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AUDIT ALERT

OC COMMUNITY RESOURCES/ OC PARKS REGARDING CONTROLS OVER MANUAL PARKING TICKETS

As of September 30, 2015



Audit Number 1456

Report Date: November 12, 2015



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Transmittal Letter

Audit No. 1456

November 12, 2015

TO: Steve Franks, Director
OC Community Resources

SUBJECT: **Audit Alert:** OC Community Resources/OC Parks
Regarding Controls Over Manual Parking Tickets

An assessment of internal controls over manual parking tickets was completed and reported in a draft Audit Alert to OC Community Resources/OC Parks in March 2015 under the former Internal Audit Department. OC Community Resources (OCCR) provided responses to the draft Audit Alert in June 2015. The Auditor-Controller Internal Audit Division conducted a review of OCCR's corrective actions taken on the findings and recommendations contained in the draft Audit Alert. The final Audit Alert including the implementation status of OCCR's corrective actions is attached for your review.

I submit an **Audit Status Report** quarterly to the Audit Oversight Committee (AOC) and a monthly report to the Board of Supervisors (BOS) where I detail any critical and significant audit findings released in reports during the prior month and the implementation status of audit recommendations as disclosed by our Follow-Up Audits. Accordingly, the results of this audit will be included in a future status report to the AOC and BOS.

Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Eric Woolery, Auditor-Controller
- Frank Kim, County Executive Officer
- Mark Denny, Chief Operating Officer
- Jessica O'Hare, Assistant to the Chief Operating Officer
- Stacy Blackwood, Director, OC Parks
- Alan Marcum, Fraud Hotline Manager, County Counsel
- Thea Bullock, Compliance Manager, OCCR
- Foreperson, Grand Jury
- Robin Stieler, Interim Clerk of the Board of Supervisors
- Macias Gini & O'Connell LLP, County External Auditor



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OC Community Resources/OC Parks
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Audit No. 1456

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Internal Auditor's Report

Audit No. 1456

November 12, 2015

TO: Steve Franks, Director
OC Community Resources

FROM: Toni Smart, CPA, Director
Auditor-Controller Internal Audit Division

SUBJECT: **Audit Alert:** OC Community Resources/OC Parks
Regarding Controls Over Manual Parking Tickets

OBJECTIVES

We have completed a preliminary assessment of controls over manual parking tickets used at OC Parks. This Audit Alert identifies six control weaknesses that warranted immediate attention and were reported in a draft Audit Alert to OCCR/OC Parks in March 2015. The Auditor-Controller Internal Audit Division performed a review of OCCR's corrective actions taken in response to the findings and recommendations contained in the draft Audit Alert. This report contains the original Audit Alert findings, recommendations, management responses, and the implementation status of corrective actions taken by OCCR/OC Parks in response to the draft Audit Alert.

The purpose of an **Audit Alert** is to quickly bring to management's attention important issues for their assessment and corrective action. This **Audit Alert** is not subject to the same rigor and formality of a traditional report in that we have not fully developed the issues and have not verified the accuracy of all the information. Insofar as this assessment does not constitute a complete audit of the internal controls over parking ticket sales, we have recommended that OC Parks initiate their own thorough review of their policies, procedures, and controls at the Irvine Regional Park as well as all their other parking facilities.

RESULTS

We found that OCCR/OC Parks implemented the corrective actions to address the findings and recommendations contained in this Audit Alert.

BACKGROUND

OC Community Resources

OC Community Resources is a department comprised of four programs: OC Animal Care, OC Community Services, OC Parks, and OC Libraries. OC Community Resources provides a variety of services to the County, including animal care and control; community, housing, and career development/assistance; natural recreational areas and environmental preservation; and library and literacy services.

OC Parks

OC Parks encompasses regional, wilderness and historical facilities, as well as coastal areas throughout the County. OC Parks manages and operates a system of regional parks, beaches, harbors, trails and historical sites for places of recreation. It features approximately 60,000 acres of parkland, open space and shoreline available to residents and visitors. The park system includes 13 urban regional parks, five wilderness parks, seven historical parks, three nature preserves, four miles of beaches, and a network of regional trails.



