



**A Report to the
Audit Committee**

Mayor
Karl Dean

Deputy Mayor
Greg Hinote

Audit Committee Members

Robert Brannon
Jacobia Dowell
Steve Glover
Diane Neighbors
Brack Reed
Richard Riebeling

Audit of Metropolitan Nashville Public Works Parking Management

June 29, 2015

Metropolitan
Nashville
Office of
Internal Audit

EXECUTIVE SUMMARY

June 29, 2015



Why We Did This Audit

The audit was initiated due to the high volume and associated risks of cash collections within parking management.

What We Recommend

- An accounting system and documentation procedures should be created to maintain invoices, accounts receivable, and supporting documents.
- Depositing and recording of funds should be accomplished in accordance with Treasury Policy #9, and duties should be segregated.
- Oversight of Nashville Downtown Partnership expenses should be increased.
- Additional revenue avenues should be investigated to increase enforcement of violations.

For more information on this or any of our reports, email Mark.Swann@nashville.gov

AUDIT OF METRO NASHVILLE PUBLIC WORKS PARKING MANAGEMENT

BACKGROUND

Metro Nashville Public Works' Engineering Division manages parking resources to improve traffic flow and access to businesses and visitors to Metropolitan Nashville. The division provides enforcement of parking regulations, oversees Metropolitan Nashville Government owned lots and garages, fulfills parking permit requests, and installs and maintains parking meters.

OBJECTIVES AND SCOPE

The objectives of the Metro Nashville Public Works parking management audit were to:

- Determine if controls were in place to ensure proper management of fiscal resources.
- Determine if policies and procedures were in place to ensure maximum revenues were received while providing the intended public service.
- Determine if policies, procedures, and contracts set forth by Metropolitan Nashville Government, Metro Nashville Public Works, or any other governing body were being followed.

The audit scope included all Public Works related parking management activities between March 1, 2013, and February 28, 2015.

<i>Metro Nashville Public Works</i>	FY 2013-14 (Actuals)	FY 2014-15 (Budget)
General Fund Revenues		
<i>Meter Occupancy Permits</i>	\$ 69,325	\$ 75,000
<i>Parking (Meters)</i>	1,210,061	1,225,000
<i>Residential Permit Parking</i>	2,115	3,000
<i>Loading Zone Permits</i>	11,200	3,100
<i>Valet Parking Permits</i>	2,400	2,700
Total Revenues	\$1,295,101	\$1,308,800
Surplus Parking Fund Revenues	\$4,366,063	\$4,299,100

Source: Metro Nashville's EnterpriseOne Financial System

WHAT WE FOUND

We found that Metro Nashville Public Works had strong controls around the coin collections for parking meters. However, segregation of duties of permit fee collections could be improved. Additionally, documentation of applications and requests was not maintained in an organized fashion. Sufficient documentation of parking garage expenses was not provided by the Nashville Downtown Partnership. Revenue opportunities were being explored well, but rainy day revenues and booting or towing revenues could be implemented to increase proceeds.

GOVERNANCE

Metro Nashville Public Works manages parking related permits, meters, and public garages within Metropolitan Nashville. Metropolitan Nashville Government has approximately 2,000 metered parking spaces which are monitored and collected by Metro Nashville Public Works. Metro Nashville Public Works receives and reviews applications for residential parking permits, valet parking permits, bagged meter permits, and loading zone permits. The majority of these requests are evaluated and presented to the Metropolitan Nashville Traffic and Parking Commission, which adopts and publishes traffic regulations within their purview.

