

City of Detroit

OFFICE OF THE AUDITOR GENERAL



Audit of the Municipal Parking Department

July 2011 – June 2014




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MEMORANDUM

DATE: December 12, 2014

TO: Honorable City Council
Honorable Mayor Mike Duggan

FROM: Mark Lockridge, CPA 
Auditor General

RE: Audit of the Municipal Parking Department

CC: Norman White, Interim Director

Attached for your review is our report on the Audit of the Municipal Parking Department. This report contains our audit purpose, scope, objectives, methodology and conclusions; background; our audit findings and recommendations; and the responses from the Municipal Parking Department.

Responsibility for the installation and maintenance of a system of internal control that minimizes errors and provides reasonable safeguards rests entirely with the Municipal Parking Department. Responsibility for monitoring the implementation of recommendations is set forth in Section 7.5-105(4) of the City Charter which states in part:

Recommendations that are not put into effect by the department shall be reviewed by the Finance Director who shall advise the Auditor General and the City Council of the action being taken with respect to the recommendations.

Copies of all of the Office of the Auditor General reports can be found on our website at <http://www.detroitmi.gov/CityCouncil/LegislativeAgencies/AuditorGeneral.aspx>.

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Own Policies and Procedures

AGENCIES' RESPONSES

Municipal Parking Department

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AUDIT PURPOSE, SCOPE, OBJECTIVES, METHODOLOGY AND CONCLUSIONS

AUDIT PURPOSE

The audit of the Municipal Parking Department was performed in accordance with the Office of the Auditor General's (OAG) charter mandate to conduct audits of the financial transactions, performance and operations of City agencies based on an annual risk-based audit plan prepared by the Auditor General, or as otherwise directed by the City Council, and report findings and recommendations to the City Council and the Mayor.

AUDIT SCOPE

The scope of this audit was an independent review and assessment of the effectiveness and efficiency of the Municipal Parking Department's operations, internal control procedures for financial transactions and its compliance with applicable Finance Directives, policies, plans, procedures, and laws for the period July 1, 2011 through June 30, 2014.

Our audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States, except for the completion of an external peer review of the Office of the Auditor General within the last three years.

AUDIT OBJECTIVES

The overall audit objectives were:

- To assess the Municipal Parking Department's internal controls related to financial transactions;
- To determine the Municipal Parking Department's compliance with Finance Directives, policies, plans, procedures, laws, and regulations; and
- To conduct a follow up review of the audit.

AUDIT METHODOLOGY

To accomplish the audit objectives, our audit work included:

- Reading the prior audit report.
- Reviewing prior audit working papers, City Charter, Municipal Manual, DRMS reports, the department's budget reports, the CAFR, and organization charts.
- Conducting an audit-planning meeting to determine the scope and audit objectives, and to determine the financial transactions and/or areas to audit.
- Interviewing department personnel, reviewing documentation, and making observations to aid in developing audit programs.
- Other audit procedures that we considered necessary to achieve our audit objectives.

CONCLUSIONS

As a result of our audit we have concluded that the MPD:

- Failed to establish adequate internal controls for financial transactions.
- Was not in compliance with the City's P-Card Manual, relevant Finance Directives, City Code/Zoning Requirements and other Finance Department policies.
- Had unresolved prior audit findings.
- Did not properly verify and reconcile revenue reports received from contracted management companies.
- Did not adequately budget for operating and maintenance expenses.
- Did not provide appropriate oversight for the Abandoned Vehicle process.

CONCERNS

The OAG encountered an audit impediment. Our staff was unable to have any discussion with MPD employees without prior approval of MPD management. While we appreciate the fact that we were assigned a contact person to ensure that our request for information were properly handled, having only one person who could assist us was extremely challenging and significantly slowed down the audit process. When this person was not in the office, we were unable to receive information. Further when our staff wanted to ask a MPD staff member a clarification question, the MPD staff person told the auditors that the auditors must ask the assigned contact person.

The OAG is also concerned with the on-going expense of maintaining utilities at the closed Cultural Center garage. For the period July 1, 2013 – June 30, 2014, MPD reported \$7,135.27 in expenses for the facility.