Internal Auditor's Report

Irvine Regional Park

The Irvine Regional Park is located in Orange, California with services and amenities offering an amphitheater, baseball/softball fields, biking, hiking, horse rentals, horseshoes, paddle boat rentals, picnic shelters, playground, and a snack bar. The park's unique features offer the Orange County Zoo and the Irvine Park Railroad. The approximate number of parking spaces at the Irvine Regional Park is 1,270.

Parking Concepts Inc.

On July 23, 2008, the County entered into a price agreement with Parking Concepts Inc. (PCI) for the operation of parking services at specific OC Parks' regional parks, wilderness parks and beaches. OC Parks extended the price agreement with PCI on July 16, 2009 that added parking services at the Irvine Regional Park. A new master agreement was approved by the Board of Supervisors for parking management services between October 1, 2013 and December 31, 2014 renewable for four one-year periods. On September 24, 2014, the master agreement for parking management services was extended through December 2015.

The scope of work in the master agreement with PCI includes: collecting parking fees, use of existing equipment and technology to manage parking services, and providing parking attendants to staff the parking facilities. Revenue is deposited with the County and PCI is paid a percentage of gross receipts (parking fees) collected by PCI.

Parking Fees

The motorized vehicle entry and parking fees are authorized by the Board of Supervisors. On December 7, 2010, the Board authorized the following entry fees for the regional parks:

Motorized Vehicle Entry and Parking	Fee
Personal Vehicles between Monday and Friday	\$3.00
Personal Vehicles on Saturday and Sunday	\$5.00
Holiday and Special Occasions as Determined by the Director of OC Parks	Up to \$15.00
Commercial Non-School Buses	\$30.00
School Buses on School Business	No Fee

OC Community Resources reported the following parking fees collected by PCI at the Irvine Regional Park:

Fiscal Year	Amount
2010 – 2011	\$ 840,213
2011 – 2012	942,310
2012 – 2013	966,845
2013 – 2014	1,044,690
Total	\$3,794,058
4 Year Average	\$948,514

Methods of Issuing Entry and Parking Tickets

OC Parks sells annual parking passes for its regional recreation facilities. The parking pass permits a vehicle to park in parking areas with controlled access gates. Paid entry tickets other than annual parking passes issued at the Irvine Regional Park are: (1) a web-based platform operated by parking attendants; (2) self-service automated pay station operated by park visitors; and (3) two-part pre-numbered manual tickets sold by parking attendants.



Internal Auditor's Report

PCI stores the master supply of two-part pre-numbered manual tickets for paid entry to OC Parks' facilities at Mile Square Park in Fountain Valley. As other regional recreation facilities selling manual tickets for paid entry to OC Parks are needed, a quantity of manual tickets is delivered to the sites.

SCOPE AND METHODOLOGY

We reviewed applicable policies and procedures, information, accounting records and other documentation and interviewed personnel at PCI and OC Parks pertaining to manual parking tickets sales at the Irvine Regional Park. Our preliminary assessment of parking ticket sales at the Irvine Regional Park does not constitute an audit. As such there may be other control weaknesses not identified in our limited assessment.

MANAGEMENT'S RESPONSIBILITIES FOR INTERNAL CONTROLS

In accordance with the Auditor-Controller's County Accounting Manual section S-2 Internal Control Systems, "All County departments/agencies shall maintain effective internal control systems as an integral part of their management practices. This is because management has primary responsibility for establishing and maintaining the internal control system. All levels of management must be involved in assessing and strengthening internal controls. Control systems shall be continuously evaluated and weaknesses, when detected, must be promptly corrected." The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations (COSO) control framework. This Audit Alert enhances and complements, but does not replace OCCR's responsibilities for designing and maintaining effective internal controls.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal controls, errors or irregularities may nevertheless occur and not be detected. Specific examples of limitations include, but are not limited to, resource constraints, unintentional errors, management override, circumvention by collusion, and poor judgment. 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 the degree of compliance with the procedures may deteriorate. Accordingly, our preliminary assessment would not necessarily disclose all weaknesses in OC Parks operating procedures, accounting practices, and compliance with County policy.

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel at OCCR/OC Parks and PCI during our audit. If you have any questions regarding our Audit Alert, please contact me directly at 834-5442, or Michael Goodwin, Assistant Director at 834-6066.



