8. Monitoring Parking Meter Collections

- **The Port of San Francisco is responsible for the maintenance, repair, and collection of revenue realized from a reported 756 to 817 parking meters located on City streets that fall under Port jurisdiction. To handle parking meter operations, the Port has an in-house Parking Meter unit staffed by two full-time equivalent positions and two as-needed collectors, as well as assistance from Information Systems staff and Accounting staff.**

- **Since FY 1999-2000 the parking meters have generated approximately $4.8 million in revenue for the Port over a five-year period. To ensure that no misappropriations result from parking meter revenue, the Port has installed electronic parking meters and a computer program that assists the Port in (a) meter inventory control; (b) revenue control; and (c) provision of detailed analytical opportunities to the Port such as revenue analysis on a per meter basis.**

- **The Port is not fully utilizing the computer software and has insufficient internal controls over its collection counting and accounting of parking meter revenue. Our review found significant inadequate processes in the establishment of policies and procedures, and necessary segregation of collection duties and responsibilities to properly safeguard the collection of Port revenue.**

- **As a result of these inadequacies, reconciliation by the Port's Accounting unit found discrepancies of approximately $2.3 million from September of 2000 to March of 2004. Such discrepancies include the underreporting by the computer system to the actual deposit amount. For example on December 17, 2003, the computer system indicated revenues of $9,834 but the actual deposit amount was $14,789 for a difference of $4,955. Staff indicated that such discrepancies are only investigated if the amount deposited into the bank is less than the amount shown in the computer system. To the contrary, in the view of the Budget Analyst, this large discrepancy indicates that the system is an ineffective revenue control feature due to ineffective utilization by Port staff. Thus, the major discrepancies are every bit as serious as if the amount deposited from collection is less than the amount reported since the discrepancies make it impossible to properly monitor collection.**

- **The Port also does not have inventory control and does not know the exact number of parking meters operating under their jurisdiction. Based on the two separate Port parking meter inventories of 756 and 817 meters, if the higher number is accurate, $106,170 in parking meter revenue annually could be unaccounted for by the Port and the Port cannot ensure that revenue is not being misappropriated.**

- **The Port should immediately strengthen its internal controls and oversight of the Parking Meter unit by addressing these weaknesses. Workplan and performance measures should be developed, documentation enhanced, and surprise cash audits should be fully developed and formalized with an audit plan. The Port should report to the Port Commission within three to six months of the issuance of this report on the status of these recommendations. If the Port has not sufficiently implemented adequate internal controls, the Port may want to consider a competitive bid process to contract for parking meter operations, collection and revenue control.**

According to Port records, the Port operates approximately 756 parking meters along the San Francisco Bay, extending from Hyde Street in Fisherman's Wharf to SBC Park. The Port's parking meters are grouped into seven parking meter collection areas. Port officials report that a new eighth area was added in March of 2004. This new area consists of approximately 30 parking meters south of SBC Park on Terry Francois Boulevard.

Parking Meter Program

The Port's Parking Meter operation is primarily handled by several entities within the organization of the Port. A brief overview of the Port's parking meter program is as follows:

- The Parking Meter unit, within the Port Maintenance Division, consisting of two full-time equivalent (FTE) personnel and temporary personnel, is responsible for the maintenance and repairs of parking meters, and collection and counting of parking meter revenues.

- The Accounting unit assigns a different staff member each day to supervise the Parking Meter unit count of parking meter revenues and handles the deposit of parking meter revenue with the bank.

- The Information System unit is responsible for the implementation of the computerized system for the electronic parking meters. This computer system provides the Port with internal control capabilities. However, the Port has not determined which unit will perform ongoing maintenance and operation of this system.

Therefore, several departments within the Port have some responsibility for parking meters. However, the Parking Meter unit handles a majority of the functions.

As identified above, parking meter revenue collection is performed by the Parking Meter unit. This is performed by two full-time equivalent (FTE) positions. In addition, two as-needed labor positions assist in the collection of revenue from the parking meters. Staff indicated the additional positions are necessary due to increased collections resulting from recent parking rate increases approved by the Port Commission.