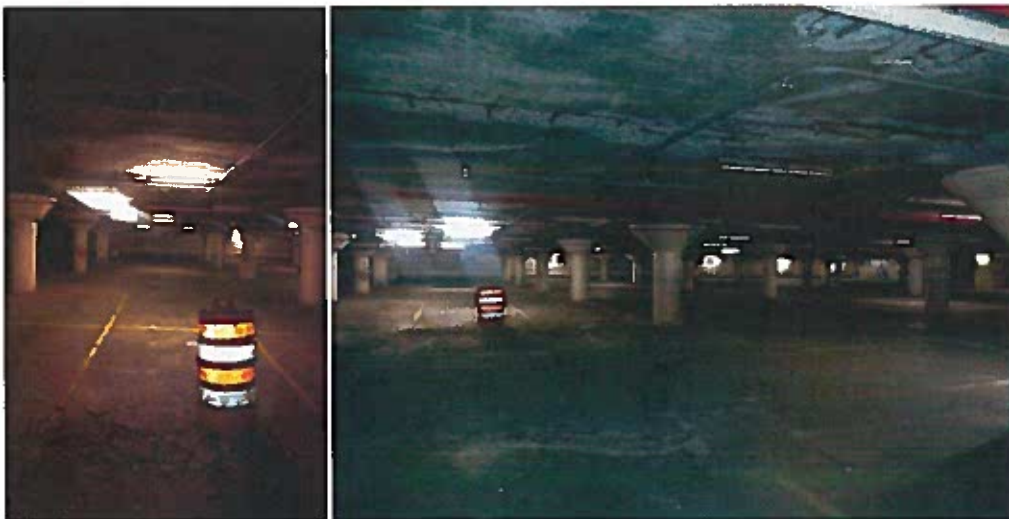
BACKGROUND

The Municipal Parking Department's (MPD) mission is to provide and promote economically on and off-street public parking services; to enforce City of Detroit parking ordinances; and to coordinate parking with economic development projects throughout the City of Detroit. The MPD is organized into two core divisions, the Auto Parking System (APS), which is one of the City's enterprise agencies, and the Parking Violations Bureau (PVB), which is a part of the general fund.

The Auto Parking System, pursuant to City ordinance, operates and maintains seven garages with approximately 7,878 spaces, one Central Business District lot with approximately 240 spaces, and approximately 3,404 on-street metered spaces, with all the revenue going to an Enterprise Fund for the City of Detroit's Parking System. The table below shows the Operating Revenues and Expenses, and the Increase/(Decrease) In Net Position according to MPD for the period July 1, 2013 – June 30, 2014.

Garages	Operating Revenues	Operating Expenses	Increase/(Decrease) in Net Position
Cadillac Farmer	\$ 189,285.00	\$ 40,568.91	\$ 148,716.09
Eastern Market	24,550.00	47,445.49	(22,895.49)
Ford Underground	1,722,762.00	416,136.42	1,306,625.58
Grand Circus	1,072,442.19	468,552.86	603,889.33
Millennium	890,401.40	285,207.58	605,193.82
Premier	1,212,976.40	322,006.22	890,970.18
TOTALS	\$5,112,416.99	\$ 1,587,052.75	\$3,525,364.24

* The Cultural Center Garage closed on May 4, 2011 due to structural problems. The auditors toured the garage in April 2014 and learned that safety lights stay on in the garage at all times.



The Parking Violations Bureau (PVB) activity, pursuant to City Ordinance, includes management of the City's parking ticket processing and fine collection program and supervises the enforcement of parking regulations through its civilian ticket writing personnel. The PVB also is responsible for conducting Boot & Tow and Abandoned Vehicle Auctions.

MPD was issued two Pre-Paid Credit Cards (P-Card) to replace their imprest cash funds; one for APS and one for PVB. The purchase limits for the cards are as follows:

- APS Division - \$2,000.00
- PVB Division - \$ 900.00

P-Cards replaced Imprest Cash funds in March 2010. According to the Finance Department, imprest cash accounts were closed in March 2010. The purpose of the P-Card Program is designed to streamline the purchasing and accounts payable process by reducing the paperwork generated by small dollar transactions, eliminating the need for purchase orders and facilitating quick payment to vendors.

The Interim Director of MPD is Norman White. He was appointed in September 2013. Prior to his appointment the director was Shawntuan DeBerry. Ms. DeBerry served as director of the department until her resignation in September 2013.

The following table shows the budgeted appropriations, revenues and number of staff for MPD for the 2013-2014, 2012-2013 and 2011-2012 fiscal years broken down by enterprise fund and general fund.

	Fiscal Years Ended June 30		
	2014	2013	2012
General Fund	\$ 11,371,625	\$ 9,981,000	\$ 19,781,000
Enterprise Fund	17,977,243	12,900,314	24,591,770
Budgeted Revenues	29,348,868	\$ 22,881,314	\$ 44,372,770
General Fund	7,715,373	\$ 6,314,424	\$ 6,678,940
Enterprise Fund	17,977,243	12,900,314	24,591,770
Budgeted Expenditures	\$ 25,692,616	\$ 19,214,738	\$ 31,270,710
Revenues Less Expenditures	\$ 3,656,252	\$ 3,666,576	\$ 13,102,060
Budgeted Positions			
General Fund	55	55	58
Enterprise Fund	40	42	44
Total Budgeted Positions	95	97	102

STATUS OF PRIOR AUDIT FINDINGS

The prior audit of the Municipal Parking Department issued June 2008 by the Office of the Auditor General included the following audit findings related to imprest cash:

- **The MPD Did Not Adequately Manage Its Financial Process** *This finding has not been resolved and is discussed in Finding 2 on page 8 and Finding 3 on page 10 of this report.*
- **The MPD Did Not Exercise Adequate Control and Oversight of Its Cash Related Processes** *This finding has been partially resolved and is discussed in Finding 2 on page 8 of this report.*
- **The Imprest Cash Custodian Lacks Control Over the Imprest Cash Funds** *This finding has not been resolved and is discussed in Finding 9 on page 29 of this report.*
- **The Actual Amounts of the Municipal Parking Department's Imprest Cash Funds Did Not Agree with the Authorized Amounts** *This finding has not been resolved and is discussed in Finding 9 page 19 of this report.*
- **The Municipal Parking Department Did Not Fully Comply With the City's Imprest Cash Policies and Procedures** *This finding has not been resolved and is discussed in Finding 9 on page 19 of this report.*

AUDIT FINDINGS AND RECOMMENDATIONS

1. Failure to Establish Adequate Internal Controls

MPD failed to establish adequate internal controls. The auditors identified the following deficiencies in the MPD control system.