Detailed Findings, Recommendations and Management Responses

Finding No. 1 – One Box of 9,000 Unused Manual Parking Tickets Missing

We conducted a physical inventory of unissued manual parking tickets and found that one box of 9,000 unused manual parking tickets is missing.

The missing box of 9,000 unused manual parking tickets can be sold and the parking receipts misappropriated as follows: (1) The parking attendant, using the two-part pre-numbered manual parking ticket can sell a ticket to a park visitor, give the bottom part of the ticket to the park visitor as a receipt, “pocket the money” (parking fee) and destroy the top half of the ticket so there is no record. (2) The individual(s) who misappropriated the box of tickets can sell quantities of the parking tickets to various parking attendants to be sold as discussed in number (1). The authorized fees for each parking ticket range from \$3, \$5, \$15 and \$30.

PCI’s records indicate that a shipment of 28 boxes containing 252,000 two-part pre-numbered manual tickets for parking management services at OC Parks was received in November 2013. PCI’s records disclosed that:

1. Fourteen boxes of parking tickets are stored at the Mile Square Park in Fountain Valley;
2. Twelve boxes were issued to the Irvine Regional Park in Orange; and
3. Two boxes were issued to OC Parks for sale at the Caspers and O’Neill Regional Parks in San Juan Capistrano and Trabuco Canyon, respectively.

During our physical inventory of manual parking tickets, we located 14 unused boxes at Mile Square Park and 1 unused box at Irvine Regional Park (Box 12). In addition, we reviewed a Log of Manual Parking Tickets Sold and verified that 11 of the 12 boxes appear to be accounted for as sold at the Irvine Regional Park. However, we were unable to locate or account for 1 Box (Box 13 of 28) containing 9,000 tickets (Nos. 108001 through 117000). This box was listed on the Log of Manual Parking Tickets Inventory for the Irvine Regional Park, but Irvine Regional Park has no record of the tickets being sold on the Log of Manual Parking Tickets Sold.

We confirmed the missing box of unused manual parking tickets with OC Parks and PCI. On January 15, 2015, OC Parks filed an incident report on the possible theft of the box of unused manual parking tickets and indicated that the OC Sheriff was contacted to take an initial report. This matter was also referred to the District Attorney where it was eventually concluded there was a lack of evidence to warrant criminal charges.

Recommendation No. 1:

We recommend that OC Parks periodically conduct unannounced reviews of the physical security over unused manual parking tickets, as well as conduct a physical count or inventory of such tickets. These counts should be formally documented and retained, and incorporated into the review process for the three-way reconciliation discussed in Finding No. 2 below.

Management Response:

Concur: OC Parks staff will begin unannounced reviews of the physical security of the unused Day Use Tickets beginning end of February 2015. OC Parks staff will photograph existing inventory and note the number of tickets in use. All findings will be thoroughly documented. In addition, the Supervising Park Ranger at Irvine Regional Park filed a theft report with the OC Sheriff’s Department promptly upon receiving notification of the 1 box missing of 9,000 unused Day Use Tickets from the Parking Attendant’s Booth. Date of Report: January 15, 2015, OCSD Report No.15009402.



Detailed Findings, Recommendations and Management Responses

Current Status: Implemented

OCCR reported the following corrective actions taken:

- In February 2015, OC Parks conducted an unannounced review of Mile Square Park and found no issues.
- OC Parks visited Irvine Regional Park and noted unsecured tickets on the floor. OC Parks met with PCI management and arranged for the immediate removal of all previous Day Use Ticket stock from all Parking Attendant booths. The manual tickets were replaced with new color-coded ones that are for specific regional parks. All previous Day Use Ticket stock has been removed from all booths, effectively making the missing tickets worthless.
- Implemented a new Day Use Ticketing system in early April 2015.
- Since February 2015, OC Parks staff conducted two additional reviews in June and August noting no issues.
- OC Parks staff will continue its bi-monthly unannounced reviews.

Our review confirmed that OC Parks and PCI management made a decision to remove the current Day Use Ticket stock from all booths and replace it with new stock in varying colors to be distributed to the attendant booths according to color assignments (i.e., green tickets are issued to Irvine Regional Park, salmon tickets to Mile Square Park, yellow tickets to Yorba Regional Park, and blue tickets to the smaller regional parks).