As part of our analysis, the Budget Analyst examined the management and efficiency of the Port's parking meter operation. Further, the Budget Analyst examined the parking meter operations to determine if sufficient internal controls were in place to ensure that no monies could be misappropriated and that the Port was not losing revenue. Additionally, the Budget Analyst reviewed possible improvements available to the Port regarding parking meter operations.

Parking Meter Revenue

Parking meter revenue is a significant source of revenue for the Port. The table below presents a five-year historical view of all parking meter revenues. As shown in the table, the Port has seen a slight increase, during the period covered, in the revenue generated from parking meters between FY 1999-2000 and FY 2003-2004. As shown in the table below, the revenue from parking meters for the Port is $4,897,443 over four years and eight months of operation or over $1,000,000 on average annually.

Table 8.1

Parking Meter Revenue
Port of San Francisco

Fiscal Year	Total Revenue
1999-2000	$973,248
2000-2001	1,109577
2001-2002	983,115
2002-2003	1,004,102
2003-2004 (1)	827,401
Total	**$4,897,443**

Source: Port of San Francisco, Accounting Division
(1) Through February 27, 2004

Moreover, the revenue for FY 2003-2004 should be significantly higher than previous years shown in the table above, resulting from the Port Commission's rate increase for all parking meters from $1.00 per hour to $2.00 per hour, a 100 percent increase, on August 12, 2003. The Port's FY 2003-2004 budget for parking meter revenue is $1,047,000.

Internal Controls

The Budget Analyst evaluated the internal controls of the Port's parking meter operation. The Port maintains computer software that works cooperatively with the communicator devices needed to unlock the parking meter and collect revenue. This software should provide the Port with data needed for proper internal control such as the following:

- **Meter Inventory** – The software is interfaced with the communicator and can provide location, canister location, and the post the meter head is located on.

- **Internal Reports** – The software has the capability to provide Port staff with numerous information reports. For example, the Port can determine overall revenue and conduct analysis on weekly collection rates by parking area and meter.

- **Revenue Total** – The software can provide information on the date, time, location, and amount of revenue collected from a specific parking meter.

However, staff report that the Port has had consistent problems with the software for over four years and that the reports identified above are inaccurate. Further, staff indicate that any reports generated from the system are essentially worthless. Port staff indicate that in response to parking meter thefts, the Information Systems unit implemented an initial trial of software in FY 1999-2000 to work with new electronic parking meters. However, the Port indicates that the conversion from mechanical parking meters to electronic parking meters occurred over several fiscal years. As a result of this slow conversion, the Port was essentially without any level of internal control methods for several years over the parking meter inventory, internal reports, and revenue control. Each of the internal control areas outlined above will be discussed individually.

Meter Inventory

The Port maintains policies regarding the Parking Meter unit entitled *Cash Receipts Handling Procedures.* The Budget Analyst received a draft policy dated June of 1999. We asked for a formalized copy of these procedures, but staff were unable to provide us with a copy. According to Accounting staff, the draft policies were an initial attempt at procedures for handling parking meter revenue. Final implementation of the policies and procedures was postponed until the MeterManager software was working properly. However, the MeterManager has never been fully implemented and has never fully been able to act as an internal control device. Therefore, the procedures are only a guideline and the Port does not have any formal policies and procedures for staff regarding parking meter operation.

In regards to the parking meter controls, the *Cash Receipts Handling Procedures* states the following:

- Mechanism identification numbers are to be assigned in one numerical sequence.
- Each meter must have a unique identification number that cannot be reset by parking meter collection staff.
- Each meter mechanism is recorded by its unique number on the MeterManager Inventory list by location.
- Meter inventory reports should be reconciled monthly by the Revenue Accounting Supervisor to verify that all meters are accounted for and that meter replacements are properly reflected.
- The Accounting unit will administer a periodic inventory (physical inspection of post location and verification of meter's mechanism identification number).