- There were no Standard Operating Procedures for the garage operations including the Auto Parking System (APS) contractor and their staff.
 - Cashiers and managers were allowed to put cash in their deposits to make up for any shortages without resolving or documenting the shortage.
 - APS contract employees were not required to take time off.
- There were no random audits of cashiers or monitoring of facilities.
- Cashier revenue and paperwork were not put in an envelope or any type of container to safeguard it from being lost or separated during handling and transporting.
- Allowing employees to use the change drawer to cash personal checks.
- Cashiers at one parking facility were required to take their money to another parking facility at the end of their shift to deposit the daily revenue in a safe.
- One manager retrieves, counts, reconciles/verifies and prepares the deposit for cashier revenue.
- An APS Contractor supervisor routinely collected, transported, counted and deposited daily cashier revenue for one of MPD's highest grossing facilities by himself.
- The Finance Manager had physical custody of the P-Cards for APS and PVB, approved transactions, collected purchase receipts and received bank statements.
- No reconciliation of monthly parkers, receipts and monthly parking cards issued.
- No reconciliation of credit card revenue for each facility.
- MPD could not provide written policies and procedures for reviewing individual reimbursable invoices.
- Authorization procedures did not include a thorough review of supporting documentation to verify the propriety and validity of transactions.
- MPD Daily Report Reconciliation Procedures for the facilities were outdated.
- MPD does not have a ticket summary report to monitor parking tickets issued and available ticket stock.

- The APS Contractor has control over the monthly parking access card stock, no MPD employee accounts for this stock and no card report is sent to MPD on a monthly basis for review.

The State of Michigan Accounting Procedures Manual for Local Units of Government in Michigan under best practices requires:

Internal controls are the policies and procedures by which you maintain your financial records and engage in financial transactions on a daily basis. Simply put, internal control consists of all the measures taken by the local government for the purpose of:

- Protecting resources against waste, misappropriation, and inefficiency;
- Ensuring accuracy, timeliness, and reliability in accounting and operating data;
- Maintaining compliance with applicable laws and regulations (local, State, and Federal);
- Evaluating the level of performance of departments and personnel.

Poor internal controls can lead to many undesirable consequences including fraud, theft, bad decisions, and perpetual errors in the accounting records.

Based on the auditors' observations, internal controls were not a priority for MPD management.

Recommendation

We recommend that MPD institute appropriate internal control procedures to protect assets, improve the cash collection and recordkeeping processes including:

- Creating and distributing Standard Operating Procedures for key processes
- Routinely audit and monitor MPD facilities and operations
- Establish a dual control policy for cash handling
- Segregate the P-Card responsibilities
- Perform regular reconciliations of credit cards revenue, monthly parking cards, etc.
- Perform a thorough review of supporting documentation for transactions

2. MPD Failed to Properly Reconcile Revenue

MPD could not provide a reconciliation report that explained the variances between the APS Contractor’s revenue reports and the MPD Revenue Fund – Summary of Deposits Made report. The following discrepancies were noted:

July 2012 – June 2013			
Parking Facility	MPD Deposits at National Bank of Detroit (NBD)	APS Contractor	Variance
Cadillac Farmer	\$ 307,594.00	\$ 307,085.00	\$ (509.00)
Eastern Market	25,035.00	25,015.00	(20.00)
Ford Underground	1,088,086.59	1,089,770.00	1,683.41
Grand Circus Park	681,190.08	684,255.00	3,064.92
Millennium	774,654.06	802,685.00	28,030.94
Premier	280,127.58	285,346.00	5,218.42
Total All Facilities	\$3,156,687.31	\$3,194,156.00	\$37,468.69

July 2013 – March 2014			
Parking Facility	MPD Deposits at National Bank of Detroit (NBD)	APS Contractor	Variance
Cadillac Farmer	\$ 146,500.00	\$ 120,345.00	\$(26,155.00)
Eastern Market	15,755.00	15,285.00	(470.00)
Ford Underground	888,559.97	888,856.50	296.53
Grand Circus Park	609,547.76	610,762.76	1,215.00
Millennium	628,641.40	624,530.00	(4,111.40)
Premier	760,351.91	829,827.00	69,475.09
Total All Facilities	\$3,049,356.04	\$3,089,606.26	\$40,250.22

The auditors determined that:

- The APS Division does not verify, audit or otherwise confirm the revenues reported by the contractors although the contract permits audits.
- Revenue reports for each facility received from the APS contractor show monthly revenues that vary widely from the MPD report showing revenue deposited for each facility.
- Revenue is not recorded in accounting records or reports based on the revenue sources (cash, credit card, validations, monthly parkers, etc.).

- MPD did not prepare a reconciliation that tied all revenue sources (cash and credit transient revenue, monthly parker revenue, validations revenue, etc.) to the bank statement.
- MPD did not prepare a reconciliation of gross credit card revenue to net credit card revenue deposited in the bank and the associated monthly fees paid.

Accounting for various revenue sources allows the user to reconcile incoming receipts properly.

The State of Michigan Accounting Procedures Manual for Local Units of Government in Michigan requires municipalities:

- Ensure that records are reviewed and reconciled routinely by someone other than the preparer to verify that transactions are properly processed.
- Make deposits timely and reconcile to official receipts.

Failure to reconcile revenue can allow the misappropriation of revenue, fraud, theft and abuse to go undetected.

