

# *CITY OF FORT LAUDERDALE*

## OFFICE OF THE CITY AUDITOR

### *Operational Audit of the Parking Citation Process*

*Report #11/12-02*

February 22, 2012

# *CITY OF FORT LAUDERDALE*

## *Our Vision*

The City of Fort Lauderdale is committed to improving productivity, streamlining expenses and developing a stronger, more effective organization.

This City's vision embraces:

- Fiscal Responsibility
- Accountability
- High Ethical Standards and
- Quality Delivery of Services

## *Our Values*

- **Respect** for the dignity of our citizens and co-workers and the diversity of all groups.
- **Integrity** as demonstrated by honesty and fairness and conduct beyond reproach.
- **Courage** to do the right thing, for the right reason, in the right way.
- **Teamwork** through recognition that excellence is achieved cooperation, communication and collaboration.
- **Service** to the public, our elected officials and other employees that is exemplary and exceeds expectations.
- **Creativity** as the foundation for ingenuity and innovation in the delivery of service.
- **Accountability** for our decisions, actions and results.



**Memorandum**

**Memorandum No:** 11/12-14

**Date:** February 22, 2012

**To:** Honorable Mayor and Commissioners

**From:** John Herbst, CPA, CGFO  
City Auditor

**Re: Audit Report #11/12-02 – Operational Audit of the Parking Citation Process**

---

We have completed an operational audit of the parking citation process, begun under our FY 2010/2011 audit workplan. We conducted our audit in accordance with government auditing standards issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about the suitability of the design and operating effectiveness of the City's internal controls. An audit includes examining, on a test basis, evidence about the City's internal controls and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Our evaluation and recommendations also rely on the internal control framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO framework elements represent commonly accepted mechanisms to evaluate and improve the effectiveness of the organization's risk management, control, and governance processes.

*It is our opinion that except for the findings listed below, Parking Services generally has adequately designed controls, which are functioning as intended, to assist Parking Services in meeting their departmental goals.*

However, we do believe that the dual management structure present during the course of the audit significantly reduced the operational effectiveness of the enforcement activities. This structure was implemented without developing clear lines of authority for management personnel and additionally lacked adequate internal controls to ensure adequate staffing, monitoring, and collection of citation revenues.

We are pleased to note that the re-alignment of parking citation activities under the new Department of Transportation and Mobility will streamline previous practices, improve procedures over parking citation operations, and ensure accountability among process users.

The objectives of our audit were:

1. To determine whether the City is following all applicable rules, regulations and ordinances.

2. To determine whether parking citations are properly dismissed/voided, and if citations unpaid in excess of 30 days are assessed a penalty.
3. To determine whether the City is pursuing the collection of parking citations revenue.
4. To determine whether the City is properly accounting for all aspects related to parking citations.
5. To determine whether the management information system is adequate to meet departmental needs.
6. To determine how Parking Enforcement Specialists (PES) scheduling is performed.

Our consideration of the City's internal controls was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be considered deficiencies, significant deficiencies or material weaknesses.

**We consider Findings #1 and #2 to be significant deficiencies, as defined below:**

- A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance on a timely basis.
- A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.
- A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance will not be prevented, or detected and corrected, on a timely basis.

Summary of audit findings:

1. Voided citations were approved in the Auto Issue system with no indication of why they were voided by the Parking Enforcement Specialist (PES). During testing, the reason for voiding 38 of 110 (34.5%) citations was not clearly explained.
2. A PES who voids a citation can also approve the transaction in the Auto Issue system, representing an improper segregation of duties.
3. Parking Services does not verify that fines paid to the City, which are greater than 90 days outstanding, agree with amounts reflected on monthly invoices from the collection agency, Law Enforcement Systems, Inc. (LES)
4. The deployment and allocation of PES resources does not appear to be based on specific criteria, such as the number and location of meters or activity levels in certain regions.

Summary of audit observations:

1. The Code of Ordinances, Section 26-91, Schedule of Fines on the City website does not reflect the current approved fine schedule.
2. The Parking Services contract with LES does not require that a Statement on Standards for Attestation Engagements (SSAE) 16 "Reporting on Controls at a Service Organization" be performed.
3. Parking Services is not engaged in benchmarking activities with regard to parking citations and collection rates.

