



**Parking Meter Collections Internal
Control Review Audit Report
A2015-08**

Issued by the
Internal Audit Office
June 4, 2015

City of El Paso
Internal Audit Office
Parking Meter Collections Internal Control Review Audit No. A2015-08

EXECUTIVE SUMMARY

The Internal Audit Office has concluded its audit of the Parking Meter Collections Internal Control Review. This audit was completed at the request of the International Bridges Director. Based on the results of the audit, six findings have been identified. All six of these findings are considered significant.

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

1. The “Parking Meter Division Standard Operating Procedures” are in draft form and have not been finalized as of May 28, 2015.
2. The International Bridges Department does not have a reconciliation process in place for Parking Meter revenue.
3. There were six internal control weaknesses identified with the Parking Meter collection process.
4. The Parking Meter Division is not in compliance with the City of El Paso Cash Management Manual:
 - The cash collected from the sale of Parking Meter Debit Cards at the Library is not deposited when cash on hand has exceeded \$50.00.
 - Partial Parking Meter coin pick-ups are not deposited immediately, but rather held in a collection cart in the Parking Meter shop area.
5. As of June 2, 2015 the International Bridges staff and Duncan Solutions were unable to provide proof of PCI Compliance for the period of July 3, 2014 – March 17, 2015.
6. Parking Meter Debit Card inventory is not reconciled to the records kept by the five locations where the Parking Meter Debit Cards are sold.

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

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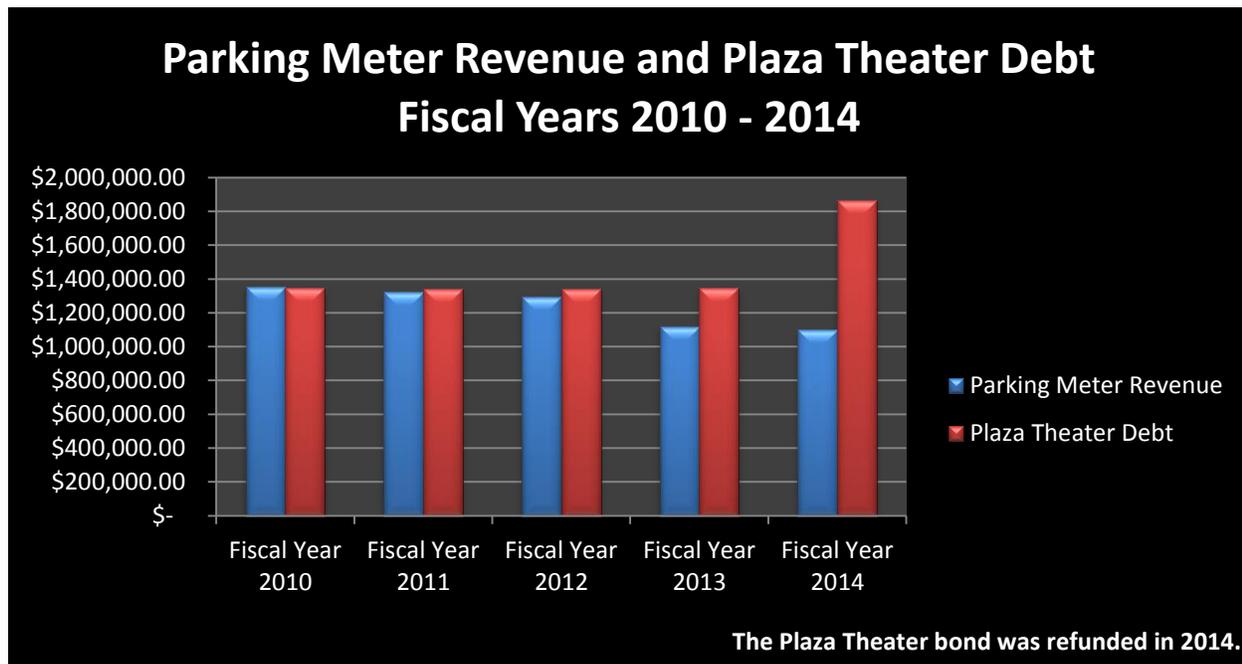
BACKGROUND

The International Bridges Department manages the City of El Paso’s Parking Meters Program. The City operates a total of 1,936 single space meters, two multi-space meters (20 spaces & 65 spaces) for a total of 2,021 parking spaces available to the public. There are three types of Parking Meters maintained by the City of El Paso; the Eagle, Liberty, and multi-space Parking Meters.