The auditors determined that MPD placed too much trust in the vendor and did not verify the APS Contractor's revenue reports.

Recommendations

We recommend that MPD reconcile revenue sources on a daily, weekly and monthly basis to cashier reports and the APS contractor's monthly revenue report.

3. MPD Did Not Comply With Finance Directive 154

MPD did not comply with Finance Directive 154 to complete bank reconciliations no later than 30 days after the receipt of the bank statement. The auditors tested the APS and Operating Bank Accounts for the fiscal year July 2013 through June 2014 and noted the following deficiencies:

- Eight of eleven bank reconciliations available for review for the Operating Account were late between 28 days to more than 6 months.
- Eight of ten bank reconciliations available for review for the APS Account were late between 10 days to more than 7 months.

Finance Directive 154, Procedures for Preparing Monthly Bank Reconciliations requires that "An employee not involved in the recording of receipts and disbursements must perform the reconciliation no later than 30 days after receipt of the monthly bank statement to safeguard assets."

Failure to maintain adequate controls over the bank reconciliation process can result in multiple abuses including theft or misappropriation of funds and inaccurate financial records. Mistakes can go undetected and the possibility of fraud being committed increases.

The auditors determined that MPD did not make performing bank reconciliations a priority.

Recommendation

We recommend that MPD comply with Finance Directive 154 to perform its bank reconciliations in accordance with the time limit specified in the Directive.

4. MPD's Record Retention Procedures Are Inadequate

During the review of the adequacy of controls over the MPD's record retention process, it was determined that copies of reimbursement payments were not properly secured and/or safeguarded. MPD could not provide copies of twelve reimbursement packages approved for payment for January 2013 and February 2013.

Therefore the auditors had to request copies of the reimbursement packages from the APS Contractor that they had submitted previously to MPD for reimbursement.

Finance Directive No. 99-Records Retention reads: The State of Michigan has imposed, by law, certain requirements for Retention and Disposal of Municipal Records. It is the responsibility of all City Departments to retain their records for the specified periods of time, and dispose of unneeded records timely to avoid excessive storage.

According to the Records Management Handbook Guidelines and Approved Retention and Disposal Schedule for Cities and Villages requires that a municipality keep vouchers and invoices for a minimum retention period of six years.

Missing payment files increase the possibility that improper or fraudulent payments can be made and remain undetected. It also impedes any research and analysis that may be required subsequent to a payment being made.

MPD management stated that it is the practice of MPD to maintain all copies of approved reimbursement payments. Unfortunately MPD staff could not locate any of the twelve packages for January 2013 and February 2013 for the parking facilities managed by the APS contractor.

Recommendations

We recommend that MPD:

- Retain copies of all approved payments forwarded to the Finance Accounts Payables Division.
- Consider a long-range plan to scan documents and store them in a retrievable electronic format.

5. MPD Did Not Adequately Maintain Facilities and Parking Meters

During the audit of the MPD, it was determined that the following conditions existed:

- MPD does not maintain a budget for Meter Maintenance and Repair.
- MPD failed to properly budget for and maintain their public facilities.
 - Ford Underground Garage
 - Has recurring standing water.
 - Has escalators that are inoperable.



- The Millennium Garage has bowing on the upper level ceiling.



The Uniform Budgeting and Accounting Act requires:

Section 141.435 Recommended budget; contents; limitation on total estimated expenditures:

Sec. 15(1) The recommended budget shall include at least the following:

- (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
- (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.

The City of Detroit City Code, Chapter 9, Building and Building Regulations requires:

- All parking lots and parking areas shall be free of cracks and holes. Any cracks and holes shall be patched with approved like materials. All parking surfaces should be properly sealed.
- All parking spaces and lots, shall be kept in a good repair, be maintained free from hazardous conditions, and be maintained to prevent the accumulation of stagnant water thereon.

Customers are less likely to park at the City owned facilities when they are not properly maintained resulting in lost revenue to MPD and the City. Not maintaining facilities also creates unsafe conditions for parking transients.

Since MPD management did not adequately budget for Meter Maintenance and Repairs:

- Correct parts could not be ordered from vendors to repair broken street meters which lead to a loss of revenue for MPD and the City.
- Meter Collections personnel must fumble with various keys to open meters to collect revenue. The appropriate replacement parts could not be ordered because no funds were allocated for this expenditure. This operational inefficiency is a waste of time and work day resources for Meter Collections personnel.

The auditors determined that MPD failed to budget for operating and maintenance of their parking facilities. MPD personnel stated that the correct meter locks cannot be ordered and installed because money is not available to order parts.

Recommendations

We recommend that MPD:

- Maintain a budget for Meter Repairs and maintenance for Parking Facilities.
- Comply with the Property Maintenance section of the City Code and repair current and future hazards at parking facilities.

6. Information Listed on the MPD Abandoned Vehicle Pay Register and State of Michigan (SOM) Website Do Not Always Match

The auditors tested 65 vehicles listed on the MPD Abandoned Pay Register for five auctions conducted. The auditors determined that 19 or 29% of the vehicles tested had incorrect information listed on the SOM Auto Lost & Found website. The following discrepancies were noted:

- Six vehicles had no disposition listed.
- Two vehicles had wrong vehicle identification numbers (VIN) listed on the Pay Register.
- Eight vehicles' disposition was listed as "Transferred Ownership Without Sale" (2/14/14 auction date). The MPD Abandoned Pay Register shows that these vehicles were "sold."
- Three vehicles on the MPD Abandoned Pay Register show no money was collected at the auction for the vehicles however the SOM website list that the vehicles were "Sold at Auction."

