


<p><b>Date:</b> October 9, 2018</p> <p><b>To:</b> Mingo Gomes, Chief Executive Officer, Hartford Parking Authority</p> <p><b>From:</b> Joseph Caruso, CPA, Deputy Chief Auditor Craig S. Trujillo, CPA, Chief Auditor</p> <p><b>Tele:</b> (860) 757-9955 (860) 757-9952</p>		<p><b>City of Hartford</b> <b>Hartford Parking Authority</b> <b>On-Street Parking Meter Revenue Audit</b> <b>Report 1905</b></p>
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## I. Executive Summary

In accordance with our audit plan for the fiscal year ending June 30, 2019, we completed an examination in September 2018 of the Hartford Parking Authority’s parking meter operations and associated revenue. The purpose of the examination was to evaluate and test internal accounting and operating controls, the process for collecting and depositing revenues, the degree of compliance with established operating procedures, and to recommend improvements where required. The results of our examination were reviewed with M. Gomes, Chief Executive Officer, Hartford Parking Authority and other responsible members of operating management. Included below are management’s planned actions to address the issues noted in this report. We thank Hartford Parking Authority management and staff for their cooperation and courtesies extended to us during the audit.

### Background

In January 2012, the Hartford Parking Authority (HPA) entered into a management agreement with Republic Parking System, Inc. (Republic) for its On-Street meter collections and Off-Street parking operations. Republic assumed the management of the On-Street parking operations on April 1, 2012. The initial term of the management agreement (the Agreement), for both On and Off-Street parking operations was for three years. There is also extended terms of two one-year periods based on the discretion and the sole option of HPA management. In addition, there is a mutual renewal or final extended term of five years for a full potential term of 10 years. The maximum expiration date under the extended term shall be on March 31, 2022. According to the Agreement, HPA pays Republic a management fee for the On-Street parking operations. This management fee is intended to be all-inclusive and cover all of Republic’s direct and indirect labor and other expenses including overhead and profit for the On-Street parking operations. During the calendar year ending December 31, 2017, HPA paid Republic management fees totaling \$1,435,951 for the On-Street Parking Operations (\$375,695 were for ambassador services, individuals who write the tickets). The scope of this review includes only the parking meter operations and functions of the On-Street parking operations. Republic is responsible for collecting the revenue generated from the On-Street parking meters and depositing the funds in the HPA Webster Bank account. Meter revenue comes from coins, credit cards or Woonerf (cell phone app). The Parkeon Parkfolio System is used by Republic for the management and administration of parking meters and related revenue. Gross revenue generated from the On-Street parking meters for the fiscal year ended June 30, 2018 totaled \$1,555,710.

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General

In general, we found that Republic was managing the On-Street parking meter operations in accordance with the terms and conditions of the Agreement. The coins from the On-Street parking meters are regularly collected, counted, reconciled and deposited, along with both the credit card and Woonerf transactions. We did note the nonperformance of a required key control, semi-annual audits by the Contractor and that certain procedures relating to the cash receipt, meter inventory and other processes and functions needed updating.

Scope

The scope of our audit included various tests of transactions recorded primarily during the fiscal year ending June 30, 2018. The following audit procedures were performed:

- Review and evaluation of procedures and related internal operating and accounting controls;
- Examination of the HPA Agreement with Republic Parking System, Inc;
- Review and testing of the terms and conditions of the Agreement with Republic; and
- Review and testing of the operations, revenue process and related daily deposits and reconciliations.

The parking citation operations and processes were not part of this audit.

**II. Detail Findings**

Cash Receipt Accounting and Reconciliation

Various tests of the process for counting, recording, depositing and accounting for daily cash receipts and reviews of related operations disclosed that procedures maintained and performed by Republic relating to the meter collections process were outdated. In addition as noted in our prior audit of the meter operations and revenue (audit report 1504), The Daily Collections Report and related process involve a considerable amount of manual effort. The efficiency and effectiveness of the process can be improved by automating certain aspects of it. This includes developing and implementing standard spreadsheets with formulas and data links. We recommend that HPA management take action to ensure that procedures for the meter collections process performed by Republic are updated as noted above and fully documented.

