



Orange County Auditor-Controller Internal Audit



Revenue Generating Contract Audit:
OC Community Resources/
OC Parks – Parking Concepts, Inc.

For the Year Ended
June 30, 2017

Audit Number 1739
Report Date: March 13, 2018



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ERIC H. WOOLERY, CPA
AUDITOR-CONTROLLER



Transmittal Letter

Audit No. 1739

March 13, 2018

TO: Dylan Wright, Director
OC Community Resources

SUBJECT: Revenue Generating Contract Audit:
OC Community Resources/OC Parks – Parking Concepts, Inc.

We have completed our Revenue Generating Contract Audit of OC Community Resources/OC Parks – Parking Concepts, Inc. for the year ended June 30, 2017. Our final report is attached for your review.

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

Additionally, we will request your department to complete a **Customer Survey** of Audit Services. You will receive the survey shortly after the distribution of our final report.

A handwritten signature in blue ink that reads "Eric H. Woolery".

Eric H. Woolery, CPA
Auditor-Controller

Attachments

Other recipients of this report:

- Members, Board of Supervisors
- Members, Audit Oversight Committee
- Frank Kim, County Executive Officer
- Lala Ragen, Deputy Chief Operating Officer
- Cymantha Atkinson, Deputy Director of OC Community Resources
- Stacy Blackwood, Director of OC Parks, OC Community Resources
- Thea Bullock, Director of Compliance, OC Community Resources
- Connie Chang, Financial and Strategic Planning Manager, OC Community Resources
- Kirk Holland, Business Manager, OC Community Resources/OC Parks
- Tom Starnes, Administrative Manager, OC Community Resources/OC Parks

*Dylan Wright, Director
OC Community Resources
March 13, 2018*

Other recipients of this report (continued):

Tonya Riley, Director of Satellite Accounting Operations, Auditor-Controller
Win Swe, Accounting Manager III, Auditor-Controller/OCCR Accounting
Eliseo Gillamac, Accounting Manager II, Auditor-Controller/OCCR Accounting
Foreperson, Grand Jury
Robin Stieler, Clerk of the Board of Supervisors
Macias Gini & O'Connell LLP, County External Auditor



Table of Contents

*Revenue Generating Contract Audit:
OC Community Resources/OC Parks – Parking Concepts, Inc.
Audit No. 1739*

For the Year Ended June 30, 2017

Transmittal Letter	i
Internal Auditor's Report	
OBJECTIVES	1
RESULTS	1
BACKGROUND	2
SCOPE AND METHODOLOGY	3
FOLLOW-UP PROCESS	3
MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL	3
Detailed Findings, Recommendations, and Management Responses	
Finding No. 1 – Abandoned Credit Card Charges Were Not Included as Gross Receipts (Control Finding)	5
Finding No. 2 – PCI Had Not Submitted Statements of Gross Receipts Audited by a Certified Public Accountant (Control Finding)	6
Finding No. 3 – OCCR Accounting Did Not Reconcile PCI Invoices for Regional Parks, Beaches, and Wilderness Parks to Cash Received (Control Finding)	6
Finding No. 4 – Parking Attendants Did Not Follow Cashiering Procedures (Control Finding)	8
Finding No. 5 – 2016 Performance Bond Was Not Submitted to the County (Control Finding)	10
Finding No. 6 – Reconciliation of Daily Sales Report to the Cash Count Was Not Documented (Control Finding)	11
Finding No. 7 – Emergency Manual Tickets Were Not Used in Sequential Order (Control Finding)	11
Finding No. 8 – Actual Cash Collected Was Not Reconciled to the VenTek Audit Report Due to a Maintenance Issue (Control Finding)	12



Table of Contents

Finding No. 9 – OC Zoo Ticket Booth Policy Did Not Provide for Cash Drops (Control Finding)	13
Finding No. 10 – Free Entrance to Parks (Control Finding)	13
Finding No. 11 – Insufficient Documentation to Support Additional Staffing Hours (Control Finding)	14
ATTACHMENT A: Report Item Classifications	15
ATTACHMENT B: OCCR/OC Parks Management Responses	16



Internal Auditor's Report

Audit No. 1739

March 13, 2018

TO: Dylan Wright, Director
OC Community Resources

FROM: Eric H. Woolery, CPA
Auditor-Controller

SUBJECT: Revenue Generating Contract Audit:
OC Community Resources/OC Parks – Parking Concepts, Inc.