The Budget Analyst attempted to determine to what level Port staff were performing these functions. Based on our review of these operations, the Port does not routinely perform many of the functions identified in their policies and procedures. Many of the items identified above are not fully known by staff although it is part of their job function. Because of the computer software difficulties and compliance with policies and procedures, the Port cannot be assured that adequate internal controls are in place regarding parking meter inventory.

Staff in several departments report that because of repairs and replacement of meters, the meter heads are not in a numerical sequence. While each meter is assigned a specific identification number, the meter's actual location may not directly correspond with the location on the inventory list.

The parking meters contain an internal control feature. As identified above, the Port's parking meters are electronic and must be opened with a key and a communicator. The communicator is a computerized device that identifies the location of the meter, the meter identification number, the amount of revenue deposited into the meter since the previous collection, and other information regarding the meter. The information from the communicators can then be uploaded by the Information Systems unit where the Port has the ability to run numerous audit reports regarding parking meters. This system allows the Information Systems unit to know the location of the parking meter mechanism and allow internal auditing reports to be generated.

The Information Systems unit provided audit staff with the *Parking Meter Management Systems User's Guide* that outlines the capabilities of the system. To gain further understanding of the capabilities of the system, we reviewed with staff the functionality of the system and the contents of the computerized system. We discovered that the Port is not using the computerized system to its full capabilities.

Although their internal guidelines state that the Accounting unit will conduct a periodic physical inspection of meter location, it became clear that the Port does not perform this function. More troubling is that as a result of this failure, the Port not only does not know the location of parking meters, but the Port does not have an accurate inventory count of the parking meters under their jurisdiction. According to the most recent *Parking Meter Collection Report* prepared by the Accounting unit for February of 2004, the Port has 756 parking meters. This is the number that was submitted to the Port Commission in August 2003 for their review of a possible parking fee increase.

The Accounting unit's parking meter revenue report states that the Port has 756 parking meters for all of 2004. This report breaks the parking meters into seven routes. In one route, the South Seawall, the report lists 120 parking meters. As part of this audit, the Budget Analyst accompanied parking meter staff while collecting meter revenue. During this review, the Budget Analyst counted 170 meters for this route or 50 more than listed in the report. Further, Information Systems staff compiled a listing of parking meters based on data collected by communicators during the revenue collection process. This report, the MeterManager Inventory Report dated March 9, 2004, shows the Port has 817 parking meters, an overall difference of 61 meters.

The MeterManager Inventory Report, dated March 9, 2004, which listed 817 meters, also gives the most recent date on which Parking Meter staff used the communicator to obtain audit data from a given meter and uploaded it into the parking meter database. According to the IS unit, the dates identified on any report should be the same. If the meter dates are different, it means a meter was not collected from on the last collection. The Budget Analyst found some instances in which the last audit date was 1999 and numerous instances in which the last audit date was not identified. According to the Information Systems unit, if the audit date is old this indicates that (a) the parking meter is in the shop for repair, or out of order, or (b) the meter database inventory is 'out-of-sync' with the actual parking meter on the street. Information Systems staff indicated that the computerized database of inventory contains discrepancies.

The Budget Analyst, who conducted a physical count of parking meters on Port property, found 880 meters, or 63 meters more than listed in the MeterManager Inventory Report and 124 meters more than the Accounting unit's revenue report which states the Port has 756 meters. Staff from Serco Management Services, which performs parking meter services for the City, also counted a total of 880 Port parking meters for these maps.

Staff in various sections indicated that meter control has been a significant problem for approximately four years. The problem of the communicators not properly identifying the location of the parking meter has been ongoing and unresolved. Staff report that, because meters have been moved, generally for repairs, the Port's internal audit count is worthless. Port staff report that a physical count has not been conducted for several years. According to the Engineering unit, the unit is creating maps of the streets with Port parking meters on them. Parking meter staff will indicate the number of parking meters on each city block.

