

Internal Audit Department

O R A N G E C O U N T Y
6th Largest County in the USA

FIRST FOLLOW-UP AUDIT REVENUE GENERATING PRICE AGREEMENT AUDIT: OC COMMUNITY RESOURCES/OC PARKS PARKING CONCEPTS, INC.

AS OF SEPTEMBER 30, 2012

**\$3.1 MILLION GROSS RECEIPTS
REPORTED DURING THE
ORIGINAL AUDIT PERIOD
\$1.8 MILLION REVENUE PAID TO
THE COUNTY**

OC Community Resources/OC Parks and Parking Concepts, Inc. (PCI) took satisfactory corrective action to implement twelve (12) recommendations, partially implement one (1) recommendation, one (1) recommendation is in process and one (1) recommendation has not been implemented, from our original audit dated October 7, 2011. The original audit contained fifteen (15) recommendations.


During the original one-year audit period, PCI collected approximately **\$3.1 million** in gross receipts, of which the County received about **\$1.8 million (59%)** and PCI was paid about **\$1.3 million (41%)** as an operating fee. Over its three (3) year term, this price agreement is estimated to generate approximately **\$5.2 million** in revenue to the County.

AUDIT No: 1136-B
(ORIGINAL AUDIT No. 1052)


REPORT DATE: DECEMBER 12, 2012

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Deputy Director: Eli Littner, CPA, CIA
Senior Audit Manager: Autumn McKinney, CPA, CIA
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RISK BASED AUDITING

GAO & IIA Peer Review Compliant – 2001, 2004, 2007, 2010
 American Institute of Certified Public Accountants Award to Dr. Peter Hughes as 2010 Outstanding CPA of the Year for Local Government

GRC (Government, Risk & Compliance) Group 2010 Award to IAD as MVP in Risk Management

 2009 Association of Certified Fraud Examiners' Hubbard Award to Dr. Peter Hughes for the Most Outstanding Article of the Year – Ethics Pays

 2008 Association of Local Government Auditors' Bronze Website Award

 2005 Institute of Internal Auditors' Award to IAD for Recognition of Commitment to Professional Excellence, Quality, and Outreach



ORANGE COUNTY BOARD OF SUPERVISORS'
Internal Audit Department

GAO & IIA Peer Review Compliant - 2001, 2004, 2007, 2010

Providing Facts and Perspectives Countywide

RISK BASED AUDITING

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OC Fraud Hotline (714) 834-3608



Transmittal Letter



Audit No. 1136-B December 12, 2012

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First Follow-Up Audit of Revenue Generating
Price Agreement: OC Community
Resources/OC Parks – Parking Concepts,
Inc., Original Audit No. 1052, Issued
October 7, 2011

We have completed our First Follow-Up Audit of Revenue Generating Price Agreement: OC Community Resources/OC Parks – Parking Concepts, Inc. Our audit was limited to reviewing, as of September 30, 2012, actions taken to implement fifteen (15) recommendations from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 11-12 Audit Plan and Risk Assessment* approved by the Audit Oversight Committee and Board of Supervisors (BOS).

The results of our First Follow-Up Audit are discussed in the [OC Internal Auditor's Report](#) following this transmittal letter. Our First Follow-Up Audit found that OC Community Resources/OC Parks – Parking Concepts, Inc. implemented twelve (12) recommendations, partially implemented one (1) recommendation, one (1) recommendation is in process and one (1) recommendation has not been implemented.

Each month I submit an [Audit Status Report](#) to the BOS where I detail any material and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the BOS.

Other recipients of this report are listed on the [OC Internal Auditor's Report](#) on page 6.