OBJECTIVES

We performed an audit of certain records and documents for the year ended June 30, 2017 pertinent to the management and operating contract (Contract) between the County of Orange (County) and Parking Concepts, Inc. (PCI). The Contract is to provide parking lot management and operations. We performed this audit in accordance with the FY 2017-18 Audit Plan and Risk Assessment developed by the Auditor-Controller Internal Audit Division and approved by the Audit Oversight Committee (AOC) and Board of Supervisors (BOS). We conducted our audit in conformance with the *International Standards for the Professional Practice of Internal Auditing* prescribed by the International Internal Audit Standards Board. The objectives of this audit were:

1. Determine whether PCI's records adequately support monthly gross receipts remitted and reported to the County.
2. Determine whether PCI complied with certain other financial provisions of the Contract, such as financial statements, accounting methods, and monthly gross receipts statement format.
3. Identify any internal control weaknesses noted while performing the audit, and provide suggestions for improvement.

RESULTS

Objective No. 1			
We found that, generally, PCI's records adequately support monthly gross receipts remitted and reported to the County; however, we noted the following:	Two (2) Control Findings	Abandoned credit card charges not included as gross receipts	Finding No. 1
		Insufficient documentation to support additional PCI staffing hours	Finding No. 11



Internal Auditor's Report

RESULTS (CON'T)

Objective No. 2

We found that PCI is generally in compliance with certain other financial provisions of the Contract; however, we noted the following:

Five (5) Control Findings

Non-submission of audited statements of gross receipts

Finding No. 2

Lack of reconciliations of monthly invoices to cash received

Finding No. 3

Non-submission of a performance bond

Finding No. 5

Reconciliation of daily sales reports to cash counts not documented

Finding No. 6

Free entrance to parks

Finding No. 10

Objective No. 3

We found that internal controls at PCI are generally effective; however, we noted the following:

Four (4) Control Findings

Cashiering procedures not followed

Finding No. 4

Emergency manual tickets used out of sequence

Finding No. 7

Cash collected not reconciled to VenTek audit report due to maintenance issue

Finding No. 8

OC Zoo ticket booth policy does not include cash drops

Finding No. 9

These findings are described further in the Detailed Findings, Recommendations, and Management Responses section of this report.

BACKGROUND

On July 16, 2013, after a competitive Request for Proposal process, the BOS approved Contract MA-012-14010024 with PCI to provide parking management services from October 1, 2013 through December 31, 2014. Amendment No. 1 was issued administratively on September 23, 2014, to renew the Contract through December 31, 2015. The BOS approved Amendment No. 2 on November 10, 2015, to renew the Contract to December 31, 2016, and allow the County additional flexibility in adjusting office or storage space to address PCI's need for security and privacy in completing transactions on behalf of OC Parks. The BOS approved Amendment No. 3 on November 22, 2016, to renew the Contact to December 31, 2017.

On June 14, 2016, the BOS approved the reorganization of OC Dana Point Harbor, placing management of the harbor under OC Community Resources (OCCR)/OC Parks. The four pay stations located at the Dana Point Harbor Puerto Place lot are managed under a separate contract (MA-108-14010528) with PCI, expiring on December 31, 2017.



Internal Auditor's Report

The scope of work in the Contract with PCI includes collecting parking fees, use and maintenance 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. PCI bills the County at an hourly rate for additional staffing above the level stated in the Contract.

SCOPE AND METHODOLOGY

Our audit was limited to certain records and documents that support PCI's gross receipts reported to the County for the year ended June 30, 2017. We also reviewed PCI's compliance with certain other provisions of the Contract, such as monthly gross receipts form format and annual financial statement requirements. Our audit included inquiry, auditor observation, and limited testing, to assess the adequacy of documentation and ensure completeness of reported gross receipts.