The Port's internal records show two dramatically different totals of parking meters. This could represent abysmal control over parking meter revenue reporting, rendering such reports meaningless, and a significant potential of lost revenue for the Port. Based on the most recent *Parking Meter Collection Report*, the Budget Analyst estimated that the average daily collection rate per meter is $4.77 based on the Port's report of 756 meters. Therefore, if the Port actually has 817 parking meters in its inventory, rather than 756, the potential underreported revenue is approximately $290.88 a day, or $106,170 per year for 61 uncounted meters. This amount represents approximately 10.6 percent of the parking meter revenue for FY 2002-2003. Using the count of the Budget Analyst and Serco Management Services, for a total of 880 parking meters rather than 756, the potential underreported revenue is approximately $215,821 per year for 124 uncounted meters. Collections records do not accurately show the number of parking meters collected.

Without an accurate inventory count, the Port could potentially lose an estimated $106,000 to $216,000 in annual parking meter revenues due to an inexact count of parking meter inventory. The Port should immediately conduct a physical count to verify the exact number of parking meters under their jurisdiction. This count should be done with Port management staff and with staff located outside of the Parking Meter unit. Such a count could verify if the Port is losing parking meter revenue as a result of underreporting of parking meters. As part of this count, all parking meter poles, casings, and internal units should be numbered and tracked by the Information Systems and Parking Meter units.

Meter Revenue Audits

The Port conducts some minimal audits in an attempt to ensure that revenue collection is accurate. Such audits provide a basic level of internal control for the Port. As previously noted, the Port has installed electronic parking meters and the Information Systems unit has software that works in conjunction with the parking meters. Although this software provides the Port with numerous opportunities to perform audits of their parking meters, the Port is not using this software for such activities. Because the Port does not know the exact number of parking meters, or the number of meters collected in any one day, the Port cannot run accurate revenue audits.

To open a parking meter, Port staff must insert a metal rod connected to an electronic communicator that records the amount of revenue collected by the specific meter since the previous collection. This allows the Port to determine the amount of revenue collected per meter and produce analytical reports detailing revenue collection. Because the electronic communicator records the amount of monies collected by each specific meter since the previous collection, the Port can track that the actual amount of monies that are being counted and deposited, ensuring against misappropriation.

Because the parking meters are electronic, the Port's computer program can track the revenue generated by specific parking meter. This allows Accounting staff to reconcile the amount deposited with the bank to the electronic count provided by the meters. The Accounting staff provided such reconciliation for every deposit dating back to September of 2000. The results of the reconciliation are presented in the table below.

Table 8.2

Variance Between Actual Deposits and Internal Audit Collection Amounts FY 2000-01 to FY 2003-04

Fiscal Year	Electric Audit Amount	Revenue Deposited	Difference
2000-2001(1)	$249,293	$801,246	($551,953)
2001-2002	196,011	962,559	(766,548)
2002-2003	418,398	1,063,103	(644,705)
2003-2004(2)	575,273	963,116	(387,843)
Total	**$1,438,975**	**$3,790,024**	**($2,351,049)**

Source: Port of San Francisco, Accounting Division
(1) This only includes data from September 2000 to June 31, 2001
(2) Through March 19, 2004

As shown in the table above, the Accounting unit's reconciliation efforts have discovered a discrepancy of $2,351,049 between the communicators inserted into the meters and the actual amount of revenue deposited into the bank. It should be noted that the electronic audit feature was not fully implemented during parts of the time period identified in the table above. However, having a discrepancy of $2.3 million dollars represents a significant lack of internal control by the Port. In fact, the reconciliation data is meaningless. Over the past 3.5 years, the Port has not made full implementation of the electronic audit a high priority, although the potential for misappropriation of revenues is significant. Serco Management Services, who administers parking meter collection for the City and the Department of Parking and Traffic (DPT), informed audit staff that their reconciliation efforts between the communicator and actual deposits are minor and are corrected.

The Port's *Cash Receipts Handling Procedures* states, "any apparent discrepancies will be investigated and reported to the Fiscal Officer and the Director of Finance and Administration." Yet, since September of 2000, the Port's Accounting unit has not been able to reconcile $2.3 million in parking meter revenues. Clearly, the Port is not investigating with much detail, if at all, the discrepancies found between the meter audit and the amount deposited into the bank. Staff indicated that discrepancies are only investigated if the amount deposited into the bank is less than the amount shown in the computer system.