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**Management Response**

Due Date: January 31, 2019

Responsible Person: A. Gomes, Chief Executive Officer, Hartford Parking Authority

HPA will ensure that Republic's Standard Operating Procedures for On-Street Parking will be updated to include an organizational flow chart for meter revenues with restrictions and separations of authority defined by personnel or position. HPA will have Republic development a master workbook template to assist in the efficiency and accuracy of the data input process for reporting to HPA. All formulas will be locked, and all line items will tie back to system reports, individual receipts and bank statements.

Revenue Cycle Keys Accounting and Control

Various tests of the accounting for and control over keys used in the revenue control and collection process and reviews of related operations disclosed that there is no inventory of and regular accounting for keys used in the parking meter revenue collection and accounting process. Policies and procedures relating to the accounting for and control over keys in the parking meter revenue process were not documented and needed improvement. This includes both keys used to access the parking meters for collection purposes and the office and devices used to count the revenue.

This finding was also reported in our previous audit (Report 1504). We recommend that HPA management take action to ensure that Republic maintains an inventory of all keys used in parking meter revenue process and documents policies and procedures relating to the accounting for and control over these keys.

**Management Response**

Due Date: January 31, 2019

Responsible Person: A. Gomes, Chief Executive Officer, Hartford Parking Authority

A section for key control and protocol policies will be added to the On-Street Standard Operating Procedures manual to ensure keys are accounted for daily.

Republic Internal Audits

A review of the HPA Agreement with Republic Parking System, Inc., disclosed that internal audits of Republic's accounts and operations were not performed during 2017 and 2018 as required per the Agreement. As included in the HPA Agreement, section 6.1.5 - On-Street Parking Services:

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Basic Services: “The Contractor shall provide a semi-annual internal audit. The Contractor shall closely monitor and scrutinize the HPA operation to ensure solid revenue control and compliance with all approved policies and procedures. In support of this effort the Contractor shall perform two internal audits every year. Contractor quality assurance personnel will visit the HPA facilities twice a year and spend three days reviewing the operations, reporting and procedures. A report will be generated after each audit which will be provided to the HPA, along with an Action Plan to address any issues identified during the audit. The audits will take place approximately six months apart at mutually convenient times during the term of the Agreement.”

These Contractor-performed internal audits serve as a key control to ensure solid revenue control and compliance with all approved policies and procedures.

Per Matt Truhlar, General Manager, Republic Parking System, Inc., “with Republic’s internal organizational changes, the departure of former HPA CEO and operational changes associated with the garages being sold, the internal audits were not scheduled as required. Our most recent audits are from 2016. In light of this oversight, we are in the process of scheduling two audits prior to the close of 2018.” According to Dan Nash, Regional Manager – Northeast, Republic Parking System, LLC, “the first half of 2018 will be completed by the first week of November 2018 and the second half of 2018 will be completed by the first week of January 2019.”

HPA requested that Republic perform the required internal audits timely in 2020 and 2021. The City of Hartford Internal Audit Department will be informed as each audit is completed.

Any Action Plan items noted in the reports should be monitored by HPA. HPA should request a refund of the management fees associated with performing internal audits that were not done.

**Management Response**

Due Date: January 31, 2019

Responsible Person: A. Gomes, Chief Executive Officer. Hartford Parking Authority

HPA will work with Republic Parking Systems, Inc., on getting caught-up on past due audits and will schedule in calendar required audits going forward to insure timeliness of completion

Pay & Display (P&D) Inventory and Activity

Various tests of the P&D meters owned by the HPA and the related collections activity disclosed that the HPA owns 256 P&D meters. We noted that 40 of these are in storage and kept to replace and repair broken meters. During the fiscal year ended June 30, 2018, 26 meters brought in less

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than \$3.00 per day.

We recommend that the HPA work with Republic to determine additional (and higher volume) locations for on-street meter service opportunities. This is one of the basic services Republic agreed to at section 6.1.7 in the City of Hartford/HPA Agreement with Republic.

**Management Response**

Due Date: January 31, 2019

Responsible Person: A. Gomes, Chief Executive Officer, Hartford Parking Authority

HPA will work with Republic Systems, Inc., to monitor ongoing volume per kiosk/location and establish processes to determine if volume is just low, or parking activities requires additional Ambassador coverage to support pay for park enforcement.

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