To make on-street parking more convenient the department has begun the process of acquiring and installing “Smart” Parking Meters that allow for multi-payment options. The Parking Meters are solar powered and provide users with a variety of payment options: Smart Card; debit or credit card (Visa, Mastercard, and Discover); quarters and dollar coins. A Smart Card is a city-issued debit card. The current rate for parking is 25 cents for every 15 minutes or \$1.00 per hour.

The City, offers free parking on Saturdays at Parking Meters within the shopping districts of downtown. Free parking on Saturday’s is provided in an effort to increase retail and cultural activities in the heart of the city. Free parking is also available at all meters on Sundays, city recognized holidays (New Year’s Day, Martin Luther King Jr. Day, Fourth of July, Memorial Day, Labor Day, Thanksgiving Day, and Christmas Day) and for special events approved by City Council.

In our review, we completed a Parking Meter revenue analysis and determined that Parking Meter revenue is not generating enough revenue to pay for the Plaza Theater Project Debt for the last four years. A total of \$499, 277.24 has been paid from the General Fund for the last four years towards the Plaza Theater Project Debt.



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	Parking Meter Revenue	Plaza Theater Debt	Difference
Fiscal Year 2010	\$ 1,355,780.92	\$ 1,345,705.00	\$ 10,075.92
Fiscal Year 2011	\$ 1,321,059.44	\$ 1,342,955.00	\$ (21,895.56)
Fiscal Year 2012	\$ 1,295,597.27	\$ 1,344,505.00	\$ (48,907.73)
Fiscal Year 2013	\$ 1,119,778.42	\$ 1,345,180.00	\$ (225,401.58)
Fiscal Year 2014	\$ 1,097,041.73	\$ 1,864,459.57	\$ (767,417.84)

AUDIT OBJECTIVES

The audit objectives of the Parking Meter Collections Internal Control Review Audit were to:

1. Conduct audit work related to the internal controls over the Parking Meter Collection Function in order to ascertain if the procedures currently utilized by the International Bridges Department are operating in an efficient manner.
2. Determine adherence to Departmental and City of El Paso Policies and Procedures.
3. Determine if the Parking Meter function is operating in a control conscious environment as having the following:
 - An adequate level of internal control awareness,
 - Proper separation of duties,
 - Existence of a proper monitoring system,
 - Appropriate authorization/approval of expenditures,
 - Adequate safeguarding of financial, physical, and information assets.

AUDIT SCOPE

The audit period covered the operations of Fiscal Years 2014 – 2015.

AUDIT METHODOLOGY

In order to achieve the audit objectives we:

- Conducted interviews with Parking Meter Division/International Bridges management and staff,
- Reviewed Parking Meter Division and International Bridges policies and procedures,
- Conducted an analysis of Parking Meter revenue for Fiscal Years 2010 – 2014,
- Observed the Parking Meter revenue collection and counting of coin processes,
- Verified Payment Card Industry (PCI) compliance,
- Inventoried and reconciled all Parking Meter Debit Cards,
- Reconciled Parking Meter revenue,
- Tested a sample of Parking Meter revenue deposits.

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.

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***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

Standard Operating Procedures

The City of El Paso's Strategic Plan 2015 Section 6.13: "Maintain systems integrity, compliance, and business continuity."

A strong system of internal controls requires that Standard Operating Procedures (SOP) are written to document routine or repetitive activity followed by an organization. The development and use of SOPs are an integral part of a successful quality of system as it provides individuals with the information and guidance to perform a job appropriately.

The "Parking Meter Division Standard Operating Procedures" are in draft form and have not been finalized as of May 28, 2015.

Recommendation

The International Bridges Department should finalize and approve the Parking Meter Standard Operating Procedures. A copy of the final procedures should be made available to all the Parking Meter Division employees.

