



Sun Metro – Parking Garage Contract Review Audit No. A2023-03

Issued by the
Internal Audit Department
December 12, 2023

**City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03**

EXECUTIVE SUMMARY

The Internal Audit Department has concluded the Sun Metro – Parking Garage Contract Review Audit. Based on the results of the Audit, two findings were identified. The two findings were considered significant in nature due to internal control breakdowns and City Contract non-compliance.

Listed below is a summary of the two findings identified in this report:

1. In May 2019 (during Year 2 of the Contract), the “Operating Costs” and “Special Events Costs” originally agreed to in Contract Solicitation No. 2017-1163R – “*Property & Parking Garage Management Services*” were revised by Sun Metro and Contractor – ASM Global without:
 - Consulting with the Purchasing Department and/or the City Attorney’s Office.
 - Executing a Contract Amendment to document the changes made.
 - City Council’s approval in order to formalize the changes.

2. The “Billing Costs” paid to Contractor – ASM Global and the “Parking Revenues” paid to Sun Metro during the five-year Contract Term were reviewed to determine if the monetary obligations agreed to in Contract Solicitation No. 2017-1163R were met. Our overall review identified the following:
 - Sun Metro owes ASM Global a net total of \$712,918.09 for unpaid “Billing Costs”.
 - ASM Global had not recognized revenues totaling \$376,302.42 for “Billing Costs” already paid by Sun Metro.
 - A difference of \$336,615.67 was identified between the amount owed to ASM Global and the unrecognized revenues of \$376,302.42.

See summary below:

Contract Year	Contract Period	Amount Owed to ASM Global
1	December 2017 - November 2018	(\$0.10)
2	December 2018 - November 2019	\$49,982.94
3	December 2019 - November 2020	(\$34,608.22)
4	December 2020 - November 2021	\$169,696.32
5	December 2021 - November 2022	\$527,847.15
Net Total Owed:		\$712,918.09
ASM Global's Unrecognized Revenues:		(\$376,302.42)
Difference:		\$336,615.67

For a detailed explanation of the findings, please refer to the body of this Audit Report.

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

BACKGROUND

On December 12, 2017, the City of El Paso awarded Solicitation No. 2017-1163R – *Property & Parking Garage Management Services* (Contract) to SMG (now known as ASM Global). According to the Contract, services included the operation and management of two Sun Metro Parking Garages and one Parking Lot. The Contract had an estimated award value of \$2,930,581.00 with a term of (3) three years and two (2) one-year options. The five-year contract started on December 12, 2017 and ended on December 11, 2022. Sun Metro took over the operation and management responsibilities of the Parking Facilities after December 11, 2022. The Sun Metro Parking Facilities include:

1. Union Plaza Transit Terminal/Parking Facility – located on 400 W. San Antonio Ave., El Paso, Texas 79901. The parking facility is a four-floor parking area that accommodates over 400 automobiles.
2. Glory Road Transit Terminal/Parking Facility – located on 100 E. Glory Road, El Paso, Texas 79902. The parking facility is a seven-floor parking area that accommodates 440 automobiles.
3. San Francisco/Anthony Street Parking Lot – located between Anthony and San Francisco St., El Paso, Texas, 79907. It is a 72-space Parking Lot.

Parking services included; Daily Parking, Friday/Saturday night activities, Special Event Parking for UTEP, Downtown El Paso, and Chihuahua Baseball Games. The Contract required additional staff and security to cover the parking function during baseball games, special events, and night activities. In exchange, Sun Metro agreed to pay a Management Fee and the proposed costs outlined in the Contract to operate and manage the Parking Facilities. The proposed costs were listed as “Billing Costs” in the Contract and included:

- Operation Costs for Parking Facilities,
- Baseball Games Costs,
- Special Events Costs.

ASM Global also manages the following facilities for the City of El Paso:

- Convention Center Parking Garage,
- Judson F. Williams Convention Center,
- Abraham Chavez Theatre,
- Plaza Theatre Performing Arts Center,
- McKelligon Amphitheater and Pavilion,
- El Paso Water Parks.

ASM Global manages all these City Facilities under “Destination El Paso.”