FOLLOW-UP PROCESS

The scheduling of a Follow-Up Audit on the eleven (11) recommendations will be discussed with OCCR/OC Parks management.

MANAGEMENT'S RESPONSIBILITY FOR INTERNAL CONTROL

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 by Management and weaknesses, when detected, must be promptly corrected. The criteria for evaluating an entity's internal control structure is the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control – Integrated Framework. Our audit enhances and complements, but does not substitute for OCCR's continuing emphasis on control activities and self-assessment of control risks.

Inherent Limitations in Any System of Internal Control

Because of inherent limitations in any system of internal control, 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 audit would not necessarily disclose all weaknesses in OCCR's operating procedures, accounting practices, and compliance with County policy.

The Auditor-Controller Internal Audit Division is available to partner with your staff so that they can successfully implement or mitigate difficult audit recommendations.



Internal Auditor's Report

ACKNOWLEDGEMENT

We appreciate the courtesy extended to us by the personnel at Parking Concepts, Inc., OCCR/OC Parks, and OCCR Accounting during our audit. If you have any questions regarding our Revenue Generating Operating Agreement Audit, please contact me at (714) 834-2456, or Scott Suzuki, Director of Internal Audit, at (714) 834-5509.



Detailed Findings, Recommendations, and Management Responses

Finding No. 1 – Abandoned Credit Card Charges Were Not Included as Gross Receipts (Control Finding)

During our testing of regional park revenue, we discovered eight credit card transactions over 10 days that were never charged. These transactions were listed as “abandoned” in the PCI Point-Of-Sale system (VenTek) and not included as gross receipts. The contract with the County requires that PCI deposit all income in the County bank account and requires PCI to cover any shortages caused by uncollected credit card charges. Cash shortages are not to be deducted from gross receipts.

OC Parks informed us that in order to facilitate a faster moving queue, PCI prints parking tickets as soon as a credit card is swiped, and gives the parking tickets to park visitors without waiting to see if the credit card charge has been approved by the credit card processing system. The VenTek system attempts to process the credit card charge after the park visitor has already left, which leaves the County vulnerable to non-payment.

According to the Contract Article 10, “Definitions”:

Gross Receipts - shall include all income collected or required by this Contract to be collected and accounted for by Contractor, including but not limited to all income received in cash, service, rebate, by credit to an account, or otherwise, and whether payment is actually collected or not, as a result of the operation of the Parking Facilities herein described. “Gross Receipts” shall not be less than the total of the fee totals for all Parking Facilities, as documented by daily transaction reports. All “Gross Receipts” received by Contractor in its operation of the Parking Facilities included herein shall become, immediately upon the collection and receipt thereof, the property of County.

Bad Debt Losses - Bad debt losses, including but not limited to insufficient funds, checks, uncollectible cash or credit card charges, and uncollectible Statements of Unpaid Fee amounts shall not be deducted from gross receipts. All uncollected amounts shall be reconciled and adjusted by OCCR Accounting on a monthly basis.

Abandoned credit card charges for the Regional and Beach & Wilderness Parks during our audit period totaled \$5,853.

Recommendation No. 1:

We recommend that OCCR/OC Parks require PCI to include uncollectible cash and credit card charges as gross receipts on the monthly invoice to the County. We further recommend that OCCR/OC Parks determine whether to collect the \$5,853 in abandoned credit card charges.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to include uncollectible charges as gross receipts on monthly invoice. PCI stated their December 2017 invoice would reflect requirements. Requested of PCI to work with Pacific Parking/VenTek to have the VenMobiles devices indicate declined credit cards if feasible. PCI will be notified by letter of this instruction. OC Parks has determined it will not pursue collection of the \$5,853 in abandoned credit card charges.



Detailed Findings, Recommendations, and Management Responses

Finding No. 2 – PCI Had Not Submitted Statements of Gross Receipts Audited by a Certified Public Accountant (Control Finding)

PCI had not submitted audited Statements of Gross Receipts as required by its contract with the County.