According to the State of Michigan Secretary of State website the custodian of the abandoned vehicle is responsible for reporting the disposition of the vehicle to the law enforcement agency that has jurisdiction over the site from which the vehicle was towed as well as entering the disposition on the Michigan Auto Lost & Found website.

Misinformation concerning the disposition of vehicles on the SOM website and the MPD Pay Register can conceal what actually happened to vehicles and could lead to fraud.

The auditors determined that MPD staff does not properly monitor the close out of the vehicle auction sales on the SOM website.

Recommendation

We recommend that MPD monitor and review information placed on the SOM website for accuracy.

7. MPD Does Not Auction Vehicles Timely

Section 257.252a (I) of the Michigan Vehicle Code states that a warning that failure to redeem the vehicle or to request a hearing within 20 days after the date of the notice may result in the sale of the vehicle and the termination of all rights of the owner and the secured party to the vehicle or the proceeds of the sale.

Based on the Michigan Vehicle Code Abandoned (ABAN) vehicles can be sold after 21-days if not claimed by the owner. The auditors observed abandoned vehicles at the Caniff impound lot on March 11, 2014 that had been there for more than 21-days.

Listed below are vehicles observed on the Caniff lot during the auditors' tour on March 11, 2014:

- Chevrolet impounded 10/25/13
- Chrysler impounded 3/29/13
- Chrysler impounded 10/15/13
- Ford impounded 10/15/13
- Dodge impounded 10/17/13
- Lincoln impounded 12/11/13
- Lincoln impounded 9/18/13
- Chevy impounded 9/6/13
- Mercedes impounded on 7/19/13

These vehicles have been on the Caniff lot between three months and seven months more than the required 21-day waiting period.

The auditors also noted according to MPD records that one vehicle impounded on December 12, 2012 was not sold at auction until August 28, 2013.

MPD Caniff Operational Procedures requires that:

Once an abandoned vehicle is confiscated by the City of Detroit it may be redeemed by the Registered Owner or Lien Holder. If the vehicle remains in custody 21-days from the original abandonment date it becomes the property of City of Detroit and is available for Auction.

Section 257.252a (I)(16) of the Michigan Vehicle Code states not less than 20 days after the disposition of the hearing described in subsection 96 or, if a hearing is not requested, not less than 20 days after the date of the notice, the police agency if the abandoned vehicle is found on public property, or the custodian of the vehicles if the vehicle is found on private property, shall offer the vehicle for sale at a public sale under section 252g.

The delay in processing abandoned vehicles and scheduling auctions results in potential revenue not being received by the City as soon as possible.

The auditors determined that MPD and the contractor were inefficient in their operations of the Abandoned Vehicle process. MPD and the contractor failed to properly track and auction ABAN inventory.

Recommendation

We recommend that MPD undertake efforts to ensure vehicles are auctioned as promptly as allowed by State law.

8. Opening Bids For Vehicles Don't Cover Basic Administrative Fees

Opening bids for vehicles were not high enough to cover the minimum Abandoned Vehicle fees. The auditors reviewed sixteen closed auction pay registers and noted that only five auctions or 31% had an opening bid of a \$100.00 or more over the scrap price.

Date	Scrap Price	Lowest Bid Above Scrap Price	Auction Date
July 2013	\$390.00	\$400.00	7/3/13, 7/10/13, 7/24/13
August 2013	400.00	500.00	8/7/13, 8/28/13
		800.00	8/14/13
September 2013	400.00	500.00	9/4/13, 9/18/13
October 2013	390.00	400.00	10/9/13
November 2013	390.00	400.00	11/6/13, 11/20/13, 11/27/13
December 2013	390.00	400.00	12/4/13, 12/11/13, 12/18/13
January 2014	390.00	400.00	1/15/14, 1/22/14
February 2014	380.00	400.00	2/12/14, 2/19/14, 2/26/14

According to the Rate Charges for Police Authorized Tows for Abandoned Vehicles per Ordinance 55-15-5 and Ordinance 14-85, the following fees are applicable:

- \$125 towing fee
- \$75 administrative fee
- \$315 storage fee \$15 per day x 21 days
- \$40 State of Michigan Secretary of State abandoned vehicle fee

NOTE: The fees total \$555.00.

According to the SOM website:

Your minimum bid price should be enough to cover all the fees, including the \$40 abandoned vehicle fee and any fees that may be required by the municipality. Whenever a vehicle is redeemed or sold, \$25 must be paid to the Michigan Department of State and \$15 must go to the towing agency.

If the purchase price of an abandoned vehicle sold at public auction is less than all applicable fees (i.e., towing and storage, police agency or custodian expenses and the \$40 abandoned vehicle fee), you are not required to remit the \$25 fee.

MPD is not covering the minimum cost to tow and store Abandoned vehicles. MPD is not selling vehicles for enough money to cover their cost and therefore funds are not being remitted to the State of Michigan for Abandoned vehicles sold at auction.

The auditors determined that MPD keeps the opening bid prices low in an effort to keep people coming to the auction in an attempt to generate revenue for MPD and the City.

Recommendation

We recommend that MPD implement a policy concerning opening bids for vehicles that covers the City's basic administrative cost.