Management's responses to the findings and recommendations are included in the report. We did not audit management's responses and accordingly, we express no opinion on them.

We would like to thank the staff of the Police Department and the Department of Transportation and Mobility (formerly Parking and Fleet Services) for their cooperation and assistance during this audit and are pleased to note that management generally concurred with our recommendations and has already begun to implement a number of them.

Attachment(s)

cc: Lee R. Feldman, City Manager  
Harry A. Stewart, City Attorney  
Jonda K. Joseph, City Clerk  
Stanley D. Hawthorne, Assistant City Manager  
Susanne M. Torriente, Assistant City Manager  
Diana Alarcon, Director of Transportation and Mobility  
Frank Adderly, Chief of Police

# CITY OF FORT LAUDERDALE CITY AUDITOR

## Parking Citations

### **PURPOSE**

To conduct an operational audit of parking citations issued by Parking Enforcement Specialists and other employees certified to perform this activity.

### **EXECUTIVE SUMMARY**

The City Auditor's Office (CAO) has completed an operational audit of parking citations, encompassing a review of State laws, City Ordinances, and policies and procedures concerning the issuance of parking citations. In addition, the process for voiding citations, collection of delinquent citations, accounting methods, the management information system, and scheduling of Parking Enforcement Specialists (PES) were also reviewed. An operational audit evaluates internal controls designed and implemented by management to provide assurance that the organization's operational goals and objectives will be achieved.

The CAO's audit of parking citations revealed that except for the findings listed below, Parking Services has adequately designed controls, which are functioning as intended, to assist Parking Services in meeting their stated mission of:

*"Provide and maintain parking facilities for the public in an efficient, safe, and effective manner and generate sufficient revenue to sustain the City's parking system without taxpayer or general fund support".*

As listed and discussed in more detail in the report, the CAO identified a limited number of Audit Findings and Audit Observations during the course of the operational audit of parking citations. An Audit Finding results from a failure to comply with policies and procedures, rules, regulations, contracts and fundamental internal control practices. Audit Observations represent an opportunity to improve on the design or functionality of an existing internal control. We believe that implementation of the accompanying recommendations would assist Parking Services in strengthening internal controls, enhancing efficiency and effectiveness, and improving communications.

The CAO notes that at the time of the audit, parking citations was overseen by both the Police Department and Parking and Fleet Services. As a result of the City Manager's recent re-organization of City Departments, parking citations has been realigned into the new Department of Transportation and Mobility. Further, it is noted that all references within the body of the report to the Director of Parking and Fleet Services shall be applicable to the new Director of Transportation and Mobility.

## **AUDIT FINDINGS**

- F1. Voided citations were approved in the Auto Issue system with no indication of why they were voided by the Parking Enforcement Specialist (“PES”). During testing, the reason for voiding 38 of 110 (34.5%) citations was not clearly explained.
- F2. A PES who voids a citation can also approve the transaction in the Auto Issue system, representing an improper segregation of duties.
- F3. Parking Services does not verify that fines paid to the City, which are greater than 90 days outstanding, agree with amounts reflected on monthly invoices from the collection agency, Law Enforcement Systems, Inc. (“LES”).
- F4. The deployment and allocation of PES resources does not appear to be based on specific criteria, such as the number and location of meters or activity levels in certain regions.

## **AUDIT OBSERVATIONS**

- O1. The Code of Ordinances, section 26-91, schedule of fines on the City website does not reflect the current approved fine schedule.
- O2. The Parking Services contract with Law Enforcement Systems, Inc. does not require that a Statement on Standards for Attestation Engagements (SSAE) 16 (formerly SAS 70) “Reporting on Controls at a Service Organization” be performed.
- O3. Parking Services is not engaged in benchmarking activities with regard to parking citations and collection rates.

## **STATEMENT OF OBJECTIVES**

Based on the CAO's analysis of the risks associated with parking citations, the following objectives were established for the audit:

- 1. To determine whether the City is following all applicable laws, regulations and ordinances.
- 2. To determine whether parking citations are properly dismissed/voided, and if citations unpaid in excess of 30 days are assessed a penalty.
- 3. To determine whether the City is pursuing the collection of parking citations revenue.
- 4. To determine whether the City is properly accounting for parking citations.
- 5. To determine whether the management information system is adequate to meet department needs.
- 6. To determine how Parking Enforcement Specialists (PES) scheduling is performed.