According to the Contract Article 19, “Records and Accounts”:

- c. Financial Statements - Within ninety days after the end of each Accounting Year, Contractor shall, at Contractor’s own expense, submit to OCCR Accounting a Statement of Gross Receipts, audited by a Certified Public Accountant, for each Accounting Year.
- d. Failure to Submit Financial Statements - In the event Contractor fails to submit financial statements required in paragraph c. above by the due date, County may require that Contractor pay to County any and all costs incurred by County to prepare the required financial statement, plus an administrative fee equal to 50% of those costs.

After we notified OCCR/OC Parks that PCI was required to submit audited Statements of Gross Receipts, OCCR/OC Parks requested PCI to submit audited Statements of Gross Receipts for fiscal year (FY) 2013-14 through FY 2016-17. PCI requested that their CPA perform an audit, and on August 3, 2017, sent an engagement letter to begin the audit of four years of PCI’s Gross Receipts. PCI submitted the requested audited Statements of Gross Receipts to the County on November 15, 2017.

Recommendation No. 2:

We recommend that OCCR/OC Parks require that PCI submit its Statement of Gross Receipts audited by a Certified Public Accountant in a timely manner. We further recommend OCCR/OC Parks require that OCCR Accounting implement monitoring procedures to ensure PCI submits these statements timely.

OCCR/OC Parks Management Response:

Concur - On November 7, 2017, PCI submitted FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 Statements of Gross Receipts Audited by a Certified Public Accountant. OC Parks will work with OCCR Accounting to implement monitoring procedures to ensure PCI submits these statements in a timely manner.

Finding No. 3 – OCCR Accounting Did Not Reconcile PCI Invoices for Regional Parks, Beaches, and Wilderness Parks to Cash Received (Control Finding)

OCCR Accounting is unable to identify monthly overages, shortages, and bad debt losses because it does not perform monthly reconciliations of the monthly gross receipts amount reported on the PCI invoices to cash deposited in the bank.



Detailed Findings, Recommendations, and Management Responses

At the end of the year, OCCR Accounting processes an adjustment to net the shortages (when less money is deposited in the bank than was stated on the deposit slip), against the overages (when more money is deposited in the bank than was stated on the deposit slip). OCCR Accounting performs a reconciliation between the VenTek system (point-of-sale system) and cash deposited.

In addition to the reconciliations currently being performed by OCCR Accounting, a monthly reconciliation between the monthly gross receipts amount reported on the invoice to the cash deposited should be included, as well as a monthly reconciliation of credit card charges to the payment settlement report. This type of reconciliation will identify any overages and shortages between the cash deposited and the monthly gross receipts amount reported on the invoice. All gross receipts received by PCI in its operation of the Parking Facilities is due to the County and should not be netted against cash shortages because PCI is responsible for any shortage of funds.

According to the Contract Article 10, "Definitions":

Gross Receipts - shall include all income collected or required by this Contract to be collected and accounted for by Contractor, including but not limited to all income received in cash, service, rebate, by credit to an account, or otherwise, and whether payment is actually collected or not, as a result of the operation of the Parking Facilities herein described. "Gross Receipts" shall not be less than the total of the fee totals for all Parking Facilities, as documented by daily transaction reports. All "Gross Receipts" received by Contractor in its operation of the Parking Facilities included herein shall become, immediately upon the collection and receipt thereof, the property of County.

Bad Debt Losses - Bad debt losses, including but not limited to insufficient funds, checks, uncollectible cash or credit card charges, and uncollectible Statements of Unpaid Fee amounts shall not be deducted from gross receipts. All uncollected amounts shall be reconciled and adjusted by OCCR Accounting on a monthly basis.

Attachment A, Section D.1, "Obligations of Contractor" states, "...Contractor is responsible for any shortage of funds and shall ensure amount of deposited funds correspond exactly to receipts received."

Recommendation No. 3:

We recommend OCCR/OC Parks require OCCR Accounting to reconcile PCI invoices to cash received on a monthly basis and adjust for any uncollected amounts as stated in the Contract.