9. MPD Did Not Fully Comply With the City's Pre-Paid Credit Card (P-Card) Policies and Procedures

The auditors reviewed the P-Card Reconciliations for the APS Division and the PVB Division for January 2013 through December 2013. The review revealed the following conditions:

- The APS Division P-Card Account is short by \$42.14.
- The PVB Division P-Card Account is short by \$67.98.

The auditors' review of the P-Card Reconciliations for the APS Division revealed the following conditions:

January 2013 – December 2013

- One hundred percent (100%) or 12 of the 12 reconciliations were not dated by the Department Director.
- Eight percent (8%) or 1 of the 12 or 8% of the P-Card Reconciliations did not include a Transaction Log.
- Seventeen percent (17%) or 2 of the 12 of the reconciliations did not include copies of the purchase receipts.
- Eight percent (8%) or 1 of the 12 reconciliations included paid sales tax.
- P-card reconciliations were submitted to the Finance Department from two to 173 days late.

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- Seventy-eight percent (78%) or 11 of the 14 reconciliations were not dated by the Department Director.
- One hundred percent (100%) or 14 of the 14 reconciliations included Transaction Receipts that were not signed by the Purchasers.
- Fourteen percent (14%) or 2 of the 14 reconciliations did not include copies of the Purchase Receipts.
- Fourteen percent (14%) or 2 of the 14 reconciliations did not include a Transaction Log.

In addition, a review of P-Card Reconciliations for the PVB Division revealed that the following conditions for period:

January 2013 – December 2013

- One hundred percent (100%) or 12 of the 12 reconciliations were not dated by either of the Department Directors.
- Eight percent (8%) or 1 of the 12 reconciliations did not include a transaction log.
- P-Card reconciliations were submitted to the Finance Department from two to 217 days late.

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- Eight-six percent (86%) or 12 of the 14 reconciliations were not dated by the Department Director.
- Ninety-three percent (93%) or 13 of the 14 reconciliations included transaction receipts that were not signed by the Purchasers.
- Twenty-eight percent (28%) or 4 of the 14 reconciliations did not include copies of the purchase receipts.
- Seven percent (7%) or 1 of the 14 reconciliations did not include a transaction log.

The following conditions existed in copies of the APS and PVB Divisions P-Card reconciliations maintained in MPD files:

- Thirty-six percent (36%) or 5 of the 14 PVB Division reconciliations were not signed by the Department Director.
- Fifty-percent (50%) or 7 of the 14 reconciliations were not signed by the Department Director.

According to the Finance Department Pre-Paid Credit Card Policies and Procedures:

- P-Card Reconciliations should be submitted to the Finance Department with required information which includes signed and dated forms, copies of purchase receipts, signed purchase receipts, and transaction logs.
- P-Card accounts should be reconciled each month by the P-Card Reconciler and account overages and shortages must be reported to the appropriate Finance Department personnel and resolved.
- The City of Detroit is exempt from sales tax. The tax-exempt number is embossed on the P-Card.

When P-Card account financial overages and shortages are not reported monthly and corrected, accurate financial reporting is compromised. When required fields of information and forms are not completed according to Finance Department policies and procedures, the lack of the required information may cause delays in the processing of P-Card reconciliations.

Written policies and procedures also prevent chaos and confusion. Exact copies of documents submitted to the Finance Department should be maintained and filed by the departments who create the documents.

In the process of reviewing the MPD P-Card Reconciliations, the auditors observed that numerous copies of information related to MPD account overages and shortages were submitted to the Finance Department on a monthly basis along with the monthly reconciliations. The account balances were not resolved by the Finance Department.

MPD personnel stated various reasons why documents were not signed by the Director and required forms were not included in the reconciliation packets. The reconciliation packets were not signed by the Director because in most cases the reconciliation packets were held in the Director's office for months before they were signed. MPD personnel felt uncomfortable dating forms that were not dated by the Directors.

MPD personnel overlooked unsigned purchase receipts and for a period of time the P-Card Reconciler was on leave and a Manager II took over the responsibility of reconciling the P-Card transactions. The Manager II was not familiar with P-Card policies and procedures.

Recommendations

We recommend that MPD ensure that P-Card:

- Shortages for the APS and PVB Division P-Card accounts be corrected.
- Reconciliations are signed and dated by the Department Director.
- Transaction Receipts are signed by the purchasers.
- Reconciliations include copies of signed Transaction Receipts and Transaction Logs.

10. Lack of Segregation of Duties for the Pre-Paid Credit Cards

A review of Pre-Paid Credit Card (P-Card) Reconciliations revealed the Finance Manager had incompatible duties. The following conditions existed:

- The Finance Manager
 - Has physical custody of the P-Card for the APS and PVB Division
 - Approves transactions
 - Collects purchase receipts
 - Receives the bank statements

According to the Finance Department Treasury Division Pre-Paid Credit Card Policies and Procedures Manual, every department should assign a P-Cardholder, P-Card Reconciler, and P-Card Administrator. Each separate position in the P-Card processes ensures that required internal controls are in place.

When the same individual has physical custody of P-Cards, approves transactions, collects purchase receipts, and receives bank statements, City funds are exposed to the possibility of fraud, misappropriation, and collusion. Inappropriate transactions can go undetected by City officers for some time when inappropriate internal controls exist.

The MPD Finance Manager I, stated that she does not feel comfortable giving the P-Cards to anyone to make purchases so she makes the purchases herself.