## **BACKGROUND**

Parking Services is an Enterprise Fund responsible for the management and operation of the City's parking systems. Their duties include; management of parking inventory, installation, repair and maintenance of metered parking units, meter collections and citation payments, as well as customer service operations.

The City currently maintains approximately 2,400 metered parking spaces and employs 22 parking enforcement specialists to monitor those spaces. The meters span the City's 33 square miles and provided revenues of approximately \$11,500,000 for fiscal year 2011.

In FY 2011 Parking Services identified a number of goals and objectives to be achieved. Those objectives were primarily aimed at achieving higher levels of customer service as well as improving operational efficiencies.

Specifically, Parking Services identified the following objectives with regard to their parking systems:

- Work with our Customer Service Representatives about concerns with the potential online permitting process. Establish the process and procedures for the on-line payment.
- Configure and test the "Flex" citation and permit management system for on-line, secure sale of parking permits.
- Create a marketing program that reaches out to area businesses and current Smart Park users.
- Provide incentives for pay-by-cell users. Example: \$1.00 per hour meter will be discounted to \$.75 if Pay-by-Cell payment is used.
- Work with vendor to simplify process to improve participation.

Further, Parking Services identified the following objectives to improve Department inventory processes:

- Create SQL based system to track, account for, and report on purchases, shelf stock, truck inventory, and signage and disposal of meter parts and components including data testing and training.
- Establish baseline inventory of existing assets.
- Gather data on usage patterns by meter and other criteria.
- Analyze the data to establish optimal shelf-time and maintenance truck-stock levels to support meter maintenance needs but without excess stock.
- Adjust purchasing patterns to optimize inventory levels while maintaining minimal meter downtime due to out-of-stock conditions.

### **SCOPE & METHODOLOGY**

The CAO conducted this audit in accordance with generally accepted government auditing standards. We reviewed a sample of voided and unpaid parking citations for FY 2010. Audit methods used included the following:

- Interviewed Parking Services and Police Department management as well as operations personnel.
- Reviewed various parking citations audits.
- Reviewed and analyzed applicable laws, regulations and ordinances.
- Reviewed overall operations relating to the issuance and voiding of citations, as well as collection methods for unpaid citations.
- Reviewed the process for scheduling Parking Enforcement Specialists.
- Reviewed internal controls, policies, and procedures.

The CAO conducted its assessment of the effectiveness of the City's internal controls using the control framework established by The Committee of Sponsoring Organizations of the Treadway

Commission (COSO). COSO was formed in 1985 to sponsor the National Commission on Fraudulent Financial Reporting, whose charge was to study and report on the factors that can lead to fraudulent financial reporting. In 1992, COSO published “Internal Control-Integrated Framework”, which established a framework for internal control and provided evaluation tools that entities could use to evaluate their control systems. The five components of the COSO internal control framework are: control environment, risk assessment, control activities, information and communication, and ongoing monitoring.

Although outside the stated scope of the audit, certain items may come to the attention of audit staff during the fieldwork phase of the engagement. Based on the perceived risk and materiality of the items, the following may be warranted:

1. Inclusion of the findings/observations regarding the items in the existing audit.
2. Expansion of the scope of the audit.
3. A separate audit focusing on the items discovered.

### Objective 1

*To determine whether the City is following all applicable rules, regulations and ordinances.*

#### **Conclusion**

It appears that the City is following all applicable rules, regulations and ordinances regarding the issuance of parking citations.

### Objective 2

*To determine whether:*

1. *Parking citations are properly dismissed/voided.*
2. *Citations unpaid in excess of 30 days are assessed a penalty.*

#### **FINDING 1**

##### *Condition*

Voided citations were approved in the Auto Issue system with no indication of why they were voided by the Parking Enforcement Specialist (PES). During testing, the reason for voiding 38 of 110 (34.5%) citations was not clearly explained.

**Auditor Note:** During subsequent testing, the Police Department provided an explanation for voiding 14 of the citations noted above.

### Criteria

The Parking procedure requires that, "Only the PES issuing the citation is allowed to void the parking citation for valid reasons. All voided parking citations need to have the following information written legibly on the parking citations."