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

AUDIT OBJECTIVES

The objective of the Sun Metro – Parking Garage Contract Review Audit was to perform a closeout assessment of Solicitation No. 2017-1163R – *Property & Parking Garage Management Services* to determine if the contract terms and conditions were met by both ASM Global and the Sun Metro Department. Testing included, but was not limited to, determining if:

- The Sun Metro Parking Facilities were managed and operated as outlined in Contract Solicitation No. 2017-1163R,
- Revenues and expenses were accurately reported and paid to the Sun Metro Department and ASM Global.
- Parking rates were properly and consistently applied.

AUDIT SCOPE

This was a limited scope audit concentrated on the terms and conditions outlined in Solicitation No. 2017-1163R for the 5 Year Contract Term.

AUDIT METHODOLOGY

To achieve our audit objectives, we:

- Reviewed the terms and conditions outlined in Solicitation No. 2017-1163R to obtain an understanding of the:
 - Contractor’s responsibilities for operating and managing the Parking Facilities,
 - Monetary Obligations agreed to by both parties,
 - Legal, administrative, and managerial tasks outlined in the Solicitation.
- Interviewed employees responsible for the execution of Solicitation No. 2017-1163R to review how:
 - Parking Facilities were operated and managed,
 - Parking fees were collected and reconciled.
 - Parking Revenues were tracked, reported, and paid to Sun Metro.
 - Parking Expenses were accounted for and reported to Sun Metro.
 - Billing Costs and Management Fees were paid to ASM Global.
- Selected a sample of Parking Revenues to review if revenues were accurate and properly reported & paid to Sun Metro.
- Selected a sample of Parking Fees charged at the Sun Metro Facilities to review if Parking Fees collected were consistent with the fees established by the Sun Metro.
- Performed a Contract True-Up to review the Billing Costs & Management Fees paid to ASM Global and the Parking Revenues paid to Sun Metro during the Five-Year Contract Term.

We conducted this audit in accordance with *Generally Accepted Government Auditing Standards* and the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

***SIGNIFICANT FINDINGS, RECOMMENDATIONS,
AND MANAGEMENT’S RESPONSES***

The definition of a “Significant Finding” is one that has a material effect on the City of El Paso’s financial statements, identifies an internal control breakdown, is a violation of a City procedure, or a violation of a law and/or regulation, which the City is required to follow. Any finding not meeting these criteria will be classified as a “Regular Finding”.

Finding 1

Contract Revisions: Operating Costs & Special Events Costs

City of El Paso Strategic Plan:

- Goal 6.4 *Implement leading-edge practices for achieving quality and performance excellence.*
- Goal 6.12 *Maintain systems integrity, compliance and business continuity.*

Request for Proposals No. 2017-1163R – 3.1 Scope of Work and Minimum Requirements:

- Compensation to Contractor, Page# 26 states; “*Sun Metro will compensate the Contractor monthly for operating the Designated Parking Area as a based on the proposed costs plus fee of the selected vendor and submission of properly documented invoice.*”

In May 2019 (during Year 2 of the Contract), the Sun Metro Department and ASM Global revised the “Operating Costs” and “Special Events Costs” originally agreed to in Contract Solicitation No. 2017-1163R – “*Property & Parking Garage Management Services.*” A Contract Amendment was not presented to City Council for approval to formalize these changes. Our review identified the following:

- The former Assistant Director for Sun Metro and the former Director of Destination El Paso entered into an unofficial agreement to revise the “Operating and Special Events Costs” to be paid to ASM Global.
- Sun Metro did not consult with the Purchasing Department or the City Attorney’s Office to formalize these changes and get City Council approval.

Recommendation

Going forward, the Sun Metro Management Team should ensure that:

- Sun Metro Staff consults with the Purchasing Department and/or City Attorney’s Office before implementing any contract amendments.
- Contract amendments are properly documented and approved by City Council.

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

Management's Response

The Sun Metro Department appreciates the Internal Auditor responding to our request to review our internal controls for Solicitation No. 2017-1163R – *Property and Parking Garage Management Services*. Sun Metro acknowledges the finding of the Internal Auditor that prior department management came to an agreement with the former Director of Destination El Paso related to the payment terms and conditions of the Solicitation. It is our understanding that the agreement was not documented in accordance with Department and the City's Purchasing and Strategic Sourcing Policies and Procedures nor was it approved by the City Attorney's Office or the Mass Transit Department Board.

