

**OFFICE OF THE CITY CONTROLLER**



**CONVENTION AND ENTERTAINMENT FACILITIES  
DEPARTMENT  
CASH HANDLING PROCEDURES AUDIT**

**Sylvia R. Garcia, City Controller**

**Judy Gray Johnson, Chief Deputy City Controller**

**Steve Schoonover, City Auditor**



SYLVIA R. GARCIA

OFFICE OF THE CITY CONTROLLER  
CITY OF HOUSTON  
TEXAS

January 15, 2002

The Honorable Lee P. Brown, Mayor  
City of Houston, Texas

**SUBJECT: Convention and Entertainment Facilities Department  
Contract Compliance Audit – Republic Parking System, Inc. (Report No. 01-15)**

Dear Mayor Brown:

The City Controller's Office Audit Division has completed a contract compliance audit of the Convention & Entertainment Facilities Department's contract between the City and Republic Parking System Inc. for parking operations. The audit's objectives included assisting management to evaluate the adequacy of internal controls related to the overall parking operations and management of the Convention and Entertainment Facilities Department's parking facilities, including trams and shuttle bus services.

The report, attached for your review, concludes that the Department's internal controls over the parking operations at the Convention and Entertainment Facilities Department are adequate to provide management with reasonable assurance that parking operations and management are performed in compliance with contract terms, except for the findings presented in the body of the report. Draft copies of the matters contained in the report were provided to Department officials. The views of the responsible Department officials as to action taken or being taken are appended to the report as Exhibit I.

We commend the Department for taking immediate action on recommendations identified in the report. Also, we appreciate the cooperation extended to our auditors by Department personnel during the course of the audit.

Respectfully submitted,

  
Sylvia R. Garcia  
City Controller

xc: City Council Members  
Albert Haines, Chief Administrative Officer  
Gerard Tollett, Chief of Staff, Mayor's Office  
Dawn Ullrich, Deputy Director, Convention and Entertainment Facilities Department  
Philip Scheps, Director, Finance and Administration Department

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VIEWS OF RESPONSIBLE OFFICIALS – EXHIBIT I

### EXECUTIVE SUMMARY

- Parking access cards that are deleted from the accounts receivable database are not automatically updated in the Scan NT system to deny parking access. Our testing showed that 6 of 53 (11.4%) access cards were still being used by parking patrons.
- The George R. Brown Convention Center (GRBCC) surface parking lots are not equipped with traffic control equipment. Therefore, daily revenues from parking operations and total parked cars are not being validated independently.
- Checks are not restrictively endorsed immediately upon receipt by the cashiers or the mail clerk.
- Differences between the number of tickets reported sold and the number of cars that entered the parking locations for events were not explained on the daily Cashier Shift Reports.
- The Contractor is not in compliance with the radio equipment requirements. The required minimum equipment is not assigned to the GRBCC, the Fannin Garage, and the Shuttle Bus operations.

## SCOPE AND PURPOSE

We have completed a contract compliance audit of the Convention & Entertainment Facilities Department's contract (No. 51269) between the City and Republic Parking System, Inc. for parking operations. The audit's objectives also included assisting management to evaluate the adequacy of internal controls related to the overall parking operations and management of the Convention & Entertainment Facilities Department's parking facilities, including trams and shuttle bus services. The audit scope period was from February 2000 through December 2000.

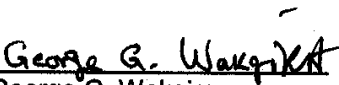
The scope of our work did not constitute an evaluation of the overall internal control structure of the Department. Our examination was designed to evaluate and test compliance with the terms of the contract and internal controls related to the Parking Operations and Management operations. This was a financial related audit executed in accordance with Generally Accepted Government Auditing Standards.

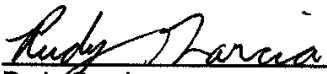
Departmental management is responsible for establishing and maintaining a system of internal controls to adequately operate and manage the parking facilities in compliance with the terms of Contract No. 51269 and to adequately safeguard assets as an integral part of the Department's overall internal control structure. The objectives of an internal control system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or theft, and that transactions are executed in accordance with management's authorization and are recorded properly.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may occur and not be detected timely. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions, or that the degree of compliance with procedures may deteriorate.

### CONCLUSION

Based on the results of our audit, we conclude that internal controls over the parking operations and management at the Convention & Entertainment Facilities Department are adequate to provide management with reasonable assurance that parking operations and management are performed in compliance with the terms of the Contract, except for the findings presented in the body of this report.