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OC Community Resources/OC Parks – Parking Concepts, Inc.
Audit No. 1136-B***

As of September 30, 2012

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OC Internal Auditor's Report



Audit No. 1136-B

December 12, 2012

TO: Steve Franks, Director
OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director
Internal Audit Department

SUBJECT: First Follow-Up Audit of Revenue Generating Operating Agreement: OC
Community Resources/OC Parks – Parking Concepts, Inc., Original Audit No.
1052, Issued October 7, 2011

Scope of Review

We have completed a First Follow-Up Audit of Revenue Generating Operating Agreement: OC Community Resources/OC Parks – Parking Concepts, Inc. Our audit was limited to reviewing, as of September 30, 2012 actions taken to implement fifteen (15) recommendations from our original audit No. 1052, issued October 7, 2011.

Background

The original audit reviewed whether Parking Concepts, Inc.'s records adequately supported monthly gross receipts reported and remitted to the County. During the original audit period, PCI collected \$3.1 million in gross receipts of which the County received about \$1.8 million (59%) and PCI was paid about \$1.3 million (41%) as an operating fee. The original audit identified fifteen (15) recommendations related to the reconciliation of bank statements to collection records, the terms and conditions included in the price agreement, and where recordkeeping should be enhanced to support reported gross receipts.

Results

Our First Follow-Up Audit found OC Community Resources/OC Parks and Parking Concepts, Inc. took satisfactory corrective action to implement twelve (12) recommendations, partially implemented one (1) recommendation, one (1) recommendation is in process and one (1) recommendation has not been implemented.

Based on the Follow-Up Audit we conducted, the following is the implementation status of the fifteen (15) original recommendations. The item number from the original report is shown before each heading.

1. Price Agreement Is Not Adequate as Key Clauses are Missing (Critical Control Weakness)

Recommendation No. 1: We recommend that OC Parks evaluate its current options to modify the existing Price Agreement and when possible enter into a new Operating Agreement, to include additional key clauses clarifying the County and operator's obligations and responsibilities as well as the most appropriate pricing methodology.



Current Status: In Process. OC Parks has extended the price agreement with Parking Concepts, Inc. (PCI) and is in the process of preparing a Request For Proposal and Operating Agreement which will include key clauses as noted in our recommendation above. It is anticipated that the new Agreement will go into effect no later than July 24, 2013. In the interim, OC Parks has obtained written confirmation from PCI that equipment purchased and improvements made by PCI shall become property of the County upon termination or expiration of the current Price Agreement. Therefore, we consider this recommendation to be in process.

OCCR/OC Parks Planned Action: In Process. As part of the Request for Proposal process currently underway, OC Parks staff is researching pricing methodologies for parking agreements. A new agreement will incorporate well-documented financial terms, along with clauses that clearly define both the County and the operator's obligations and responsibilities. A new agreement is expected to be in place by July 2013.

2. Bank Reconciliations Not Performed by OCCR (Significant Control Weakness)

Recommendation No. 2: We recommend that OCCR/Accounting begin performing monthly bank reconciliations with PCI's collection records.

Current Status: Implemented. We reviewed the January 2012 Collection Reconciliation performed by OCCR Accounting. Our review included agreeing a) cash receipts per the reconciliation to bank reports and b) journal vouchers and sales per the reconciliation to cash box tapes or other supporting documentation. Based on our work performed, sales were reconciled to cash received and credit payments. Therefore, we consider this recommendation to be implemented.

3. Pay Station Parking Fee Reports and Cash Counts Not Reconciled by PCI (Control Finding)

Recommendation No. 3: We recommend that OC Parks require PCI to reconcile parking fees reported (per pay station reports) to the actual cash collected, including change fund activity, by location whenever cash is collected. This information should be provided to the County as part of the monthly reporting.

Current Status: Implemented. We reviewed the June 7, 2012 Beaches and Wilderness Parks reconciliation of parking fees reported (per pay station reports) to the actual cash collected, including change fund activity, by location. Our review included agreeing sales and change fund tape totals to the reconciliation, and actual cash collected to the daily deposit slip. Based on our work performed, we found the reconciliation to be complete. Therefore, we consider this recommendation to be implemented.