- Reason for Void
- PES initials
- PES IBM Number (ID)
- Date of Void request
- The required number from a permit, placard, or proof vehicle is parked legally, noticed after the citation was issued

### *Cause*

There is a lack of communication, training, and oversight between the Police Department and Parking and Fleet Services Department with regard to adherence to voiding procedures.

### *Impact*

There is a potential loss of revenue as well as an opportunity to improperly void a citation without cause.

### **Recommendation**

The CAO recommends that the City Manager require the Director of Parking and Fleet Services provide additional training that emphasizes adherence to procedures regarding appropriate documentation of voided citations.

### **Management Response**

Management concurs. The PES function was transferred to the Transportation and Mobility Department on October 1, 2011. Training and policy reinforcement will be among the duties of the Enforcement Manager when hired.

## **FINDING 2**

### *Condition*

A PES who voids a citation can also approve the transaction in the Auto Issue system, representing an improper segregation of duties.

### *Criteria*

Under the COSO framework *Control Activities* component 3.2 "Responses that prevent or detect the risk of intentional or unintentional errors", manual and automated controls over how transactions are initiated, authorized, recorded, processed and reported and the segregation of incompatible duties are fundamental elements of an effective internal control environment.

### *Cause*

There is a lack of proper internal controls regarding the process for voiding a citation in the Auto Issue system.

*Impact*

There is a potential loss of revenue as well as an opportunity to improperly void a citation without cause.

**Recommendation**

The CAO recommends that the City Manager require the Director of Parking and Fleet Services to ensure a proper segregation of duties. Individuals authorized to void a citation in Auto Issue should be independent of the PES who issued and subsequently voided the citation in the field.

**Management Response**

Management concurs. This will be addressed in the reorganization of the department.

**OBSERVATION 1**

*Condition*

The Code of Ordinances, section 26-91, schedule of fines on the City website does not reflect the current approved fine schedule.

*Criteria*

Under the COSO framework *Information and Communication* component 4.2 “Mechanisms that support information flow outside the organization”, customer forums, external surveys, analyst meetings, external websites, external publications, newsletters and hotlines are fundamental elements of an effective internal control environment.

**Recommendation**

The CAO recommends that the City Manager coordinate with the City Attorney and City Clerk to update the Code of Ordinances on the City website to reflect the current approved fine schedule.

**Management Response**

Management concurs. The City Manager will direct the PIO to update the fine schedule on the website. Municode updates are the jurisdiction of the City Clerk’s Office.

**Objective 3**

*To determine whether the City is pursuing the collection of parking citations revenue.*

**FINDING 3**

*Condition*

Parking Services does not verify that fines paid to the City, which are greater than 90 days outstanding, agree with amounts reflected on monthly invoices from the collection agency, Law Enforcement Systems, Inc. (“LES”).

**Auditor Note:** Per Parking and Fleet Services: "Due to limitations in the Flex system and the number of specialized tasks that Parking Services has developed since implementation, this had not been among the high-priority items that we have devoted resources to. However, it is among the items that we have identified as requiring additional programming and will focus on in the near future. In the meantime, Parking Services is working on a way to manually balance the payment files against LES invoices and have started that process for the April invoice."

*Criteria*

Under the COSO framework *Control Activities* component 3.1 "Responses that reduce or share specific risks", reconciliations, comparisons, validity tests, and other procedures that address significant business control and risk management practices are fundamental elements of an effective control environment.

*Cause*

Parking Services has not devoted resources to verifying payment files against monthly invoices from the collection agency.

*Impact*

Revenue reported by the collection agency may not agree with what is remitted to the City.

**Recommendation**

The CAO recommends that the City Manager require the Director of Parking and Fleet Services to reconcile the dollar amount of fines paid to the City, on tickets greater than 90 days, against the monthly invoices received from the collection agency.

**Auditor Note:** As a result of audit fieldwork, this finding is being remediated.

**Management Response**

Management concurs. Parking has a rudimentary, manual process now by which to reconcile. It is time consuming and a more automated method will be developed internally in the next six months.

**OBSERVATION 2**

*Condition*

The Parking Services contract with Law Enforcement Systems, Inc. does not require that a Statement on Standards for Attestation Engagements (SSAE) 16 (formerly SAS 70) "Reporting on Controls at a Service Organization" be performed.