Management's Response

Standard Operating Procedures are currently being worked on.

Responsible Party

Rick Lujan, Parking Meter Service Supervisor

Implementation Date

November 1, 2015

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Finding 2

Reconciliation

The City of El Paso's Strategic Plan 2015 Section 6.6: *“Ensure continued financial stability and accountability through sound financial management, budgeting and reporting.”*

Reconciliations are an integral part of an internal control system because they ensure that supporting records are compared, verified, and reviewed periodically.

The International Bridges Department does not have a reconciliation process in place for Parking Meter revenue.

- Duncan Solutions meter revenue reports are not used to reconcile coin or credit card Parking Meter revenue.

Recommendation

The International Bridges Department should implement a reconciliation process to ensure that daily Parking Meter revenues are reconciled to Duncan Solutions meter revenue reports.

Management's Response

The International Bridge Department is working with Duncan Solutions to upgrade software. Currently researching the ability to reconcile accounts through the use of software.

Responsible Party

Paul Stresow, International Bridges Deputy Director
Sandra Limon, Business & Financial Manager
Carmen Melgosa, Associate Accountant

Implementation Date

December 1, 2015

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Finding 3

Internal Control Weaknesses

The City of El Paso's Strategic Plan 2015 Section 6.4: *"Implement leading-edge practices for achieving quality and performance excellence."*

The City of El Paso's Strategic Plan 2015 Section 6.6: *"Ensure continued financial stability and accountability through sound financial management, budgeting and reporting."*

The overall purpose of internal controls is to help an organization achieve its mission and accomplish goals and objectives. An effective internal control system helps safeguard resources against loss due to waste, abuse, mismanagement, errors, and fraud.

Cash Management Manual dated June 2011 Section 5.2: *"Access to all safes should be limited to no more than three individuals."*

A review of the Parking Meter collections process was conducted. Based on our review, the following internal control weaknesses were identified:

- The coin boxes found in the Parking Meter vaults are not labeled as City owned.
- A process is not in place to ensure revenues have been collected from all Parking Meters during pick-ups.
- Parking Meter route pick-ups are not rotated.
- A site visit was conducted on May 4, 2015 and the file cabinet where the Parking Meter keys are stored was not locked.
- The coin sorter used to count the Parking Meter coin will report different totals if the same coin is counted multiple times.
- The Parking Meter Service Supervisor is the only one with the Parking Meter safe combination.

Recommendation

The International Bridges Department should:

- Label all Parking Meter coin boxes as City owned.
- Establish a process to ensure revenues are collected from all Parking Meters during pick-ups.
- Rotate Parking Meter routes.
- Ensure the file cabinet where the Parking Meter keys are stored is locked at all times.
- Determine if the difference when counting the same coin multiple times is material with the current coin sorter. If so, a different coin sorter may have to be used.
- Share the Parking Meter safe combination with at least one more person to serve as a back-up in the absence of the Parking Meter Service Supervisor.

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Management's Response

- Labels for the meters vaults have been ordered.
- A policy is now in place where 10% of all meters in a route will be randomly audited daily to assure that the route has been collected.
- A schedule is now in place to change the route starting points so that personnel is not predictable as to their location.
- A log for the keys has been established, and a policy in place to lock cabinet other than when retrieving or returning keys.
- Coin sorters have been serviced, and will be serviced monthly, new procedures have been put in place to minimize discrepancies.
- Safe combination was given to International Bridges Operations Supervisor.

Responsible Party

Eddie Romero, International Bridges Operations Manager
Rick Lujan, Parking Meter Service Supervisor

Implementation Date

June 29, 2015

Finding 4

Cash Management Manual Compliance

The City of El Paso's Strategic Plan 2015 Section 6.6: *"Ensure continued financial stability and accountability through sound financial management, budgeting and reporting."*

Cash Management Manual date June 2011 Section 5.2: *"If moneys on hand, in excess of any change fund are less than \$50.00, departments may choose to keep these funds until the amount reached is in excess of \$50.00, at which point department must make the deposit within the 24-hour period."*

The cash collected from the sale of Parking Meter Debit Cards at the Library is not deposited when cash on hand has exceeded \$50.00.