To the contrary, in the view of the Budget Analyst, these large discrepancies indicate that the system is an ineffective revenue control feature due to ineffective utilization by Port staff. Thus, the major discrepancies are every bit as serious as if the amount deposited from collection is less than the amount reported since the discrepancies make it impossible to properly monitor collection.

Key and Canister Internal Controls

One additional critical component of any parking meter operation is the inventory and security of the components necessary for the parking meter operation. This includes, but is not limited to, the parking meters, the internal canisters that hold the money in the meter, the dolly used to hold the coins during collection, and the keys associated with any locks for either the meters or collection dollies.

An internal control feature that is associated with the parking meters is that in order to open the collection dollies the Port has established a system where two keys are required to open the dollies. According to *Cash Receipts Handling Procedures* for the Port, "coin canisters are secured by locks controlled by the Accounting Division." Accounting unit staff maintains one key in their vault and the Parking Meter unit holds the second key. When the coin dollies are opened, Accounting unit staff are present to ensure the coins are properly counted and no misappropriation of coins occurs.

A key component of the parking meter is the internal canister that collects coins when deposited into the meter. This canister is the internal housing unit that holds the money deposited. During the collection process, the Parking Meter unit staff deposit the coins from this canister into the collection dolly. The system is such that no Port staff actually comes into direct contact with coins during collection. However, the potential could exist for misappropriation if there are additional canisters that can be used for collection that the Port may not have full knowledge of.

According to Maintenance Division staff, which oversees the Parking Meter unit, the Port has 822 canisters that go inside the parking meters. Port staff informed audit staff that there were 816 canisters in parking meters and between 6 to 20 additional spare canisters at the Parking Meter offices as replacements. However, as identified earlier in this report, this is problematic since the Port has not provided a consistent number of parking meters under their jurisdiction. Assuming the 756 number of parking meters used in the Revenue report, this means there are an addition of 60 canisters, plus the additional 6 in reserve. The second number of 817 from the March 9, 2004 MeterManager Inventory Report appears to be more in line with the number of canisters. However, this would be significantly less than the 880 parking meters counted by the Budget Analyst and Serco Management Services staff.

Like the actual parking meter inventory, the inventory of the canisters appears to not be a priority for the Port. Therefore, the Port should immediately conduct a full inventory and identify each canister in a parking meter. The canister should always remain in the same parking meter it is originally assigned to. If the canister is replaced, Accounting staff and Information Systems unit staff should immediately be made aware of and create a recording of this switch. The canister number assigned to a specific parking meter should be maintained by Information Systems unit. Port staff independent from the Parking Meter unit should conduct periodic checks of parking meters to ensure the canister identified in records match reality.

Elements of a Basic Internal Controls Structure

To ensure internal controls are adequate and provide sufficient control, detailed policies and procedures are needed to ensure such a structure exists. The policies and procedures should incorporate the following:

- Periodic reconciliations of all accounting records that are performed along with a thorough investigation of all discrepancies;
- Records designed to sufficiently capture and track data and information;
- External verification of accounting data;
- Segregation of duties to prevent the possibility of misappropriations and irregularities; and,
- Maintenance of records in a physically secure location.

Another element of a strong internal control framework is effective communication. Sound communication in an organization influences and impacts the fundamental elements of internal controls. Communication should occur not only from management down to line staff, but line staff should have input to management as well. The Budget Analyst found this to be a potential problem within the Port's parking meter operation.

The Port is in the initial phases of upgrading the computer software to improve the internal controls for parking meter operations. Staff report that the upgraded software should improve the Port's ability to track revenue and identify inventory control. The Department should define and implement the basic fundamentals of sound internal control policies and procedures before performing extensive work to upgrade the computerized parking meter system. For instance, the Port has some procedures for conducting an electronic audit to produce audit reports that can provide useful data and determine the parking meter inventory, but the Port should pay continuous attention to the internal controls and conduct an ongoing evaluation of internal control procedures to ensure that the electronic audits are effective and meaningful. This is especially important since "internal control procedures require continuous effort and attention, and so are easily prone to break down. Only an ongoing evaluation of internal control procedures can provide assurance that controls are continuing to operate effectively[1]."

