by the PVB contractor.

6. MPD Failed to Adequately Control Fuel Cards

The General Services Department (GSD) issued 133 fuel cards to MPD employees. The auditors documented the following conditions:

- The MPD could not account for seventy-seven (77) fuel cards issued to their department.
- Forty-six (46) of the seventy-seven (77) unaccounted for fuel cards were assigned to individuals no longer employed at MPD.
- MPD did not cancel fuel cards issued to former employees.
- Eleven of the seventy-seven (77) employees not listed on MPD's fuel card report used their fuel cards in January 2013 as follows:

Quantity of Gas	Amount		Employee
51.5	\$133.00		Employee 1
127.2	336.50		Employee 2
63.4	166.70		Employee 3
36.8	96.40		Employee 4
52.7	137.70		Employee 5
34.5	90.00		Employee 6
45.9	121.50		Employee 7
36.4	96.50		Employee 8
36.9	97.30		Employee 9
21.0	54.80		Employee 10
28.7	74.40		Employee 11
535.0	\$1,404.70		TOTAL

According to the GSD Vehicle Management Division Fuel System Policies and Procedures:

- The user department is responsible for updating GSD's Real Efficiency Vehicle Systems (REVS) Manager regarding any changes to the contact information for the department's Fleet Coordinator (FC).
- The FC is the departmental person responsible for validating the REVS fuel employee card roster.
- The FC is to review and validate the listing provided by GSD request names to be deleted.
- The FC is responsible for immediately notifying the System Manager by e-mail and by returning the employee fuel cards to the System Manager when an employee is no longer authorized to fuel vehicles (employee is dismissed, laid-off, retired, etc.).
- Disciplinary and/or legal actions will be taken against any employee found abusing, stealing, damaging or otherwise misusing the automated fueling system.

The insufficient management and oversight of fuel cards makes them vulnerable to improper usage allowing the potential for fraudulent use to obtain fuel. Failure to require employees who operate City or personal vehicles for business

The auditors determined that MPD did not follow GSD's policies to properly monitor the fuel cards assigned to the department.

Recommendations

We recommend MPD management:

- Return fuel cards that are no longer being used, or needed;
- Keep track of any fuel cards issued to MPD employees; and
- Fill out and submit a card request form to deactivate unused gas cards.

7. MPD Did Not Comply with the City's Year End Closing Procedures

The auditors reviewed the year-end closing documents submitted by MPD for fiscal years 2010, 2011, 2012 and 2013. The following deficiencies were noted:

Fiscal Year 2010

- Out of 25 required exhibits, 15 or 60% were not on file or submitted to the Finance Department.
- Out of ten exhibits submitted, five or 50% were not submitted on time and six or 60% were not signed by the preparer.

Fiscal Year 2011

- Out of 24 required exhibits, 12 or 50% were not on file or submitted to the Finance Department.
- Out of the 12 exhibits submitted 5 or 42% were not submitted on time, 10 or 83% were not signed by the preparer or the authorized signer.

Fiscal Year 2012

- Out of the 30 required exhibits, 2 or 7% were not on file or submitted to the Finance Department.
- Out of the 28 exhibits submitted:
 - 4 or 13% were not submitted on time.
 - 16 or 57% were not signed or initialed by the Preparer.
 - 3 or 11% were not signed by an Authorized Signer.
 - 20 or 71% were prepared and authorized by the same person.
 - 5 or 18% were missing dates that the exhibits were prepared or approved.

Fiscal Year 2013

- Out of the 24 required exhibits, 7 or 29% were not on file or submitted to the Finance Department.
- Out of the 17 exhibits submitted:
 - 4 or 24% were not submitted on time.
 - 6 or 35% were not signed or initialed by the Preparer.
 - 12 or 71% were prepared and authorized by the same person.
 - 3 or 18% were missing dates that the exhibit were prepared or approved.

The Finance Department's Year-end Closing Procedures requires that financial exhibits be submitted by designated dates. Financial exhibits should be filled out completely, dated, and signed off by an appropriate manager.

When year-end financial exhibits are submitted to the Finance Department late, it affects the Finance Department's ability to close the City's books in a timely fashion.

The auditors determined that a lack of management oversight lead to the year end closing documents not being correctly approved and submitted timely.

Recommendation

We recommend MPD take the necessary steps to comply with City's year end closing procedures.