- Cash is only picked up once a month.
- The cash collected on November 11, 2014 of \$60.00 was not deposited immediately. The deposit was made a day later on November 12, 2014.

Partial Parking Meter coin pick-ups are not deposited immediately, but rather held in a collection cart in the Parking Meter shop area. The coin may sit in the Parking Meter shop area for at least a week. The amount contained in the "coin boxes" can range from \$30.00 - \$60.00.

Recommendation

The International Bridges Department should ensure that:

- Cash is collected from the Library once the \$50.00 has been reached and deposit the

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funds within 24 hours.

- Deposit all coin in excess of \$50.00 within 24 hours.

Management's Response

A policy has been put in place to deposit debit card funds on a weekly basis, or when the \$50 threshold is met.

A policy has been put in place where any coin from a coin box or malfunctioning meter will be turned over to the money room immediately, if the money room is not available, the money will be placed in a locked bag, logged and witnessed, and dropped into the vault through the drop chute.

Responsible Party

Eddie Romero, International Bridges Operations Manager
Rick Lujan, Parking Meter Service Supervisor

Implementation Date

June 23, 2015

Finding 5

Payment Card Industry (PCI) Compliance

The City of El Paso's Strategic Plan 2015 Section 6.13: "Maintain systems integrity, compliance, and business continuity."

City of El Paso Purchasing Manual dated January 2010 Section 4.0: "Contract administration is the responsibility of the City department managing the contract. Once awarded the contract administration phase of each contract begins."

Payment Card Industry Data Security Standard (PCI DDS) compliance is designed to protect businesses and their customers against payment card theft and fraud. If your business accepts, stores, or transmits card data, PCI DDS compliance certification is required by card brands such as Visa, MasterCard and Discover.

As of June 2, 2015 the International Bridges staff and Duncan Solutions were unable to provide proof of PCI Compliance for the period of July 3, 2014 – March 17, 2015.

Recommendation

The International Bridges Department should ensure Duncan Solutions is PCI Compliant and that a current PCI Compliance Certificate is maintained for review.

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Management's Response

The department is requesting a letter of clarification from Duncan Solutions.

Responsible Party

Paul Stresow, International Bridges Deputy Director

Implementation Date

August 1, 2015

Finding 6

Parking Meter Debit Cards

The City of El Paso's Strategic Plan 2015 Section 6.6: "Ensure continued financial stability and accountability through sound financial management, budgeting and reporting."

Inventory of records is an integral part of an internal control system because they ensure records are protected from theft or misappropriation.

Parking Meter Debit Card inventory is not reconciled to the records kept by the five locations where the Parking Meter Debit Cards are sold.

Recommendation

The International Bridges Department should reconcile all Parking Meter Debit Card inventory once a month.

Management's Response

Policy and schedule have been put in place to reconcile and inventory debit cards at the end of every month.

Responsible Party

Rick Lujan, Parking Meter Service Supervisor

Implementation Date

August 5, 2015

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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 are subject to the risk that procedures may become inadequate due to changes in conditions, or that the degree of compliance with the procedures may deteriorate.

CONCLUSION

We have concluded our work on the objectives of the Parking Meter Collections Internal Control 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 International Bridges Department/Parking Meter Division met the objectives of this audit. Based on our audit work, we have determined that:

1. The International Bridges Department/Parking Meter Division are operating in a control conscious environment with the exception of the findings identified in this report.
2. Areas identified where inefficiencies exist and/or where internal controls need to be strengthened are:
 - Documenting Standard Operating Procedures,
 - Cash Management Manual compliance,
 - Parking Meter revenue collection function,
 - Payment Card Industry (PCI) compliance,
 - Reconciling of Parking Meter revenue,
 - Reconciling of Parking Meter Debit Card inventory.

We wish to thank the International Bridges Department/Parking Meter Division management and staff for their assistance and numerous courtesies extended during the completion of this audit.

Signature on File

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Chief Internal Auditor

Signature on File

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Auditor

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