The Port should immediately implement a fundamental internal control workplan for parking meters that contains the characteristics outlined above. In addition, the Port should create a workplan that outlines all internal control procedures for parking meter operation and submit the proposed work plan to the Port Commission as part of the FY 2004-2005 budget review.

The Port's parking meter internal control deficiencies have been long term and ongoing without effort by the Port to correct the deficiencies. If the Port does not present a substantive work plan to implement and maintain parking meter internal controls, the Port should consider contracting parking meter services to a private company as a policy option. As a result of the internal control problems, the Executive Director of the Port should consider an outside contractor on a trial basis to do a full collection of parking meters to identify the potential problem of lost revenue. However, based on a preliminary cost estimate provided by Serco Management Services, a private company with a parking meter service contract with the City's Department of Parking and Traffic, the Budget Analyst did not find that contracting parking meters would generate significant cost savings for the Port. However, in a competitive bidding process other firms could submit bids that result in savings to the Port.

[1] Government Finance Officers Association. 1994

Conclusions

The Port of San Francisco is responsible for the maintenance, repair, and revenue collection from between a reported 756 to 817 parking meters located on City streets that fall under Port jurisdiction. Since FY 1999-2000, the parking meters have generated approximately $4.8 million in revenue for the Port. To ensure that no misappropriations result from parking meter revenue, the Port has installed electronic parking meters and a complement computer program that assists the Port in (a) inventory control; (b) revenue control; and (c) detailed analytical opportunities to the Port.

The Port is not fully utilizing the computer software and has insufficient internal controls over its collection and accounting of parking meter revenue. Reconciliation by the Accounting unit found discrepancies of approximately $2.3 million since September of 2000. The Port also does not have inventory control and does not know the number of parking meters under their jurisdiction. The Port has two inventory amounts for parking meters: either 756 meters or 817 meters. The Budget Analyst conducted a physical count of parking meters and found 880 meters. The Budget Analyst estimates that the Port has not accounted for approximately $106,000 to $216,000 in revenues based on its inaccurate meter count.

The Port should strengthen its internal controls and oversight of the Parking Meter unit by developing an internal control work plan and performance measures, enhancing documentation, and creating a formal audit plan, including conducting surprise audits. Port staff should report to the Port Commission the status of these recommendations prior to September 1, 2004. If the Port has not sufficiently implemented adequate internal controls, the Port may want to consider a competitive bid process for parking meter operations.

Recommendations

The Port Commission should:

8.1 Require Port staff to conduct a physical count of all parking meter located on Port jurisdiction.

The Executive Director of the Port should:

8.2 Develop and implement formal policies and procedures, assigning formation responsibility and accountability for basic internal controls, including:

(a) Conducting a monthly reconciliation of all deposits and communicator revenue amounts and perform a thorough investigation of all discrepancies;

(b) Improving electronic audit records to sufficiently capture and track data and information;

(c) External verification of accounting data;.

(d) Segregation of duties to prevent the possibility of misappropriations and irregularities; and

(e) Maintenance of records in a physically secure location.

8.3 Develop and implement a formal parking meter operations audit plan.

8.4 Develop and implement formal parking meter operations performance measures.

8.5 Conduct annual training sessions on internal controls with all Port staff involved in the revenue collection process.

8.6 Consider an outside contractor on a trial basis of several months to perform parking meter collection.

8.7 Report to the Port Commission the status of these recommendations prior to September 1, 2004.

The Board of Supervisors should:

8.8 Consider contracting parking meter services to a private company as a policy option if the Port does not present a substantive work plan to implement and maintain parking meter internal controls.

Cost and Benefits

These recommendations would result in additional staff time to develop performance measures, policies and procedures, and an audit plan but will not result in additional costs. There will be significant benefits in improved accounting of parking meter revenues, strengthening of internal controls, and reduced risk of loss from misappropriation of funds.