Since December 2022 when the term limits of Solicitation No. 2017-1163R expired, Sun Metro has assumed responsibility for management of its parking facilities. To do so we have entered into and executed the following agreements with Mitchell Adding Machine Company:

- 2022-0465 – Glory Road. Award approved on 1/1/2022. Equipment was released on 1/31/2023. Vendor agrees to a start date of March 1, 2024 for the maintenance/service.
- 2022-0586 – Union Plaza Transit Terminal. Award approved on 10/11/2022 with a performance period of 10/17/2022 – 10/16/2023. Equipment was released on 8/31/2023. Vendor agrees to a start date of September 1, 2024 for the maintenance/service.
- 2022-0586 – San Francisco Parking Lot. Award approved on 10/11/2022 with a performance period of 10/17/2022 – 10/16/2023. Equipment was released on 10/31/2023. Vendor agrees to a start date of November 1, 2024 for the maintenance/service.

Each of these contracts were procured and are managed in accordance with the Purchasing and Strategic Sourcing Policies and Procedures. Each was vetted through the City Attorney's Office and presented to the Mass Transit Department Board for approval. In addition, given that Solicitation 2017-1163R has expired there are no additional concerns associated with this contract.

Sun Metro is preparing to solicit for third party parking management services and is doing so in accordance with the City's Purchasing and Strategic Sourcing Policies and Procedures. The resulting contract and all future Sun Metro contracts will be managed in accordance with said policies with any changes or amendments documented, vetted, and approved as required.

Responsible Party

The Sun Metro contracting/contract compliance functions are the responsibility of the department Contract Compliance Manager, working under the direction of the Deputy Transit Officer and in coordination with the Assistant Director of Purchasing and Strategic Sourcing department.

Implementation Date

Applicable contract dates

**City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03**

Finding 2

Contract True-Up

City of El Paso Strategic Plan:

- Goal 6.5 *Deliver services timely and effectively with focus on continual improvement*
- Goal 6.7 *Deliver effective and efficient processes to maximize value in obtaining goods and services*

Request for Proposals No. 2017-1163R – 3.1 Scope of Work and Minimum Requirements:

- Compensation to Contractor, Page# 26 states; “*Sun Metro will compensate the Contractor monthly for operating the Designated Parking Area as a based on the proposed costs plus fee of the selected vendor and submission of properly documented invoice.*”
- Parking Management Responsibilities, Page# 14 states; “*Contractor will provide a monthly detailed report on revenue to include payment to Sun Metro for said reports through a mutually determined payment process.*”

A review of the terms and conditions outlined in Contract Solicitation No. 2017-1163R – “*Property & Parking Garage Management Services*” was conducted to determine if monetary obligations were met by both ASM Global and the Sun Metro Department. The “Billing Costs” outlined in the Contract and the Parking Revenues collected at the three Sun Metro Parking Facilities were reviewed for the five-year Contract Term. (*Billing Costs included; the Operating Costs for the Sun Metro Parking Garages/Parking Lot, Baseball Games Costs, Special Events Costs, & a Management Fee.*) Our overall review identified the following:

- Sun Metro owes ASM Global a net total of \$712,918.09 for unpaid “Billing Costs.”
- AMS Global had not recognized revenues totaling \$376,302.42 for “Billing Costs” already paid by Sun Metro.
- A difference of \$336,615.67 was identified between the amount owed to ASM Global and the unrecognized revenues of \$376,302.42.

See details below:

Contract Year	Contract Period	Billing Costs Due to ASM Global	Less: Parking Revenues Owed to Sun Metro	Net Difference: Amount Owed to ASM Global
1	Dec. 2017 - Nov. 2018	(\$0.10)	\$0.00	(\$0.10)
2	Dec. 2018 - Nov. 2019	\$49,982.94	\$0.00	\$49,982.94
3	Dec. 2019 - Nov. 2020	\$13,338.51	\$47,946.73	(\$34,608.22)
4	Dec. 2020 - Nov. 2021	\$169,696.33	\$0.01	\$169,696.32
5	Dec. 2021 - Nov. 2022	\$582,918.00	\$55,070.85	\$527,847.15
Totals:		\$815,935.68	\$103,017.59	\$712,918.09
Total Owed to ASM Global for Contract Years 1-5:				\$712,918.09
AMS’s Unrecognized Revenues (Billings Costs Paid by Sun Metro):				(\$376,302.42)
Difference:				\$336,615.67

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

Recommendation

The President/CEO for Destination El Paso (ASM Global's On Site Contact for this Contract) has expressed that ASM Global is willing to work with the Sun Metro Department to settle the amounts owed to ASM Global. ASM Global is willing to waive the amount due of \$336,615.67.