Recommendations

We recommend MPD:

- Adhere to the Finance Department's Pre-Paid Purchase Card policies and procedures by assigning different individuals to be the authorized P-Cardholder and Reconciler.
- Ensure that the P-Card processes are conducted according to Finance Department policies and procedures.

11. MPD Is Not in Compliance With Applicable City Code/Zoning Requirements

We tested MPD's Caniff lot for compliance with applicable city code and zoning requirements and discovered it was not in compliance with City requirements. Based on our review, we noted that the MPD Caniff vehicle lot did not have:

- Signage indicating the City Council's approved rates to be charged.
- Proper signage displaying the name, address, phone number and hours of operation.



- A six (6) foot masonry wall.
- Paved driveways and storage areas.



Section 55-15-3 (b) of City Ordinance 594-H requires that:

- The tower shall provide the vehicle owner or driver with a copy of the towing rate schedule approved by City Council.
- Any place where wrecked or disabled vehicles are stored shall post the name, address and phone number of the operator of the place and the hours for which the place is open for business.

Section 61-12-273 of the Detroit Zoning Ordinance states towing service storage yards shall be subject to the following provisions:

- A masonry wall, that is not less than six (6) feet in height, shall be erected between any storage and the twenty (20) foot setback area); and
- All driveways, vehicle storage areas, and loading and unloading areas within any towing service storage yard shall be paved as so to limit the nuisance caused by wind-borne dust on adjoining lots and public roads.

Failure of MPD to adhere to applicable city code and zoning requirements allows for inadequate services to be provided to City residents without consequence. Failure of MPD to adhere to compliance requirements can give the perception that the City is not accountable to it's own requirements.

The auditors determined that MPD failed to make the necessary improvements to the City's Caniff lot to comply with the City Ordinance.

Recommendation

We recommend that the MPD comply with city code and zoning requirements.

FINDGS RELATED TO OTHER DEPARTMENTS

1. The Finance Department Failed To Comply With Its Own Policies and Procedures

A review of the MPD's P-Card reconciliations revealed that the Finance Treasury Division increased the MPD's APS Division's P-Card limit significantly and authorized the APS Division to make the following purchases on the APS Division P-Card Account:

- 1) Advertising for annual auto show parking at MPD facilities
- 2) Office Supplies
- 3) Armored Car Service
- 4) Fence Repairs
- 5) E-Commerce Business Accounts
- 6) Operating Supplies (facility tickets)

An error in the Pre Paid Credit Card written policies and procedures state that routine purchases can be made with P Cards.

According to Finance Department policies and procedures, the Pre Paid Credit Card account was issued to city departments for the purpose of making non-routine or emergency purchases. In addition, items should not be purchased with the Pre Paid Credit Card that can be purchased under city contracts.

When the Finance Department does not enforce written policies and procedures for Pre Paid Credit Card transactions, city funds are not protected against duplicate invoice payments, unaccounted expenditures for budgeting purposes, city departments circumventing the system, and unnecessary increases of Pre Paid Credit Card limits which increase the city's liabilities. One of the purposes for establishing Pre Paid Credit Card accounts was to ensure that internal controls were in place to guard the city's financial assets from waste, fraud, and abuse.

According to a Finance Treasury Department representative, the Finance Treasury Division is aware of the error contained in the written policies and procedures for Pre Paid Credit Cards and is in the process of correcting the error.

Recommendations

We recommend that the Finance Treasury Division:

- Correct the error in the Pre Paid Credit Card policies and procedures to state that non-routine purchases can be made with P Cards; and
- Enforce the Pre Paid Credit Card policies and procedures which are designed to protect the city's financial assets.



December 3, 2014

Mark Lockridge, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 216
Detroit, Michigan 48226

RE: MPD Official Response to Auditor General Audit Report July 2011 – June 2014

Dear Mr. Lockridge:

The following presents the Municipal Parking Department's response for the indicated findings and related recommendations in the July 2011 – June 2014 audit of the Municipal Parking Department, as prepared by the Office of the Auditor General.

Finding Number 1. Failure to Establish Adequate Internal Controls.

MPD failed to establish adequate internal controls.

Department's Response. MPD is the process of reviewing existing Standard Operating Procedures and creating revised procedures and policies as needed. These policies will ensure procedures are in place to audit and monitor MPD facilities, effectively monitor cash handling, and segregates the P-Card responsibilities and reconciliations of all credit card revenue.

Finding 2. MPD Failed to Properly Reconcile Revenue.

MPD could not provide a reconciliation report that explained the variances between the APS Contractor's revenue reports and the MPD Revenue Fund – Summary of Deposits Made report.

Department's Response. The APS garage vendor's contract has been terminated effective October 4, 2014. New policies and procedures are being put into place to ensure that records are reviewed and properly reconciled and deposits made are timely and reconciled to official receipts and bank records.

Finding 3. MPD Did Not Comply With Finance Directive 154.

MPD did not comply with Finance Directive 154 to complete bank reconciliations no later than 30 days after the receipt of the bank statement.

Department's Response. MPD has received additional staff over the last six months. We will comply with Finance Directive 154.



Finding 4. MPD's Record Retention Procedures Are Inadequate.

During the review of the adequacy of controls over the MPD's record retention process, it was determined that copies of reimbursement payments were not properly secured and/or safeguarded.

