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FINAL CLOSE-OUT SECOND FOLLOW-UP AUDIT REVENUE GENERATING PRICE AGREEMENT AUDIT: OC COMMUNITY RESOURCES/OC PARKS PARKING CONCEPTS, INC.

As of July 16, 2013

\$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 two (2) remaining recommendations and one (1) recommendation has been closed, from our First Follow-up Audit dated December 12, 2012. 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: 1347-A (ORIGINAL AUDIT NOS. 1052 & 1136-B)

REPORT DATE: AUGUST 8, 2013

Director: Dr. Peter Hughes, CPA, CIA Senior Audit Manager: Alan Marcum, CPA, CIA Senior Internal Auditor: Susan Nestor, CPA, CIA

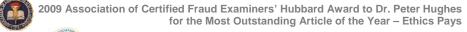
RISK BASED AUDITING

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

AICPA

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









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

Letter from Dr. Peter Hughes, CPA



Transmittal Letter



Audit No. 1347-A August 8, 2013

TO: Steve Franks, Director OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director

Internal Audit Department

SUBJECT: Second and Final Close-Out 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 a Second Follow-Up Audit of Revenue Generating Price Agreement: OC Community Resources/OC Parks – Parking Concepts, Inc. Our audit was limited to reviewing, as of July 16, 2013, actions taken to implement three (3) recommendations from our original audit. We conducted this First Follow-Up Audit in accordance with the *FY 13-14 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 Second Follow-Up Audit found that OC Community Resources/OC Parks — Parking Concepts, Inc. implemented two (2) remaining recommendations and one (1) remaining recommendation has been closed. As such, this report represents the final close-out of the original audit.

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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Audit No. 1347-A August 8, 2013

TO: Steve Franks, Director

OC Community Resources

FROM: Dr. Peter Hughes, CPA, Director/

Internal Audit Department

SUBJECT: Second and Final Close-Out Follow-Up Audit of Revenue Generating Operating

Agreement: OC Community Resources/OC Parks - Parking Concepts, Inc.,

e Hughes

Original Audit No. 1052, Issued October 7, 2011

Scope of Review

We have completed a Second Follow-Up Audit of Revenue Generating Operating Agreement: OC Community Resources/OC Parks – Parking Concepts, Inc. Our audit was limited to reviewing, as of July 16, 2013, actions taken to implement three (3) remaining recommendations from our First Follow-Up Audit No. 1136-B, issued December 12, 2012.

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 Second Follow-Up Audit found OC Community Resources/OC Parks and Parking Concepts, Inc. took satisfactory corrective action to implement two (2) recommendations, and one (1) recommendation has been closed. This report represents the final close-out of the original audit.

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.



<u>Current Status</u>: **Implemented (Second Follow-Up Audit).** At the July 16, 2013 Board of Supervisors Meeting, OCCR/OC Parks submitted a contract for parking services management for their approval. Based on our review of this contract, it includes recommended key clauses clarifying the County and operator's obligations and responsibilities. Approval of the contract is pending additional clarification of the review panel's vendor recommendation. Therefore, we consider this recommendation to be implemented.

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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.



<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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).

<u>Current Status</u>: Implemented (Second Follow-Up Audit). On a monthly basis, PCI is including as part of their monthly reports to OCCR Accounting, a year-to-date parking revenue report by location. This report contains the prior month, current and year-to-date revenue totals. For the month of May 2013, we traced and agreed prior month totals from the Beaches & Wilderness Parks Report to the April 2013 report. In addition, we traced a sample of days during May 2013 to the current month total and year-to-date report totals. Therefore, we consider this recommendation to be implemented.

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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit)**. 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit).** 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.

<u>Current Status</u>: **Implemented (First Follow-Up Audit)**. 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.

<u>Current Status</u>: **Closed.** (Second Follow-Up Audit). Subsequent to our First Follow-up Audit No. 1136-B, dated December 12, 2012, an Internal Control Audit of OC Community Resources Fee Generated Revenue was performed (Audit No. 1222, dated March 5, 2013). This audit found that internal controls over the administration of OCCR's (which include OC Parks) fee development process are adequate and effective, with some exceptions. As OCCR will address any fee recommendations in the follow-up of Audit No. 1222, to be performed in the latter part of 2013, we consider this recommendation to be closed.



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:

Members, Board of Supervisors Members, Audit Oversight Committee Michael B. Giancola, County Executive Officer Mark Denny, Chief Operating Officer Mike Brajdic, Interim 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 Salvador Lopez, Section Manager, OCCR/Accounting Win Swe, Manager, OCCR/Accounting Joanne Bond, Accounting Office Supervisor, OCCR/Accounting Foreperson, Grand Jury Susan Novak, Clerk of the Board of Supervisors Macias Gini & O'Connell LLP, County External Auditors