OBJECTIVES AND CONCLUSIONS

1. *Were controls in place to ensure proper management of fiscal resources?*

Generally yes. While coins collected from meters were safeguarded and controlled, permit fee collections and oversight thereof lacked controls. (See Observations A, B, E, and F) Sub-objectives tested were:

Supporting Objectives and Conclusions

a. *Were parking related collections accounted for and safeguarded?*

Generally yes. Records for permit collections were not maintained in a way to evaluate their completeness. Some areas lacked segregation of duties between collecting, depositing, and recording. Counting of bills collected from parking meters lacked oversight, and deposits were done in an unsecure manner. (See Observations A, B, E, and F.)

b. *Were controls in place to ensure that expected revenues from contracted parking areas were received and accurate?*

Yes. The Nashville Downtown Partnership was hired to manage the two Metropolitan Nashville Government owned parking garages. The Nashville Downtown Partnership had procedures in place to review the revenues reported. Additionally, the Nashville Downtown Partnership undergoes an annual external audit. Metropolitan Public Works also reconciled monthly and annual revenues as additional oversight.

c. *Were parking related revenues recorded in accordance with Treasury Policy?*

Generally no. Coin collections were deposited by Loomis within one business day. However, cash collections for permits were often held onto for months before being deposited. Recording of deposits was not within two business days for most collection types. (See Observation E.)

2. *Were parking policies and procedures in place to ensure maximum revenues were received while providing the intended service?*

Yes. Metro Nashville Public Works routinely evaluated parking options to ensure maximum revenues were received. Metro Nashville Public Works recognized the potential abuse of free parking and had plans to work within the confinements of state regulations to maximize revenues. Metro Nashville Public Works could explore additional avenues to maximize other proceeds. (See Observations C.)

3. *Were parking policies, procedures, and contracts set forth by Metropolitan Nashville Government, Metro Nashville Public Works, or any other regulating body being followed?*

Undeterminable. Expense documentation provided by the Nashville Downtown Partnership for garage management was submitted monthly but did not contain full documentation of all expenses paid. Supporting documentation for loading zone requests and residential parking requests was either not available or not provided during the audit. Thus, adherence to the required procedures could not be determined. (See Observations B and D.)

AUDIT OBSERVATIONS

Internal control helps entities achieve important objectives and sustain and improve performance. The Committee of Sponsoring Organizations of the Treadway Commission (*COSO*), *Internal Control – Integrated Framework*, enables organizations to effectively and efficiently develop systems of internal control that adapt to changing business and operating environment, mitigate risks to acceptable levels, and support sound decision making and governance of the organization. The audit observations listed are offered to assist management in fulfilling their internal control responsibilities.

Observation A – Segregation of Duties

Effective segregation of duties related to cash collections were not present. Segregation of duties includes separating the authorization, custody, and recording of assets. Parking permit cash receipts were authorized, deposited, and recorded by one employee.

Criteria:

COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.

Recommendations for management of Metro Nashville Public Works:

Ensure that incompatible revenue collection duties such as cash handling, deposit preparation, recordkeeping, and authorization are properly segregated.

Observation B – Maintenance of Supporting Documentation

Metro Nashville Public Works Parking Management did not maintain sufficient supporting documentation to support bagged meter revenues or loading zone requests. The following areas of concern were noted:

- All loading zone applications and supporting documentation were inadvertently disposed of prior to the audit. Documentation included requests for loading zones, documentation of review by Parking Management, and documentation of approval by the Traffic and Parking Commission.
- No uniform request form for bagged meters was utilized. Bagged meter requests could be called in or emailed. Public Works employees would then enter the request into City Works, which was used as the supporting documentation for the request.

- Differences between invoiced amounts and City Works requests were not documented. City Works requests resulting in no charge (i.e. for Metro departments or construction) were not noted as no charge within City Works or on any other documentation. Verbal explanations were given for requests not charged; however, these explanations could not be corroborated.
- Master lists of loading zones, valet parking areas, and residential parking permits were kept in various Excel spreadsheets. Spreadsheets did not contain sufficient billings, receivables, or collections information. Excel spreadsheets were not secured and had no audit trail for changes.

Criteria:

COSO, Information and Communication—Principle 13—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Recommendations for management of Metro Nashville Public Works:

1. Create a retention policy for original applications and supporting documentation.
2. Create a uniform application for bagged meters using City Works direct request entry.
3. Document all changes and charges for bagged meters within City Works or other central repository.
4. Create a master listing of all loading zones, valet parking areas, and residential permits that either has an audit trail for any changes made or is secured so that only authorized individuals may alter it.