The Day Use Ticketing system implemented in April 2015 consists of the new methodology of assigning tickets to the parks by color coding, issuing tickets in smaller batches to the parks, and the new three way reconciliation. The “three-way” reconciliation is the reconciliation of ticket numbers distributed from PCI corporate office to the Mile Square Operational Office and subsequently issued from there to the other Regional Parks.

OC Parks’ Customer Relations Manager receives the three-way reconciliations from PCI on a monthly basis and reviews and maintains the monthly files. During our site visit we observed the recent three way reconciliation file. We verbally discussed that for all future visits, any support for the reviews should be dated.

Based on the corrective actions taken involving periodic unannounced reviews of the physical security over unused manual parking tickets, and the counts are retained and incorporated into the review process for the three-way reconciliation, we consider this recommendation implemented.

Finding No. 2 – PCI Does Not Perform Monthly Reconciliation of Issued, Sold, and Unused Manual Parking Tickets

PCI prepares the following documents:

- (1) Log of Manual Parking Tickets Inventory: This log accounts for the individual boxes of manual tickets received into inventory by PCI at Mile Square Park and subsequently issued by PCI to the various park locations. The log lists the box number, range of ticket numbers within the box, and the park and lane assignment receiving the box.



Detailed Findings, Recommendations and Management Responses

- (2) **Log of Manual Parking Tickets Sold:** This log lists the date, starting and ending serial number of the tickets sold, and the quantity of tickets sold for each park location and lane assignment. The purpose of the log is to account for the sequential integrity of the ticket numbers and to identify and determine the reason for any breaks in the serial number sequence.

PCI does not perform a documented three-way reconciliation between these two documents and a documented physical count or inventory of unused tickets. A three-way reconciliation is needed to ensure all issued, sold, and unused tickets are accounted for, and any missing tickets are detected timely and the cause is determined. This is an important control to help ensure all parking revenue is remitted to the County. Additionally, a copy of this three-way reconciliation should be provided to OC Parks on a monthly basis for their review.

Recommendation No. 2A:

We recommend that OC Parks require PCI to conduct a three-way reconciliation of manual parking tickets issued, sold, and unused on a monthly basis.

Management Response:

Concur: In early March OC Parks formally directed PCI to conduct a three-way reconciliation of Day Use Tickets issued, sold and unused on a monthly basis.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- PCI has implemented a comprehensive (three-way) reconciliation process to track Day Use Tickets from receipt by the ticket vendor to the actual sale of the tickets. This new process has been implemented and includes the following information:
 - Inventory of all Day Use Tickets delivered to the PCI corporate office.
 - Inventory of tickets delivered to PCI's Operational Office at Mile Square Regional Park.
 - Delivery Log to track all Day Use Tickets issued from the PCI Operational Office to all OC Parks regional parks.
 - Inventory of "Tickets Received" and "Tickets Issued" for all regional parks. This inventory will track the person receiving the tickets and the cashier attendant selling Day Use Tickets.
 - These forms will be used to reconcile tickets received, tickets issued, and tickets on hand.

We selected the Mile Square Park and Irvine Regional Park ticket log and verified the inventory on the log agreed to the ticket stock in the locked cabinet. We verified that the reconciliations are done for tickets issued at all locations. Based on the corrective actions taken, we consider this recommendation implemented.

Recommendation No. 2B:

We recommend that OC Parks should review this three-way reconciliation and supporting schedules on a monthly basis to ensure all manual tickets have been accounted for.

Management Response:

Concur: OC Parks staff anticipates initiating their review of PCI's reconciliation reports in mid to late May 2015.



Detailed Findings, Recommendations and Management Responses

Current Status: Implemented

The OC Parks Customer Relations Manager receives the three-way reconciliations for each regional park and performs a review. We obtained the most recent three-way reconciliations for Mile Square Park, Irvine Regional Park, and all other regional parks. We verified that the Daily Use tickets received at the parks from the Mile Square Park (Ward) office agreed to the tickets sequences recorded on the booth log, and verified the inventory on the log agreed to the ticket stock in the locked cabinet. No exceptions were noted. Based on the corrective actions taken, we consider the recommendation implemented.