Department's Response. MPD acknowledges that the department has experienced many staffing issues over the past several years due to finance management changes as well as reductions in the finance departmental work force. A new Office Administrator III started November 24, 2014. Part of the duties of the OA III will be to ensure that copies of all approved payments are retained at the department and address the feasibility of electronic storage.

Finding 5. MPD Did Not Adequately Maintain Facilities and Parking Meters.

During the audit of the MPD, it was determined that the following conditions existed:

- MPD does not maintain a budget for Meter Maintenance and Repair.
- MPD failed to properly budget for and maintain their public facilities.

Department's Response. MPD acknowledges the budget for properly maintaining meters and garages has not always been adequate in the past. MPD will continue to work with the budget department toward a proper budget for meter repairs and maintenance of the parking facilities. In addition, repairs have taken place at the facilities over the last several months and we will continue to work toward compliance with the Property Maintenance section of the City Code.

Finding 6. Information Listed on the MPD Abandoned Vehicle Pay Register and State of Michigan (DOM) Website Do Not Always Match.

The auditors tested 65 vehicles listed on the MPD Abandoned Pay Register for five auctions conducted. The auditors determined that 19 or 29% of the vehicles tested had incorrect information listed on the SOM Auto Lost & Found website.

Department's Response. MPD will more aggressively monitor and review the information placed on the SOM website for accuracy.

Finding 7. MPD Does Not Auction Vehicles Timely.

Section 257.252 a of the Michigan Vehicle Code states that a warning that failure to redeem the vehicle or to request a hearing within 20 days after the date of the notice may result in the sale of the vehicle and the termination of all rights of the owner and the secured party to the vehicle or the proceeds of the sale. The auditors determined that MPD and the contractor were inefficient in their operations of the Abandoned Vehicle process. MPD and the contractor failed to properly track and auction ABAN inventory.

Department's Response. MPD is in the process of reviewing the processes of the ABAN staff (MPD and contractor). Changes will be made to streamline the process, both shortening the length of time vehicles stay in inventory while also increasing the prices received for vehicles.



Finding 8. Opening Bids For Vehicles Don't Cover Basic Administrative Fees.

Opening bids for vehicles were not high enough to cover the minimum Abandoned Vehicle fees. The auditors reviewed sixteen closed auction pay registers and noted that only five auctions or 31% had an opening bid of a \$100 or more over the scrap price.

Department's Response. MPD is in the process of reviewing the processes of the ABAN staff (MPD and contractor). Changes will be made to streamline the process, both shortening the length of time vehicles stay in inventory while also increasing the prices received for vehicles.

Finding 9. MPD Did Not Fully Comply With the City's Pre-Paid Credit Card (P-Card) Policies and Procedures.

In the process of reviewing the MPD P-Card Reconciliations, the auditors observed that numerous copies of information related to MPD account overages and shortages were submitted to the Finance Department on a monthly basis along with the monthly reconciliations. The account balances were not resolved by the Finance Department.

Department's Response. MPD acknowledges in the past, we had not been following the procedures, however MPD is currently following the P-Card policies and procedures. We will work with the Finance staff to ensure past shortages and overages are corrected.

Finding 10. Lack of Segregation on Duties for the Pre-Paid Credit Cards.

A review of Pre-Paid Credit Card (P-Card) Reconciliations revealed the Finance Manager had incompatible duties.

Department's Response. MPD is currently following the P-Card policies and procedures. There are currently different individuals assigned to be the authorized P-Cardholder and Reconciler.

Finding 11. MPD is Not in Compliance With Applicable City Code/Zoning Requirements. We tested MPD's Caniff lot for compliance with applicable city code and zoning requirements.

Department's Response. The Caniff lot is currently under construction. MPD will review the findings noted to ensure they are resolved upon completion of the lot

MPD appreciates the opportunity to address these findings, and will continue to strive toward becoming a more efficient and effective department.

Sincerely,

Norman White
Director



CITY OF DETROIT
FINANCE DEPARTMENT
ADMINISTRATION

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ATTACHMENT B

November 19, 2014

Mark Lockridge, Auditor General
Office of the Auditor General
2 Woodward Avenue
Coleman A. Young Municipal Center, Room 216
Detroit, Michigan 48226

Dear Mr. Lockridge:

The following presents the Finance Department's response for the indicated finding and related recommendations in the June 2014 audit of the Municipal Parking Department, as prepared by the Office of the Auditor General. Our responses include the actions taken or to be taken regarding the recommendations, and the implementation dates or the targeted implementation dates for those actions.

Finding Number 1. The Finance Department Failed To Comply With Its Own Policies and Procedures

Department's Response

We are in process of revising our policies as recommended with the help of Auditor General department and will enforce going forward the P-Card policies and procedures manual to our users, which are designed to protect the City's financial assets. Based on AIG findings most of the issues are being addressed in our revised policy that is in progress. Our old policy did not contain some of the exceptions to the general rule that currently exist today. Also, we have establishing an internal Treasury audit team to review transactions for policy compliance. Treasury will hold a meeting with each division in 2015 to education them on the new policy and establish compliance measures for each division. We have addressed the sales tax issue with the departments for most were unaware that the tax exempt number was already printed on the card and due to lack of knowledge was unable produce the number at the time of purchase to become tax exempt. We ensure that going forward we will maintain tighter controls with our P-Card users and actively audit transactions against the policy and annually make revisions when needed.

Sincerely

John Naglick, Jr.
Finance Director