Observation C – Expansion of Revenues

Metro Nashville Public Works Parking Management was diligent about exploring various opportunities to increase parking revenues by making meter payments easier for the public while also easier to monitor for enforcement. However, some areas of unexplored revenue potential were noted.

- Parking enforcement personnel were not writing tickets on rainy days due to the ticket paper disintegrating in rain. Patrols were still done for appearance, but tickets were not written. Nashville has an average of 119 rainy days per year¹. Waterproof envelopes for parking tickets were available for purchase on various websites.
- Parking enforcement did not utilize booting or towing of vehicles with excessive unpaid parking tickets. Enforcement officers did not have access to information on unpaid tickets. A review of nine comparable cities found that all but one utilized a form of booting or towing. The enforcement procedures resulted in increased revenues for all cities using booting and/or towing.
- The department was operating within the confinements of Tennessee Code Annotated § 55-21-105 which does not allow for public parking fees for handicap drivers. This code lends itself to abuse by some drivers and causes a lack of turnover at many Metropolitan Nashville parking meters. A review of other cities across the nation showed that this is an issue for many metropolitan areas. The States of Michigan and Illinois have adopted a two-tier system that takes into account different levels of disabilities. Other municipalities such as Portland, Oregon and Baltimore, Maryland have changed handicap waiver laws and regulations to help mitigate this issue.

¹ Per 2015 U.S. Climate Data

Criteria:

COSO, Risk Assessment—Principle 6—The organization specifies operations objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

Recommendations for management of Metro Nashville Public Works:

1. Utilize weatherproof envelopes so that parking tickets may be written in rainy weather.
2. Perform a cost study of implementing a booting and/or towing program in conjunction with an electronic ticket writing system.
3. Explore potential changes to State of Tennessee laws and regulations that might help mitigate abuse of handicap parking waivers.

Observation D – Oversight of Nashville Downtown Partnership

The Nashville Downtown Partnership did not provide sufficient data to support all checks written out of the Metro Nashville parking garage bank account. For six months of supporting documentation reviewed, none of the packets received from the Nashville Downtown Partnership contained enough documentation to tie out check amounts written to vendors. No review or tie out of the monthly expense information packet provided by the Nashville Downtown Partnership was performed by Metro Nashville Public Works.

Criteria:

- COSO, Control Activities—Principle 12—The organization deploys control activities through policies that establish what is expected and procedures that put policies into action.
- Contract between Metropolitan Nashville Government and the Nashville Downtown Partnership, *Section 1.6*

Recommendations for management of Metro Nashville Public Works:

1. Require that the Nashville Downtown Partnership comply with the contract in place and provide sufficient documentation each month to support all checks written out of the Metro Parking Garage bank account.
2. Perform a review and tie out of all documentation provided each month by the Nashville Downtown Partnership to ensure that all checks are supported and are for allowable expenses.

Observation E – Control of Cash Collections

Metro Nashville Public Works had multiple cash collection areas for parking related fees. Controls around cash collections varied at each location. The following observations involving cash collections were noted:

- Deposits of cash collections were not made within one business day of receipt. Checks and deposit slips were dated months before being deposited in some instances.
- Posts to the general ledger were consistently not made in within two business days of deposit.
- Bills collected from parking meters were being counted by one employee.

- Bills collected from parking meters were being deposited by Metro Nashville Public Works personnel in an unsecured bag.
- Receivables warrants for bills collected from parking meters were not signed by the preparer to ensure they were not altered after deposit of funds.
- Reconciliations of cash receipts to the bank statement and accounting records were not being performed on a periodic basis.
- Checks were often made out to Metro Nashville Public Works with the attention of an individual employee's name.