Finding No. 3 – Access to Unused Manual Parking Tickets is Not Adequately Controlled and Safeguarded

During our inventory of unused manual parking tickets, we noted that access is not adequately controlled and safeguarded as follows:

1. The master supply of unused manual parking tickets for OC Parks is stored in a parking booth restroom with other parking operation supplies at Mile Square Park. The parking booth is occupied during business hours by multiple personnel from PCI and OC Parks staff has access to the key to the parking booth.
2. The supply of unused manual parking tickets at the Irvine Regional Park is stored on the floor in the parking booth. The parking booth is occupied during business hours by multiple personnel from PCI and OC Parks staff has access to the key to the parking booth.

On January 12, 2015 we notified the OC Parks Director that a box of 9,000 manual parking tickets was missing. The OC Parks Director replied that the keys to the parking booths have been removed at the OC Parks office(s), and an emergency request to have the locks changed will be submitted and new keys will be distributed to appropriate staff.

Recommendation No. 3A:

We recommend that OC Parks direct PCI to secure unused manual parking tickets at all times.

Management Response:

Concur: In early March OC Parks formally directed PCI to install safes in each of the nine Parking Attendant Booths to secure unused Day Use Tickets.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- Access to the attendant booths by OC Parks staff has been reduced. Only the OC Parks Director, Communications Manager, Customer Relations Manager and Supervising/Senior Park Rangers will have access to the Park Attendant booths.
- Secured safes for the storage of Day Use Tickets and electronic hand-held devices have been installed at each of the nine regional parks.
- Tickets will be issued from our Mile Square office to the parks in smaller quantities to reduce exposure. Tickets will be divided into batches of 100 and placed in shrink wrapped bags. PCI supervisors will inventory and log tickets daily during each visit to the park. The reconciliation process will utilize the new forms and procedures.



Detailed Findings, Recommendations and Management Responses

- An additional security measure over the access to the attendant booths and Day Use Ticket usage and control is the installation of security cameras at both PCI's Operations Office at Mile Square Regional Park and Parking Attendants Booth at Irvine Regional Park.

We performed site visits at Mile Square Park (Ward) and Irvine Regional Park on September 10, 2015 with representatives from OC Parks and PCI. We verified the above corrective actions have been taken and will help ensure that unused manual parking tickets are adequately secured. Therefore, we consider this recommendation implemented.

Recommendation No. 3B:

We recommend that OC Parks evaluate who has access to the keys to the parking booths at both Mile Square Park and Irvine Regional Park to ensure there are suitable physical controls and safeguards in place.

Management Response:

Concur: OC Parks also formally directed PCI to provide to their Customer Relations Manager a key to each of the nine Regional Parks' Parking Attendants Booths and the combinations to the safes inside each booth for the storage of the Day Use Tickets. The purpose is to evaluate the physical controls and security of the Day Use Tickets in the Parking Attendant booths.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- Only the Parking Attendants working at Irvine Regional Park will have a key to that attendant booth and a combination to the safe. In addition, Supervisors and PCI's Project Manager will also have access to the booth and safe. Combinations to the safes will be changed any time an employee is relocated to another park or ends their employment with PCI. PCI will provide the OC Parks Customer Relations Manager with a key and combination to the safes for each of the nine Parking Attendant Booths for the purpose of continued monitoring of the bi-monthly unannounced evaluations and reviews.
- Lost keys must be reported immediately to the Project Manager who will notify the OC Parks Staff and Supervising/Senior Park Ranger.

We performed site visits at Mile Square Park (Ward) and Irvine Regional Park on September 10, 2015, and verified the above corrective actions have been taken. We obtained the listing of employees with keys to attendant booth and safe combinations. Attendants have key/combination access at the booth they work in. In addition, security cameras at Irvine Regional Park and Mile Square Park are a deterrent to theft or loss of tickets. The corrective actions taken will help ensure there are suitable physical controls and safeguards in place. Therefore, we consider this recommendation implemented.