  
George G. Wakgira  
George G. Wakgira  
Auditor-in-charge

  
Rudy Garcia  
Rudy Garcia  
Audit Manager

  
Steve Schoonover  
Steve Schoonover  
City Auditor

## INTRODUCTION

Contract No. 51269 was approved and authorized on February 16, 2000 by the Mayor and the City Council of the City of Houston through Ordinance No. 2000-108. The Contract embodies the agreement for parking operations and management concession agreement executed between the City of Houston and the Republic Parking System, Inc. (Republic), a Tennessee corporation doing business in Texas. Annual revenues from this operation are estimated at \$7 million.

The primary objective of this audit was to evaluate compliance with the terms of the Contract and assess the adequacy of internal controls related to the overall collection and reporting of parking revenues.

## AUDIT FINDINGS AND RECOMMENDATIONS

### I. PARKING ACCESS CARDS

#### BACKGROUND

Houston businesses contract with Republic to provide parking for their employees, customers and clients. Individuals are also allowed to contract for parking spaces. These parking patrons are issued parking access cards after making initial refundable deposits.

As businesses relocate to other areas and as individuals change employment, they are required to notify the Republic Parking System's Central Office located at the Civic Center and return their parking access cards at that time. Republic then recycles the cards by assigning them to other individuals in the same or other organizations.

Republic's parking computer system is known as Scan NT. This computer system can generate system activity reports for a given period – daily, weekly, monthly, etc. The System Activity Report contains access history on all parking access cards.

The administrative staff at the Republic Parking System's Central Office at the Civic Center comprises of a General Manager, an Assistant General Manager, an Accounting Manager, an Office Manager, a Night Manager, and a receptionist. The Accounting Manager is responsible for bookkeeping and accounting functions. The Office Manager and the Night Manager are responsible for running the parking operations. The receptionist is responsible for collecting, counting, and depositing cash.

Adequate segregation of duties requires that office procedures or processes be designed such that no one individual has full control over the whole process. Adequate segregation of duties strengthens internal controls.

**FINDING**

Parking access cards that are deleted from the accounts receivable database are not automatically updated in the Scan NT system to deny parking access. Our testing showed that 6 of 53 (11.4%) access cards were still being used by parking patrons. These access cards had not been reissued to other patrons.

The City of Houston could be experiencing revenue losses if deleted cards are not detected and removed from the parking computer system timely.

In addition, the accounts receivable system and the parking access cards system is updated by the same individual. This makes it feasible for this individual to delete an account receivable, destroy the contract and misappropriate the revenue collected.

**RECOMMENDATION**

We recommend that Republic compare the Deleted Card Register with the System Activity Report and deactivate the access cards from the Scan NT System. Republic should research why deleted cards are not automatically deactivated from the Scan NT System and correct the problem.

We also recommend that parking access cards maintenance be performed by an individual who does not maintain and administer the related accounts receivable.

**II. GRBCC PARKING OPERATION CONTROLS**

**BACKGROUND**

Traffic control equipment such as, car counters, ticket spitters, gate arms, card readers, ticket readers, and fee computers increase internal controls over parking receipts. Parking revenues reported by the booth cashiers are validated against the information independently captured by the traffic control equipment.

The GRBCC parking manager issues pre-numbered tickets to the parking attendants. The manager maintains a log of issued



tickets. The GRBCC parking attendants manually issue the parking tickets to each patron as they enter the lots. The parking fee is \$5. At the end of the day, the parking attendant returns unsold tickets to the manager. The manager logs in the tickets received and calculates the parking revenue by multiplying the number of tickets sold by the \$5 parking fee.

**FINDING**

The GRBCC surface parking lots are not equipped with traffic control equipment. Therefore, daily revenues from parking operations and total parked cars cannot be validated independently.

The GRBCC manager relies on the tickets reportedly issued by the parking attendants. In the absence of the appropriate traffic control equipment, parking revenues may be misappropriated and not be detected timely.

**RECOMMENDATION**

We recommend that the C&E consider installing traffic control equipment, such as gate arms and car counters, at the GRBCC parking lots if cost effective. The traffic control equipment can be used to independently validate the daily revenues reported by parking attendants.

**III. PERSONNEL REQUIREMENTS AND HOURS OF OPERATIONS**

**BACKGROUND**

The contract in Exhibit A, Scope of Services and License, 7.11, Personnel Requirements provides a listing of the minimum number of employees. The minimum number of employees includes office and administrative staff, cashiers, and event ticket attendants both for the Theater District Garages and for the GRBCC surface parking lots.