*Criteria*

Under the COSO framework *Monitoring* component 5.2 "Separate, periodic evaluations of control components", periodic reviews by internal auditors, external auditors, regulators, ISO auditors, specialists, accreditation reviews, OSHA reviews, examiner reviews and security reviews are fundamental elements of an effective internal control environment.

**Recommendation**

The CAO recommends that the City Manager require the Director of Parking and Fleet Services to incorporate a SSAE 16 “Reporting on Controls at a Service Organization” into the upcoming RFP process once the current contract with the collection agency expires 12/31/11. Requiring such an audit would enhance confidence in the vendor’s internal controls regarding payments on delinquent parking citations.

**Management Response**

Management concurs. The RFP required a SAS 70 and was issued before this report was released to us. The requirement was recommended by the Auditor’s office to Commission to require a SAS 70 with the bid response and an SSAE 16 annually after award.

**OBSERVATION 3**

*Condition*

Parking Services is not engaged in benchmarking activities with regard to parking citations and collection rates.

*Criteria*

Under the COSO framework *Information and Communication* component 4.3 “Indicators and measurements”, metrics, key performance indicators, measures and scorecards of performance, dashboards, benchmarking studies, heat maps, market share reports and competitor analysis are fundamental elements of an effective internal control environment.

**Recommendation**

The CAO recommends that the City Manager require the Director of Parking and Fleet Services to perform benchmarking activities and analyze collection rates in comparison with other cities.

**Management Response**

Management concurs. These activities will be undertaken under the City Manager’s direction with respect to the benchmarking initiative, performance measures and strategic planning being developed currently.

**Objective 4**

*To determine whether the City is properly accounting for parking citations.*

**Conclusion**

It appears that the City is properly accounting for parking citations.

### Objective 5

*To determine whether the management information system is adequate to meet department needs.*

#### **Conclusion**

It appears that the management information system in Parking Services is adequate to meet departmental needs.

### Objective 6

*To determine how Parking Enforcement Specialist (PES) scheduling is performed.*

#### **FINDING 4**

##### *Condition*

Management's scheduling of PES personnel does not allocate these resources based on criteria, such as number and location of meters or activity in specific areas.

During the course of the audit the CAO noted that PES personnel were reporting operationally to the Police Department.

In addition, the following specific conditions were noted:

- Two citations issued by two different Parking Enforcement Specialists at the same location within twelve minutes.
- Parking Enforcement Specialists are scheduled by district and not assigned a specific area.
- Shift two begins three hours before shift one ends (three hour time overlap). Shift three begins five and one-half hours before shift two ends (five and one-half hour time overlap). As such, shift scheduling could not be explained.
- Police department personnel, responsible for scheduling, were unaware of the number of meters in each district.
- A map superimposing the location of parking meters from the Geographic Information Systems (GIS) data over the police district map revealed that ten Parking Enforcement Specialists are assigned to cover 1,853 meters while eleven monitor only 590 meters. One Parking Enforcement Specialist is responsible for just 27 meters.
- There appears to be no correlation between the number of meters in a district and scheduling of Parking Enforcement Specialists.

##### *Criteria*

Under the COSO framework *Internal or Control Environment* component 1.6 "Assignment of authority and responsibility", limits of authority, approval processes, controls over management overrides, delegations of authority, accountability mechanisms and responsibility matrices are fundamental elements of an effective internal control environment.

*Cause*

At some point in the past, operational oversight for PES personnel was moved from Parking and Fleet Services to the Police Department. Management has not provided scheduling.

*Impact*

A lack of coordination and management of a PES can result in an inefficient use of resources, duplicate coverage, or lack of coverage in specific areas. These can lead to lost revenue, and a lack of enforcement regarding city parking policies.

**Recommendation**

The CAO recommends that the City Manager consider reorganizing the parking enforcement specialists within Parking and Fleet Services to ensure an appropriate allocation of resources to enforce city parking policies.

**Auditor Note:** The CAO is pleased to note that city management has taken a proactive approach with regard to reorganizing Parking and Fleet Services. As such, the parking enforcement operations have been moved to the new Department of Transportation and Mobility.

**Management Response**

This has been addressed in the Manager's August 22<sup>nd</sup> re-organizational memo and is being implemented this fiscal year.

**Engagement Staff:**

Marco Hausy, Assistant City Auditor - Manager

Albert Ochs, Assistant City Auditor - Staff