Detailed Findings, Recommendations and Management Responses

Finding No. 4 – PCI Does Not Prepare Adequate Transfer of Accountability Documentation for Received and Issued Manual Parking Tickets

PCI's Log of Manual Parking Tickets Inventory lists the box number, range of ticket numbers within the box, and the park and lane assignment receiving the box. However, the log does not include the date the box was issued to the various park locations nor the signature of the individual issuing the box of tickets.

In addition, PCI does not use a "transfer of accountability" form to document the box number, range of ticket numbers within the box, park receiving the box, and signatures by the individuals issuing and receiving the box of manual parking tickets. Both the issuing and receiving parks should retain a copy. An incomplete log and lack of documented transfer of accountability makes it difficult to provide for full accountability of manual parking tickets in the event of errors or misappropriation.

Recommendation No. 4:

We recommend that OC Parks direct PCI to enhance the log of unused manual parking tickets to provide an adequate audit trail and full accountability. In addition, we recommend that PCI use a "transfer of accountability" form to document the transfer of unused manual parking tickets from one location to another.

Management Response:

Concur: OC Parks staff directed PCI to enhance the log of unused Day Use Tickets to provide an adequate audit trail.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- PCI has implemented a comprehensive three-way reconciliation process to track Day Use Tickets received from the ticket vendor to the actual sale of the tickets.

OCCR/OC Parks provided us with the enhanced ticket log (three-way reconciliation) which tracks Day Use tickets received by the Corporate Office and Mile Square Park, delivered to the Operational Office and delivered to the Park Attendant booths. Our review of the forms noted that ticket sequences are accounted for and transfer of accountability for Day Use Tickets is documented on the three-way reconciliation when the tickets are moved from any location. The corrective actions taken will help provide an adequate audit trail and full accountability over unused manual parking tickets. Therefore, we consider this recommendation implemented.

Finding No. 5 – PCI Sold Pre-Numbered Manual Parking Tickets Out of Sequence

Manual parking tickets are pre-numbered to facilitate collection of relevant information and provide a receipt of payment. Selling pre-numbered manual parking tickets in sequential order reduces the risk that the manual parking tickets will be lost or misused without detection.

During a review of PCI's records of manual tickets sold at the Irvine Regional Park, it was noted that Box 14 containing parking ticket numbers 117001 through 126000 was sold between July 16, 2014 and October 11, 2014 prior to a portion of Box 10 containing ticket numbers 81001 through 90000 in December 2014.



Detailed Findings, Recommendations and Management Responses

Recommendation No. 5:

We recommend that OC Parks direct PCI to sell pre-numbered manual parking tickets in sequential order and to thoroughly account for all tickets.

Management Response:

OCCR **concur**s with the finding but does **not concur** with the recommendation to sell tickets only in sequential order.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- OC Parks and PCI have reviewed the operational factors that cause Day Use Tickets to be sold out of sequence. As a result of the new procedures being implemented for receiving, distributing, and issuing Day Use Tickets, the frequency of tickets being sold out of sequence will be reduced. At Regional Parks with more than one entrance lane, each lane will be assigned a sequence of ticket numbers. Due to the fact that both lanes are not always open at the same time (week days, for example), there will still be occasions at Irvine Regional Park when tickets issued will not be sequential. However, due to the improved Day Use Ticket reconciliation procedures recently implemented, there should be very few occurrences of tickets being sold out of sequence for a specific lane.

We performed a site visit to Mile Square Park Operational Office on September 10, 2015. During the visit we observed that ticket stock inventory was kept in a locked cabinet. As part of the three-way reconciliation, a log of tickets received from the PCI corporate office is maintained in sequential ticket order. A separate log is maintained for each of the regional parks. When the tickets are delivered to the regional parks, the PCI Project Manager, supervisor or field support staff sign the ticket log in the "Delivered By" column on the log.

We obtained the current log of tickets to be issued to Irvine Regional Park for lanes 34 and 35, and verified that ticket sequences on the log that were not signed out were in the inventory cabinet at Miles Square Park indicating that tickets sold on a non-sequential basis are properly accounted for. Based on the corrective actions taken, we consider this recommendation implemented.

Finding No. 6 – PCI's Standard Operating Procedures are Incomplete

Our review of PCI's standard operating procedures found that written policies and procedures were incomplete for safeguarding and providing accountability over manual parking tickets.