OCCR/OC Parks Management Response:

Concur - PCI invoice will be reconciled to the cash received on a monthly basis using supporting reports from PCI. Invoice will be adjusted for uncollected amounts.



Detailed Findings, Recommendations, and Management Responses

Finding No. 4 – Parking Attendants Did Not Follow Cashiering Procedures (Control Finding)

Of 67 parking attendant reports reviewed in our test sample, the following cashiering issues were observed:

<u>Condition</u>	<u>Criteria</u>
Missing Report Information	
1. The parking attendants did not complete their shift information on three parking attendant reports.	According to the PCI Standard Operating Procedures for OC Parks, the following procedure is for parking attendant's reports: "First -the name, date, park and shift areas are to be filled accordingly."
2. The park location was missing on one parking attendant report.	
Missing Signatures	
3. Parking attendant signatures to verify daily sales were missing on 15 parking attendant reports.	According to the PCI Standard Operating Procedures for OC Parks, the following procedure is for parking attendant's reports: "Signature -sign acknowledging information is accurate and complete."
4. The signature to verify the change fund amount was missing on 11 parking attendant reports.	
5. The signature to verify the Emergency Ticket status was missing on two parking attendant reports.	
Incorrect Sales Tally & Totals	
6. The sales tally total was incorrect on four parking attendant reports and was not calculated on one parking attendant report.	According to the PCI Standard Operating Procedures for OC Parks, the following procedure is for parking attendant's reports: "Sold Column -enter the amount of tickets sold and multiply by rate sold to get total revenue collected."
Excess Cash in Drawer	
7. Parking attendant revenue drops at the regional parks exceeded \$200 on 11 parking attendant reports.	According to the PCI Standard Operating Procedures for OC Parks, the following procedure is for revenue drops: "Cash drops are made once the change bank has reached an additional \$200.00."



Detailed Findings, Recommendations, and Management Responses

Prepaid Parking	
8. Prepaid parking was paid after the date of an event on two out of ten days.	According to the PCI Standard Operating Procedures for OC Parks, the following procedure is for prepaid parking passes: "...Minimum charge fee is collected prior to the event..."
Cash Drawer Accountability	
9. The parking attendant report listed multiple names and was signed by multiple employees. This indicated there was more than one attendant on a terminal on five parking attendant reports.	According to a verbal conversation with a PCI supervisor, there should only be one attendant on a terminal.
Excess Tickets	
10. We observed on a parking attendant report that a parking attendant had printed an extra ticket. Additionally, there was no indication of supervisor approval.	According to the sample "Cashier Report" in the PCI Standard Operating Procedures for OC Parks: "Preprint tickets are not authorized unless approved by supervisor."
Sealed Manual Tickets	
11. For all parking attendant reports for the sampled days in April (33 parking attendant reports), there was no option on the parking attendant report to verify that emergency manual tickets were sealed.	According to the sample "Cashier Report" in the PCI Standard Operating Procedures for OC Parks: "Emergency tickets status must be verified daily by shift 'CIRCLE ONE BELOW': (Sealed or Broken Seal)." We observed in our June testing that the updated form has a section to verify if the emergency manual tickets are sealed, whereas the form used in April did not. We observed that emergency manual tickets were in the safe at Irvine Regional Park, the tickets were sealed, and the parking attendant report noted they were sealed. Therefore, by using the updated form, PCI has implemented controls to correct this issue. Finding No. 4, Issue No. 11 is now considered closed.

Recommendation No. 4:

We recommend OCCR/OC Parks ensure the parking attendants are following cashiering procedures regarding accurate and complete information, cash drawer limits, prepaid parking, cash drawer accountability, and excess tickets, as specified in PCI's Standard Operating Procedures.



Detailed Findings, Recommendations, and Management Responses

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to follow the cashiering procedures regarding accurate and complete information, cash drawer limits, prepaid parking, cash drawer accountability and excess tickets, as specified in PCI's Standard Operating Procedures. OC Parks has required PCI to submit a Training Schedule (twice a year) for their staff. The OC Parks Manager assigned to oversee PCI will verify the data reports are received and the training sessions occur. PCI will be notified by letter of this instruction.