ATTACHMENT A

March 5, 2014

Mark Lockridge, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 216
Detroit, Michigan 48226

Dear Mr. Lockridge:

The following presents the Municipal Parking Department's response for the indicated findings and related recommendations in the December 2013 audit of the Municipal Parking Department's Parking Violations Bureau, as prepared by the Office of the Auditor General. Our responses include the actions taken or to be taken regarding the recommendations, and the implementation dates or the targeted implementation dates for those actions.

Finding Number 1. Municipal Parking Department (MPD) Did Not Monitor the Data In the Revenue Systems Maintained by the PVB Contractor

- a. Contractor does not ensure that daily AutoCite parking enforcement activity is electronically downloaded into the Auto Process and the ELSag software systems.

Department's Response. MPD currently ensures that Auto Process systems download updated information daily into the AutoCite and ELSag software systems. MPD monitors daily to ensure that the Boot Warning, Boot Final Notice registries, and Daily Hotlist Reports are downloaded by PM&A. MPD utilizes the AutoCite Sink Status Report to verify the AutoCite handhelds have been downloaded. If these reports don't download, PM&A is contacted immediately to address the failure. MPD manually checks to verify the downloading of data to the ELSag software systems. In addition, manual audit sampling occurs to validate the data base accuracy. Currently, MPD is working with PM&A to create an automated method of verification data base accuracy.

- b. Contractor does not ensure that citizen bootable plate information is actually electronically uploaded in the ELSAG Mobil Plate Hunter 900 software daily.

Department's Response. MPD manually checks to verify the down loading of data to the ELSag software systems. Because the information is not downloaded directly to the ELSag software system from the vendor database, it is not possible for the contractor to verify MPD download of the data file to ELSag. MPD is responsible and verifies the ELSag system is updated prior to every shift since it is downloaded via email.

- c. Contractor does not monitor PVB citizen software to ensure that all three systems

contain the same electronic citizen information.

Department's Response. MPD monitors software daily to ensure all three systems contain the same electronic citizen information. MPD is currently working with the vendor to modify reports to better facilitate accuracy and consistency in data.

- d. MPD does not enforce the provisions of the contract that requires the contractor to provide accurate and timely electronic data to PVB personnel.

Department's Response. MPD regularly audits PD&A data to ensure accuracy. MPD is currently working with the vendor to modify reports to better facilitate accuracy and consistency in data.

Finding 2. MPD Had Revenue Procedure Deficiencies

- a. The PVB contractor was not required to provide supporting documentation to substantiate reported revenue provided to MPD on an excel spreadsheet.

Department's Response. In July 2013 MPD amended its requirement of the PVB contractor requiring the forwarding of deposit slip copies. In addition, MPD has asked for Central Treasury to provide MPD on line daily access to the relevant PVB banking accounts to reconcile the transactions.

- b. The PVB contracted cashiers in the Lock Box Area do not immediately endorse checks or money orders "For Deposit Only" along with the bank account number on citizen payments received when opening incoming mail.

Department's Response. MPD has instructed PM&A cashiers to immediately endorse checks and money orders with "For Deposit Only" along with the bank account number on citizen payments received when opening incoming mail.

- c. MPD could not provide written policies and procedures for the: - PVB Citizen Non Sufficient Funds (NSF) Process / Submission of NSF notices to the PVB contractor for collections.

Department's Response. Effective November 1, 2013, MPD implemented written policies and procedures for the PVB Citizens Non Sufficient Funds.

- d. PVB did not have a current list of authorized employees to pickup (received) cash deposits from the armored car service.

Department's Response. The PVB cash office has a document from Brinks with pictures of all employees authorized to make pick-ups for Brinks. This is used to verify Brinks personnel prior to releasing the deposit and has been in place since 2010. The list is updated quarterly or if personnel changes prior to the quarterly update.

- e. MPD does not monitor the status of PVB Citizen Not Sufficient Fund (NSF) accounts handled by the PVB contractor to ensure collection efforts are being made by the contractor.

Department's Response. Effective November 1, 2013, MPD implemented written policies and procedures for the PVB Citizens Non Sufficient Funds.

Finding 3. The Parking Violations Bureau (PVB) Bank Account Was Not Properly Reconciled

- a. MPD failed to reconcile their bank account in a timely fashion.

Department's Response. MPD acknowledges that the department has experienced many staffing issues over the past several years due to Finance management changes as well as reductions in the Finance departmental work force. MPD recently attained a new Finance Manager and is in the process of hiring a senior accountant. With these additions, the bank reconciliations will be brought up to date and prioritized so that they are submitted in accordance to Finance Directive 154.