The Sun Metro Department should:

- Meet with ASM Global to review and settle on the amounts owed.
- With the assistance of the City Attorney's Office, create a written Settlement Agreement that both parties can agree to.

Management's Response

The Sun Metro Department acknowledges the Internal Auditor's findings. Further, Sun Metro concurs with the Internal Auditors recommendation to seek the assistance of the City Attorney's Office, to define an appropriate response strategy.

Responsible Party

Deputy Transit Officer with the assistance of the City Attorney's Office.

Implementation Date

April 30, 2024

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

INHERENT LIMITATIONS

Because of the inherent limitations of internal controls, errors or irregularities may occur and not be detected. Also, projections of any evaluation of the internal control structure to future periods beyond the Audit Report date are subject to the risk that procedures may become inadequate due to changes in conditions, management override of internal controls, or that the degree of compliance with the procedures may deteriorate. This was a limited scope audit which only reviewed the areas stated in the Audit Objectives during the Audit Scope period. No representations of assurance are made to other areas or periods not covered by this audit.

CONCLUSION

We have concluded our work on the objectives of the Sun Metro – Parking Garage Contract Review Audit. The audit evidence used in the analysis is sufficient and appropriate for addressing the objectives and supporting the findings and conclusion. In accordance with *Generally Accepted Government Auditing Standards*, we are required to conclude whether the objectives of this audit were met by the Sun Metro Department and ASM Global. Based on our audit work, we have determined that:

1. Sun Metro and ASM Global met the audit objectives in the following areas:
 - ASM Global providing sufficient staff to manage the traffic inflow/outflow to the Parking Facilities and to collect parking fees during Baseball Games and Special Events.
 - ASM Global segregating and reporting “Parking Revenues” for Baseball Games as required in Solicitation No. 2017-1163R.
 - ASM Global turning over the management and operating responsibilities of the Sun Metro Parking Facilities to Sun Metro.
2. Sun Metro and ASM Global did not meet the audit objectives in the following areas:
 - Sun Metro and ASM Global revised the “Operating Costs” and “Special Events Costs” originally agreed to in Solicitation No. 2017-1163R without a Contract Amendment and City Council approval. Because the cost changes were not properly formalized, Sun Metro was not paying the “Operating and Special Event Costs” as required by Solicitation No. 2017-1163R.
 - Sun Metro not paying “Billing Costs” to ASM Global as agreed to in Solicitation No. 2017-1163R. Our review identified that Sun Metro had not paid “Billing Costs” totaling \$815,935.68.
 - ASM Global not paying to Sun Metro the “Parking Revenues” collected at the Sun Metro Parking Facilities as agreed to in Solicitation No. 2017-1163R. Our review identified that ASM Global had not paid “Parking Revenues” totaling \$103,017.59.
 - The net of both amounts mentioned above equaled \$712,918.09. Minus \$376,302.42 for “Billing Costs” already paid to ASM Global resulted on a difference of \$336,615.67 owed to ASM Global.

We wish to thank both Sun Metro and ASM Global for their assistance and courtesies extended during the completion of this audit.

Signature on File

Edmundo S. Calderón, CIA, CGAP, CRMA, MBA
Chief Internal Auditor

Signature on File

Miguel A. Ortega, CGAP
Auditor III

City of El Paso
Internal Audit Department
Sun Metro – Parking Garage Contract Review Audit A2023-03

Signature on File

Daryl Olson, CIA, CGAP
Audit Manager

Distribution:

Financial Oversight and Audit Committee
Cary Westin, Interim City Manager
Juan Gonzalez, Assistant City Attorney
Ellen Smyth, Chief Transit and Field Operations Officer
Anthony Dekeyzer, Director of Mass Transit