The contract also establishes minimum operating hours for the parking facilities. Specifically, the Tranquility Garage entrance No. 2 (New Rusk I), the Civic Center Garage entrances No. 4 (Old Capitol) and No. 7 (Texas) are to operate Monday through Friday from 6:00 a.m. to 10:00 p.m., from 10:00 a.m. to 10:00 p.m., and 1:00 p.m. to 10:00 p.m. respectively.

Any changes in employee requirements and the hours of operation may be approved at the discretion of the director or his designee.

**FINDING**

The Bookkeeper position required in the contract has not been filled. Additionally, the operating hours for the Tranquility Garage entrance No. 2 (New Rusk I), and the Civic Center Garage entrances No. 4 (Old Capitol) and No. 7 (Texas) varied from the minimum required hours stated in the contract. We found no evidence of the Director's approval to support the changes.

**RECOMMENDATION**

We recommend that any changes to contract requirements be documented and approved by the Department Director or his designee.

**IV. RESTRICTIVE ENDORSEMENT OF CHECKS**

**BACKGROUND**

The revenue collection process at the various parking facilities involves receiving business and personal checks. Good internal controls require that checks be restrictively endorsed immediately upon receipt by the individual who opens the mail or by the cashier who receives checks.

**FINDING**

Checks are not restrictively endorsed immediately upon receipt by the cashiers or the mail clerk. The checks are forwarded to the Accounting Manager and are then restrictively endorsed.

Restrictively endorsing checks immediately upon receipt strengthens internal controls and reduces the opportunity for misappropriating funds.

**RECOMMENDATION**

We recommend that Republic establish procedures requiring cashiers and mail clerks to restrictively endorse checks immediately upon receipt.

**V. PARKING REVENUES: CASHIER SHIFT REPORTS**

**BACKGROUND**

The parking gates at the Theater District Garages are equipped with non-resettable car counters. A car counter is a device that resembles an odometer in a car. The car counter increments by one each time a car enters a parking facility through a parking

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 REPUBLIC PARKING SYSTEM, INC.**

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gate. During an event, a parking attendant takes a reading from the car counter and notes it as a "start." At the end of the event cashiering, the attendant takes another reading from the car counter and notes it as a "stop." The difference between the "stop" and "start" readings constitutes the number of cars that entered the parking facility per the car counter.

In addition, during an event, a parking attendant retains a hard copy of the beginning parking ticket (with a sequential ticket number on it) and notes it as a "start" ticket number. At the end of the event cashiering, the attendant retains a hard copy of the ending parking ticket and notes it as a "stop" ticket number. The difference between the "stop" and "start" ticket numbers constitutes the number of tickets sold for that event per the tickets inventory.

Differences noted between the information from the car counter and the tickets inventory are supposed to be explained and accounted for on the Cashier Shift Report submitted at the end of the shift.

**FINDING**

Differences between the number of tickets reported sold and the number of cars that entered the parking locations for events were not explained on the daily Cashier Shift Reports.

Our testing revealed the following differences:

Location	Shift	No of Parking Tickets Sold Per Tickets Inventory	No of Cars Entered The Location Per The Non-resettable Car Counter	Difference
Old Rusk	Event	50	59	9
Old Capitol	Event	62	75	13
New Rusk	Event	9	16	7
Texas	Event	83	86	3
Prairie	Event	224	252	28
New Capitol	Event	210	314	104
<b>Total</b>				<b>164</b>

The unexplained difference totaled \$656 (164 \* \$4).

**RECOMMENDATION**

We recommend that the Event Cashiers incorporate explanations for the differences between the tickets sold and the car counts on the daily Cashier Shift Reports. We also recommend that management investigate significant differences.

**VI. ANGELICA FILM CENTER REFUNDS**

**BACKGROUND**

The Angelica Film Center (AFC) located in the Bayou Place is a beneficiary of the contractual agreement between the Texas Avenue Limited Partnership (TALP) and the City for the redevelopment of the Albert Thomas Convention Center. Under the agreement TALP has the right to park at the Theater District Garages. As patrons of the AFC enter one of the parking facilities, they pull tickets and pay a four dollar parking fee. The AFC patrons take the paid tickets with them to the Film Center to obtain rebates. At the end of the day, the AFC manager gathers all the ticket stubs and submits them to Republic's Central Office for a refund.