Criteria:

- COSO, Control Activities—Principle 10—The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels.
- Metropolitan Government of Nashville and Davidson County Cash Deposits – Treasury Policy #9

Recommendations for management of Metro Nashville Public Works:

1. Perform periodic reconciliations between the bank statements and related supporting documentation. Ensure that reconciliations are documented and retained.
2. Ensure that cash deposits are made within one business day of receipt and recorded in *EnterpriseOne* within two business days of receipt.
3. Utilize Loomis to count and deposit bills collected from parking meters or put in place detailed policies and procedures to ensure cash is secured at all times.
4. Notify vendors to only make out checks to Metro Nashville Public Works or a designated area within the department. Individual names should not be included on checks.

Observation F – Tracking of Accounts Receivable

Invoicing of services for bagged meters, valet parking, and loading zones were the responsibility of Metro Nashville Public Works' Engineering Division (Parking). No invoicing or receivables system existed to allow management of Metro Nashville Public Works to determine if all services were billed or if billings had been collected. Outstanding invoices were not tracked once sent to the customer.

Criteria:

COSO, Information and Communication—Principle 13—The organization obtains or generates and uses relevant, quality information to support the functioning of internal control.

Recommendation for management of Metro Nashville Public Works:

Implement an accounting system that can track invoices generated, payments outstanding, and payments received.

GOVERNMENT AUDITING STANDARDS COMPLIANCE

We conducted this performance audit in accordance with generally accepted government auditing standards. 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 observations and conclusions based on our audit objectives.

METHODOLOGY

To accomplish our audit objectives, we performed the following steps:

- Interviewed key personnel within various departments.
- Reviewed and analyzed documentation for compliance with the Tennessee Code Annotated, Metropolitan Nashville Code of Laws, and other applicable laws, regulations, and policies.
- Evaluated internal controls currently in place.
- Reviewed sample selections to determine the effectiveness of internal controls.
- Reviewed financial related transaction files using audit analytic software.
- Considered risk of fraud, waste, and abuse.
- Considered information technology risks.

AUDIT TEAM

Mark Swann, CPA, CISA, CIA, ACDA, Metropolitan Auditor

Lauren Riley, CPA, ACDA, Auditor-in-Charge

Kimberly Smith, Auditor

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

KARL F. DEAN
MAYOR



METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY

DEPARTMENT OF PUBLIC WORKS
750 SOUTH FIFTH STREET
NASHVILLE, TENNESSEE 37208

June 19, 2015

Mark Swann
Metropolitan Auditor
Office of Internal Audit
223 3rd Avenue North, Suite 401
Nashville, TN 37201

RE: Audit of Metro Public Works Parking Management

Dear Mr. Swann:

This letter acknowledges that Metro Public Works received the Public Works Parking Management audit report and has reviewed the audit comments and recommendations. Metro Public Works is already in the process of implementing a majority of your recommendations and will continue to implement the remaining recommended process improvements as appropriate.

It was a pleasure working with your staff on this audit and we appreciate your recommendations. We look forward to the opportunity to improve our processes here at Public Works.

Sincerely,

A handwritten signature in black ink, appearing to read "Randy Lovett".

Randy Lovett
Acting Director, Metro Public Works

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

We believe that operational management is in a unique position to best understand their operations and may be able to identify more innovative and effective approaches and we encourage them to do so when providing their response to our recommendations.

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
Management of Metro Nashville Water Services should:		
A. Ensure that incompatible revenue collection duties such as cash handling, deposit preparation, recordkeeping, and authorization are properly segregated.	Concur — PW is in the process of developing procedures for Meter Occupancy Permits, Residential Parking Permits, Loading Zone Permits, and Valet Permits that will segregate all of these functions between PW Parking and PW Finance employees in accordance with COSO.	September 2015
B1. Create a retention policy for original applications and supporting documentation.	Concur — PW is in the process of developing procedures for Meter Occupancy Permits, Residential Parking Permits, Loading Zone Permits, and Valet Permits that will contain a retention policy for applications and supporting documentation.	September 2015
B2. Implement a review process within the Accounting area whereby the deposit slips are compared to the manual check log.	Concur — PW is in the process of developing procedures for Meter Occupancy Permits, Residential Parking Permits, Loading Zone Permits, and Valet Permits that will employ the use of Quick Books accounting software. This software will allow PW finance to reconcile deposit slips to receipts in Quick Books.	September 2015
B3. Document all changes and charges for bagged meters within City Works or other central repository.	Concur — PW is in the process of developing procedures for Meter Occupancy Permits that will document all requests and any changes in City Works and all charges in Quick Books.	September 2015
B4. Create a master listing of all loading zones, valet parking areas, and residential permits that either has an audit trail for any changes made or is secured so that only authorized individuals may alter it.	Concur — PW is in the process of developing procedures for Residential Parking Permits, Loading Zone Permits, and Valet Permits that will employ a master customer list in Quick Books where only authorized users have access to certain functions.	September 2015
C1. Utilize weatherproof envelopes so that parking tickets may be written in rainy weather.	Concur — PW is in the process of setting up a vendor and ordering weather resistant envelopes for parking tickets that will be used during bad weather conditions.	July 2015