- b. MPD did not monitor PVB bank deposit overages and shortages.

Department's Response. MPD will work to ensure that bank reconciliations are properly prepared and reviewed in accordance to Finance Directive 154.

- c. Bank withdrawals for credit card chargebacks and error corrections were not listed the bank reconciliations.

Department's Response. MPD will work to ensure that bank reconciliations are properly prepared and reviewed in accordance to Finance Directive 154. In addition, contractor revenue reports will be properly reconciled to the monthly bank statements.

Finding 4. MPD Does Not Adequately Monitor Reimbursement Expenditure Request

- a. MPD did not have appropriate internal controls to ensure that the PVB contractor did not over charge the department and/or the City.

Department's Response. A MPD Government Analyst has been assigned the responsibility of reviewing and approving contractor reimbursement requests to ensure contract compliance, prior to payment, effective immediately.

- b. MPD did not have appropriate internal controls to ensure that the PVB contractor was conducting the services that MPD was paying them to perform per the contract.

Department's Response. A MPD Government Analyst has been assigned the responsibility of reviewing and approving contractor reimbursement request to ensure contract compliance, effective immediately.

- c. MPD reimbursed the PVB contractor for charges that were not supported by documentation at the time the reimbursement was processed by the MPD Finance Division.

Department's Response. A MPD Government Analyst has been assigned the responsibility of reviewing and approving contractor reimbursement request to ensure contract compliance. It has been reiterated to staff that reimbursements for contractor

charges must have proper documentation attached to the invoice at the time the reimbursement is processed.

- d. MPD was reimbursing the PVB contractor for items that are not used by MPD personnel.

Department's Response. A MPD Government Analyst has been assigned the responsibility of reviewing and approving contractor reimbursement request to ensure contract compliance. MPD Finance management will review invoices periodically to ensure items being billed are items that are needed and used by MPD personnel.

- e. Vendor invoices submitted by City departments and agencies for payment must contain required information in order to be processed. MPD invoices did not have the proper information.

Department's Response. MPD Finance Manager will review proper procedures with all MPD Finance Staff to ensure that all invoices include the required information before they are processed by the Finance Department Accounts Payable Division.

- f. MPD did not obtain prior approval from the Budget Department for food purchases.

Department's Response. MPD current finance staff and MPD management are aware of Finance Directive 145 and will ensure that it is followed.

Finding 5. MPD's Monitoring of the PVB Contractor Was Insufficient

- a. The PVB Cashiering Area was not visited to ensure that contractors were in place and that citizens were being properly serviced.

Department's Response. Enforcement Investigators verify daily that the PVB contractor cashier office employees are in place and serving customers as contracted. This procedure was adopted on November 8, 2013.

- b. MPD did not randomly audit the starting cash of each PVB contracted teller to ensure that the daily starting cash of \$300 provided by MPD was accounted for.

Department's Response. On October 17, 2013 MPD initiated a cash audit procedure to verify PVB contractor starting cash compliance. Effective March 2014, it will be conducted randomly at least once a month.

- c. MPD did not ensure that the PVB contractor provided written training materials to MPD employees relating to their specific job responsibility nor documentation that employees actually received training from the PVB contractor.

Department's Response. MPD requires the PVB contractor to provide written training materials to PVB contractor employees. The PVB contractor provides each employee a Pierce, Monroe & Associates manual entitled, "City of Detroit Municipal Parking Department Cashiering Procedures". Each cashier maintains a personal copy.

Finding 6. MPD Failed to Adequately Control Fuel Cards.

Department's Response. On 10/15/13 MPD requested that 27 gas cards be deactivated and requested a master gas card list be forwarded by GSD to MPD. Upon receiving an updated list from GSD, all unauthorized gas cards were immediately remedied. Further adjustments will occur as MPD personnel changes. In addition, monthly fuel usage reports will be reviewed by MPD to ensure the charges are from authorized users. As of today, all active gas cards are for active MPD personnel.

Finding 7. MPD Did Not Comply with the City's Year End Closing Procedures.

Department's Response. MPD's management team understands the importance of timely submission of approved closing documents. MPD is in the process of addressing staffing shortages and will ensure that the proper management oversight is present to timely comply with the year end close.

Sincerely,

A handwritten signature in black ink, appearing to read "N. White", written in a cursive style.

Norman White
Director