**FINDING**

The ticket stubs submitted to the Republic Central Office for refunds do not provide information identifying the date or event of the parking transaction. The ticket number is not printed on the ticket stub. The lack of adequate internal controls make it possible for Republic to resubmit the tickets to the AFC and obtain additional refunds and misappropriate the funds.

**RECOMMENDATION**

We recommend that Republic communicate with AFC and require that the ticket stubs be defaced or date stamped when initially submitted for reimbursement. Republic should also verify the accuracy of the request by comparing the ticket number against those captured by the parking computer system prior to granting refunds.

**VII. EQUIPMENT**

**BACKGROUND**

Exhibit A of the contract entitled, Scope of Services and License, 12.0 Equipment lists the minimum number of each type of equipment that Republic is required to furnish. The contract

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requires that Republic furnish computer/access equipment, golf carts, radios, cellular phones, and pagers.

The contract specifies five Motorola radios for the GRBCC, two Motorola radios for the Fannin Garage and two cell phones for the Shuttle Bus operation.

The Director or designee may authorize the use of cell phones or pagers in place of radios.

**FINDING**

Republic is not in compliance with the radio equipment requirements. Based on the inventory listing provided, only two Motorola radios are assigned to the GRBCC and no radios are assigned to the Fannin Garage or the Shuttle Bus operations. We found no evidence of cell phones or pagers being used in place of radios.

**RECOMMENDATION**

We recommend that the Republic comply with the terms of the contract by furnishing the required number of equipment for each parking facility.

# EXHIBIT 1



## CITY OF HOUSTON

Convention & Entertainment  
Facilities Department

### Interoffice

Correspondence

To: Sylvia R. Garcia  
City Controller

From: Gerard J. Tollett, Director

Date: 12/13/01

Subject: Management Response  
Republic Parking System, Inc.  
Contract Compliance Audit

Your audit of the Convention & Entertainment Facilities Department's contract with Republic Parking System, Inc. for the period of February 2000 through December 2000 resulted in seven findings. Following are my responses:

I. **Parking Access Cards**

Republic Parking System, Inc. is currently, and has been since the commencement of the contract, performing monthly reviews of the access cards. During this review, the Bookkeeper is responsible for deleting and making the appropriate changes to the Scan system, while the Accounting Manager is responsible for making changes to the billing system. Any inquiries performed in the time period between monthly reviews will result in "exceptions" such as those noted in your report. However, these "exceptions" are the result of normal business operations and are resolved each month during Republic's monthly reviews.

II. **GRBCC Parking Operations Controls**

C&E Facilities Department management did consider the installation of traffic control equipment at the GRBCC surface parking lots. We determined that it would not be a cost-effective measure to be taken by the department due to the closing of 9 of the 12 surface lots in connection with the GRBCC expansion and development of the Hilton Americas. Operation of the remaining 3 lots has resulted in limited use, therefore we are postponing equipment installation until after completion of the expansion project.

III. **Personnel Requirements and Hours of Operations**

We concur. These changes have been documented and approved by the Department Director's designee.

IV. **Restrictive Endorsement of Checks**

We concur. Republic has implemented procedures requiring cashiers and mail clerks to restrictively endorse checks immediately upon receipt.

*Views of Responsible  
Officials*

# EXHIBIT 1

## V. Parking Revenues: Cashier Shift Reports

The analysis of the difference between the number of tickets reported sold and the number of cars that entered the parking locations for events was being performed at the time of the audit, but was not documented. The variance observed by the auditors was a result of golf carts or monthly contract parking customers going through the entrances during an event. Authorized users of golf carts as well as monthly parking customers can enter the garage through the use of access cards at any time. The loop detector will count them but the cashier will not issue a ticket. Scan reports are generated to account for the variance in counts. This report is currently being attached to the Cashier Shift Reports.

## VI. Angelica Film Center Refunds

We concur. At the time of the audit, the equipment in the garage was not able to print ticket numbers on the stubs, making it difficult to match them up to anything. We are working towards establishing a system that will allow us to have more control.

## VII. Equipment

Radios have now been purchased for the Fannin Garage and the GRBCC lots. The shuttle buses have been equipped with cell phones since the beginning of the contract.

If you need further assistance, please do not hesitate to contact Brenda Bazan at (713)250-3645.

  
GJT

cc: Dawn Ullrich, Convention & Entertainment Facilities Department  
Brenda Bazan, Convention & Entertainment Facilities Department

*Views of Responsible  
Officials*