Master Agreement MA-012-14010024, between the County and PCI for parking management services, approved on September 17, 2013, requires PCI to maintain a current operating manual detailing procedures to be followed for operating the parking facilities. Operating procedures, together with any subsequent changes or revisions, are required to be approved in writing by the County. Incomplete policies and procedures increase the risks of mishandling manual parking tickets.



Detailed Findings, Recommendations and Management Responses

PCI's standard operating procedures provided the following for manually issued parking tickets:

1. Supervisors are to collect parking activity reports and manual ticket stubs.
2. Park attendants use a two-part ticket with sequential numbers; the larger part is given to the visitor as a receipt, the smaller portion is kept to reconcile the ticket sales. The beginning and ending ticket stub is stapled to the attendant's shift report.
3. The park attendant's report is completed at the end of the shift and shows: (1) name of the attendant, date, park, and shift; (2) log of cash deposits; (3) ticket sequence and number of tickets sold; (4) number of tickets sold multiplied by the rate sold to calculate the revenue collection; and 5) comments to explain any discrepancies, overages or shortages.

However, PCI's standard operating procedures manual did not address the following:

1. Accounting and control of unsold manual parking ticket inventory.
2. Standards for storing unsold manual parking ticket inventory.
3. Transfer of accountability for unsold manual parking ticket inventory.
4. Physical count of unsold manual parking ticket inventory and reconciliation of the count with the inventory records.
5. Loss of unsold manual parking ticket inventory.
6. Issuance of unsold manual parking tickets in sequential order.
7. Separation of duties for handling manual parking tickets.

Recommendation No. 6:

We recommend that OC Parks direct PCI to enhance written policies and procedures for handling manual parking tickets. In addition, OC Parks should review and approve PCI's amended documented policies and procedures and current versions need to be readily accessible for reference by PCI and OC Parks personnel responsible for providing and monitoring parking services, respectively.

Management Response:

Concur: In early March OC Parks formally directed PCI to enhance written policies and procedures for handling Day Use Tickets. OC Parks will review PCI's amended policies and procedures by the end of June 2015.

Current Status: Implemented

OCCR reported the following corrective actions taken:

- PCI has implemented the improved transfer of accountability documents for receiving, distributing, issuing, and storing Day Use Tickets. PCI's Standard Operating Procedures Manual was updated in July 2015, and includes written procedures for utilizing these documents. This policy is based on the general intent of the following procedures:
 - Manual ticket usage will be restricted for use only in the event of hand-held device failure or special events.
 - PCI ordered and received four additional electronic hand-held devices. These devices will help reduce the need to issue paper Day Use tickets.



Detailed Findings, Recommendations and Management Responses

We reviewed PCI's updated Standard Operating Procedures and noted that it addresses:

- Parking attendant use of Day Use Tickets is limited to electronic device failure or special events.
- Enhanced security over Day Use Tickets (tickets are color coded by Regional Park, lockable storage safes, key access to booth).
- Enhanced Day Use ticket inventory tracking/transfer of accountability (PCI corporate office receives ticket stock and maintains master inventory of tickets, all transfer of tickets from Project Manager to Operational Office to Regional Parks are documented).

OC Parks informed us that the policies and procedures are readily available to personnel responsible for providing and monitoring parking services. We observed the policy and procedures manuals in the attendant booths during our on-site visits to Mile Square and Irvine Regional Parks. Based on corrective actions taken, we consider this recommendation implemented.



Detailed Findings, Recommendations and Management Responses

ATTACHMENT A: OC Community Resources Management Responses



June 5, 2015

STEVE FRANKS
DIRECTOR
OC COMMUNITY RESOURCES

JENNIFER HAWKINS, DVM
DIRECTOR
OC ANIMAL CARE

KAREN ROPER
DIRECTOR
OC COMMUNITY SERVICES

STACY BLACKWOOD
DIRECTOR
OC PARKS

HELEN FRIED
COUNTY LIBRARIAN
OC PUBLIC LIBRARIES

TO: Peter Hughes, Director
Internal Audit Department

FROM: Steve Franks, Director, OC Community Resources

SUBJECT: OC Community Resources Response to Draft Audit Alert No. 1456 on OC Community Resources/OC Parks Regarding Controls Over Parking Ticket Sales at Irvine Regional Park

We have received your Draft Audit Alert No.1456 and are submitting our responses to the recommendations as follows:

Finding No. 1 – One Box of 9,000 Unused Manual Parking Tickets is Missing

Recommendation No. 1:

We recommend that OC Parks periodically conduct unannounced reviews of the physical security over unused manual parking tickets, as well as conduct a physical count or inventory of such tickets. These counts should be formally documented and retained, and incorporated into the review process for the three-way reconciliation discussed in Finding No. 2 below.