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
C2. Perform a cost study of implementing a booting and/or towing program in conjunction with an electronic ticket writing system.	Concur — PW has already begun the process of gathering information on electronic ticket writing systems and will commission a cost study on implementation of a booting and/or towing program.	Recommendations in January 2016
C3. Explore potential changes to State of Tennessee laws and regulations that might help mitigate abuse of handicap parking waivers.	Concur — PW will request that the Metro Legal Department assist in analyzing TN laws and regulations to determine if changes can be made that will help mitigate abuse of handicapped parking waivers.	Recommendations in January 2016
D1. Require that the Nashville Downtown Partnership comply with the contract in place and provide sufficient documentation each month to support all checks written out of the Metro Parking Garage bank account.	Concur — PW has already requested that this information be given monthly and is in the process of reviewing and reconciling the April Downtown Partnership statements.	Completed
D2. Perform a review and tie out of all documentation provided each month by the Nashville Downtown Partnership to ensure that all checks are supported and are for allowable expenses.	Concur — PW has already requested that this information be given monthly and is in the process of reviewing and reconciling the April Downtown Partnership statements.	Completed
E1. Perform periodic reconciliations between the bank statements and related supporting documentation. Ensure that reconciliations are documented and retained.	Partially Concur — PW does not concur with reconciling Metro wide bank statements to supporting documentation as this is a function that the Accounts and Treasury Departments perform. PW will reconcile all bank deposits/receivable warrants to Quick Books and Accounts/Treasury can reconcile the deposits/receivable warrants to the Metro wide bank statement.	September 2015
E2. Ensure that cash deposits are made within one business day of receipt and recorded in EnterpriseOne within two business days of receipt.	Partially Concur — PW is in the process of developing procedures for Meter Occupancy Permits, Residential Parking Permits, Loading Zone Permits, and Valet Permits that will require deposits to be made within 1 to 2 business days of receipt and recorded in EBS within 2 to 3 business days of receipt. (PW's employee schedules can cause delay due to segregation of duties among small number of employees.)	September 2015
E3. Utilize Loomis to count and deposit bills collected from parking meters or put in place detailed policies and procedures to ensure cash is secured at all times.	Concur — PW has already contacted Loomis and is in the process of working out a process whereby Loomis will be counting and depositing all bills. Strict procedures have been put in place to secure cash at all times until a process with Loomis in place.	PW completed and Loomis September 2015

APPENDIX A – MANAGEMENT RESPONSE AND CORRECTIVE ACTION PLAN

Recommendations	Concurrence and Corrective Action Plan	Proposed Completion Date
<p>E4. Notify vendors to only make out checks to Metro Nashville Public Works or a designated area within the department. Individual names should not be included on checks.</p>	<p>Concur — PW is placing only the Department information and the designated area on all invoices and applications that will be used from this point forward. This will eliminate the possibility of an individual name being placed on a check.</p>	<p>Completed</p>
<p>F. Implement an accounting system that can track invoices generated, payments outstanding, and payments received.</p>	<p>Concur — PW was in the process of implementing Quick Books at the time of the audit. All phases of the implementation should be done in September.</p>	<p>September 2015</p>