4. Untimely Cash Deposits by PCI (Control Finding)

Recommendation No. 4: We recommend that OC Parks require PCI to perform deposits no later than one day after collection.



Current Status: **Implemented.** We reviewed a sample of January 2012 cash collections and deposits and noted that deposits were made no later than one business day after collection. Therefore, we consider this recommendation to be implemented.

5. Daily Credit/Debit Card Reports Not Provided to OC Parks (Control Finding)

Recommendation No. 5: We recommend that OC Parks require PCI to provide a daily summary of credit/debit card settlements as part of the monthly supporting documentation.

Current Status: **Implemented.** PCI now provides a daily credit/debit card Payment Settlement Report as part of the monthly supporting documentation submitted to OCCR Accounting. The report is generated from the VenTek Revenue Collection System and provides the total dollar amount of credit sales, credit sales by card type, and number of transactions by terminal location. For the sample month of January 2012, we agreed one day of credit sales from the daily VenTek Payment Settlement reports for Regional Parks and Beaches and Wilderness Parks to the monthly summary of credit sales by day prepared by PCI. We then agreed the totals from the monthly summary to the Parks' Collection Total (Credit) Reports for the month of January 2012. No exceptions were noted. Therefore, we consider this recommendation to be implemented.

6. Ticket Logs Not Maintained by PCI to Account for Manual Pre-Numbered Tickets (Two Control Findings)

Recommendation No. 6: We recommend that OC Parks require PCI to update the central inventory of manual tickets issued to the various Regional Park locations and keep it current.

Current Status: **Implemented.** We reviewed the full manual ticket inventory listing provided by PCI to OC Community Resources Accounting. From the listing, for a sample of two parks, we selected a sample of ticket number blocks issued to these parks. We agreed the beginning and ending ticket numbers to the daily Manual Ticket Logs maintained by PCI showing the dates manual tickets were sold. We noted the last ranges of tickets from our sample were sold during the recent month and therefore, the manual ticket inventory listing appears to be current. Therefore, we consider this recommendation to be implemented.

Recommendation No. 7: We recommend that OC Parks require PCI to maintain a daily sequential log of manual tickets used by attendants by location that accounts for gaps in sequence.

Current Status: **Implemented.** We reviewed the current daily sequential logs of manual tickets for a sample of two parks. We verified the sequential integrity of the listings (i.e., no gaps between prior days' ending ticket number and subsequent days' beginning number). We did not note any gaps in sequences. Therefore, we consider this recommendation to be implemented.



7. Daily and Weekly Collection Reports Provided to OC Parks Should Be Enhanced (Three Control Findings)

Recommendation No. 8: We recommend that OC Parks require PCI to generate and provide the Cash Collection Reports from the pay stations whenever cash is collected in order to facilitate the monthly bank reconciliation. Alternatively, PCI could work with OCCR/Accounting to enable their access of the Cash Collection Reports on-line.

Current Status: **Implemented.** For the sample month of January 2012, we verified cash collected per the Collection Total Reports for Regional Parks and Beaches and Wilderness Parks agreed to collections from Cash Box Collection Reports generated when cash was collected. Therefore, we consider this recommendation to be implemented.

Recommendation No. 9: We recommend that OC Parks require PCI to modify the Regional Parks Daily Attendant Reports to include prior days' ending ticket numbers.

Current Status: **Implemented.** We reviewed the January 2012 Regional Parks Daily Attendant Reports and noted that reports now include prior days' ending ticket numbers. Therefore, we consider this recommendation to be implemented.

Recommendation No. 10: We recommend that OC Parks require PCI to perform a monthly reconciliation of the Cash Collection Reports (daily/weekly) and Audit Reports (monthly) by location that includes a balancing of the current and prior month's cumulative totals (grand total accumulator).

Current Status: **Partially Implemented.** PCI provides cash box reconciliation tapes when cash is collected, which add up to the monthly totals. However, a monthly cumulative report is not yet available. Therefore, we consider this recommendation to be partially implemented.