Management Response:

Concur: OC Parks staff will begin unannounced reviews of the physical security of the unused Day Use Tickets beginning end of February 2015. OC Parks staff will photograph existing inventory and note the number of tickets in use. All findings will be thoroughly documented.

In addition: Supervising Park Ranger at Irvine Regional Park filed a theft report with the OC Sheriff's Department promptly upon receiving notification of the 1 box missing of 9,000 unused Day Use Tickets from the Parking Attendant's Booth. Date of Report: January 15, 2015, OCSD Report No.: 15009402

Finding No. 2 – PCI Does Not Perform Monthly Reconciliation of Issued, Sold, and Unused Manual Parking Tickets

Recommendation No. 2A:

OC Parks require PCI to conduct a three-way reconciliation of manual parking tickets issued, sold, and unused on a monthly basis.

Management Response:

Concur: In early March OC Parks formally directed PCI to conduct a three way reconciliation of Day Use Tickets issued, sold and unused on a monthly basis.



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Recommendation No. 2B:

OC Parks should review this three-way reconciliation and supporting schedules on a monthly basis to ensure all manual tickets have been accounted for.

Management Response:

Concur: OC Parks staff anticipates initiating their review of PCI's reconciliation reports in mid to late May 2015.

Finding No. 3 – Access to Unused Manual Parking Tickets is Not Adequately Controlled and Safeguarded

Recommendation No. 3A:

OC Parks direct PCI to properly secure unused manual parking tickets at all times.

Management Response:

Concur: In early March OC Parks formally directed PCI to install safes in each of the 9 Parking Attendant Booths to secure unused Day Use Tickets.

Recommendation No. 3B:

OC Parks evaluate who has access to the keys to the parking booths at both Mile Square Park and Irvine Regional Park to ensure there are suitable physical controls and safeguards in place.

Management Response:

Concur: OC Parks also formally directed PCI to provide to their Customer Relations Manager a key to each of the 9 Regional Parks' Parking Attendants Booths and the combinations to the safes inside each booth for the storage of the Day Use Tickets. The purpose is to evaluate the physical controls and security of the Day Use Tickets in the Parking Attendant booths.

Finding No. 4 – PCI Does Not Prepare Adequate Transfer of Accountability Documentation for Received and Issued Manual Parking Tickets

Recommendation No. 4:

OC Parks direct PCI to enhance the log of unused manual parking tickets to provide an adequate audit trail and full accountability. In addition, we recommend that PCI use a "transfer of accountability" form to document the transfer of unused manual parking tickets from one location to another.

Management Response:

Concur: OC Parks staff directed PCI to enhance the log of unused Day Use Tickets to provide an adequate audit trail.

Finding No. 5 – PCI Sold Pre-Numbered Manual Parking Tickets Out of Sequence

Recommendation No. 5:

OC Parks direct PCI to sell pre-numbered manual parking tickets in sequential order and to thoroughly account for all tickets.

Management Response:

OCCR **concur**s with the finding but does **not concur** with the recommendation to sell tickets only in sequential order.



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Finding No. 6 – PCI's Standard Operating Procedures are Incomplete

Recommendation No. 6:

OC Parks direct PCI to enhance written policies and procedures for handling manual parking tickets. In addition, OC Parks review and approve PCI's amended documented policies and procedures and current versions need to be readily accessible for reference by PCI and OC Parks personnel responsible for providing and monitoring parking services, respectively.

Management Response:

Concur: In early March OC Parks formally directed PCI to enhance written policies and procedures for handling Day Use Tickets. OC Parks will review PCI's amended policies and procedures by the end of June 2015.

If you have any questions related to these responses, please contact Thea Bullock at (714) 480-2875.

SAF:tlb