OCCR/OC Parks Planned Action: **In Process.** In November 2012, PCI began the required procedure to report and submit the monthly reports outlined in Recommendation 10, monthly reconciliation of the Cash Collection Reports (daily/weekly) and Audit Reports (monthly) by location, that includes balancing current and prior month's cumulative totals. The first report will be submitted to the Manager of Accounts Payable/Job Cost Unit in December 2012.

8. Safe Combinations Not Adequately Safeguarded and Security for Cash Transport Needs Improvement (Control Finding)

Recommendation No. 11: We recommend that OC Parks further evaluate these risk areas to determine if any procedural changes can be made and if additional insurance should be obtained in the future to reduce the cash handling risks identified or reduce the impact.

Current Status: **Implemented.** PCI provided a Certificate of Property Insurance for 3-D Crime Coverage. OC Parks will ensure all future agreements with parking operators include a requirement for crime coverage insurance. Therefore, we consider this recommendation to be implemented.



9. Insurance Certifications Not Provided Timely by PCI (Control Finding)

Recommendation No. 12: We recommend that OC Parks ensure the required insurance certifications are submitted timely by PCI.

Current Status: **Implemented.** PCI has provided OC Parks with its current insurance certifications. OC Parks Purchasing will ensure future certifications are submitted timely. Therefore, we consider this recommendation to be implemented.

10. Signage at Beaches, Wilderness Parks and Regional Parks (Two Control Findings)

Recommendation No. 13: We recommend that OC Parks add signage to be posted at the Beach and Wilderness Park Pay Stations notifying customers that if fees are not paid and a ticket is not displayed, they will be cited and fined.

Current Status: **Implemented.** We observed that OC Parks has added signage at the Beach and Wilderness Park Pay Stations notifying customers that if fees are not paid and a ticket is not displayed, they will be cited and fined. Therefore, we consider this recommendation to be implemented.

Recommendation No. 14: We recommend that OC Parks display signage at parking attendant booths in the Regional Parks advising customers to be sure they receive their manual receipt, including a sample of what the ticket looks like and a number to call if they don't receive one.

Current Status: **Implemented.** We observed that OC Parks signage at parking attendant booths in the Regional Parks advises customers to be sure they receive their manual receipt, including a sample of what the ticket looks like and a number to call if they do not receive one. Therefore, we consider this recommendation to be implemented.

11. Free Parking at Some Locations Should be Evaluated (Control Finding)

Recommendation No. 15: We recommend that during their next Fee Study or earlier if circumstances change, OC Parks evaluate whether parking fees should be appropriately charged at those OC Parks parking locations where parking is currently free.

Current Status: **Not Implemented.** A fee update has not been prepared. Therefore, this recommendation has not been implemented.

OCCR/OC Parks Planned Action: As part of an update to the OC Parks Fee Schedule to be undertaken next year, OC Parks staff will address and evaluate the absence of parking fees at Upper Newport Bay Nature Reserve and the Selva Road parking lot at Salt Creek Beach. Note: Sunset Beach is no longer OC Parks' responsibility, as the community and beach have been annexed by the City of Huntington Beach.

OC Internal Auditor's Report



We appreciate the courtesy and cooperation extended to us by the personnel at Parking Concepts, Inc., OCCR/OC Parks and OCCR Accounting Services. If you have questions, please contact me directly at (714) 834-5475 or Alan Marcum, Senior Audit Manager at (714) 834-4119.

Distribution Pursuant to Audit Oversight Committee Procedure No. 1:

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Members, Audit Oversight Committee
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Alisa Drakodaidis, Deputy CEO
Mark Denny, Director, OCCR/OC Parks
Kirk Holland, Program Manager, OCCR/OC Parks
Doug Berry, Budget Manager, OCCR/OC Parks
Tom Starnes, Communications Manager, OCCR/OC Parks
Marie Moreno, Customer Relations Manager, OCCR/OC Parks
Anna Peters, Director of OCCR Administrative Services
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