Finding No. 5 – 2016 Performance Bond Was Not Submitted to the County (Control Finding)

PCI did not submit a Performance Bond to the County for calendar year 2016.

According to the Contract Article 22, "Security Deposit":

A security deposit in the sum of One Hundred and Fifty Thousand Dollars (\$150,000) shall be provided to County by Contractor. The security deposit shall take one of the forms set out below and shall guarantee Contractor's full and faithful performance of all the terms, covenants, and conditions of this Contract:

- a. Cash
- b. A Performance Bond or Letter of Credit, pledging that funds necessary to secure performance of Contract terms, covenants, and conditions are on deposit and guaranteed for payment, and agreeing that said funds shall secure Contractor's performance and that all or any part shall be paid to County of Orange, or order upon demand by County. Both the surety and the form of the instrument(s) must be approved by County.

Regardless of the form in which Contractor elects to make said security deposit, all or a portion of the principal sum shall be available unconditionally to County, for correcting any default or breach of this Contract by Contractor, his successors or assigns, or for payment of expenses incurred by County as a result of the failure of Contractor, his successors or assigns, to faithfully perform all terms, covenants, and conditions of this Contract.

The performance bond helps to ensure PCI's performance and protect the County in the event of PCI's non-compliance with contract terms, covenants, and conditions.

Recommendation No. 5:

We recommend OCCR/OC Parks require PCI to submit the required performance bond annually. We further recommend OCCR/OC Parks create a monitoring procedure to ensure that PCI submits its performance bond as required by the Contract.

OCCR/OC Parks Management Response:

Concur - On December 5, 2017, PCI provided a Performance Bond up to December 31, 2018. OC Parks will create an internal monitoring procedure and include appropriate language in the contract that results from the upcoming parking RFP.



Detailed Findings, Recommendations, and Management Responses

Finding No. 6 – Reconciliation of Daily Sales Report to the Cash Count Was Not Documented (Control Finding)

PCI does not document its reconciliation of the daily sales reports to the manual cash count. PCI parking attendants fill out a report in which they tally all transactions and total the cash received from their shift. The parking attendants also verify their starting amount and change fund amount. In our testing of revenue collected from attendant booths, we came across the issue of overages, in which the parking attendant reported collecting more revenue than the VenTek audit report recorded. These overages, reported by the parking attendant, were not reflected in the monthly invoice to the County. Since PCI does not document the reconciliation of cash taken out of the deposit envelopes to the daily sales reports, overages cannot be substantiated.

This type of reconciliation would help to ensure completeness of parking fees collected and deposited to the County bank account. The reconciliation also provides documented accountability for the cash, which helps protect the lessee and the County.

Recommendation No. 6:

We recommend OCCR/OC Parks require PCI to document its reconciliation of parking fees reported (per daily sales reports and attendant booth reports) to the actual cash collected. We further recommend that OCCR/OC Parks require PCI to provide this information to the County as part of the monthly reporting to help ensure completeness of all parking fees collected and deposited to the County bank account.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to document its reconciliation of parking fees reported (per daily sales reports and attendant booth reports) to the actual cash collected. OC Parks directed PCI to provide this information to OCCR Accounting as part of the monthly reporting. PCI will be notified by letter of this instruction.

Finding No. 7 – Emergency Manual Tickets Were Not Used in Sequential Order (Control Finding)

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

During a review of PCI's records of emergency manual tickets sold at the Laguna Niguel Regional Park, we observed the emergency manual tickets were issued out of sequence.



Detailed Findings, Recommendations, and Management Responses

According to the PCI Standard Operating Procedures – Procedures for Emergency Day Use Ticket Control:

PCI tracks ticket usage at each park location. All tickets are two-part with the main section issued to the patron with their payment and the stub retained for our records. The first and last ticket stubs are attached to the cashiers' daily report and the remaining stubs are bundled and returned with the report for potential audit. A log is maintained by location and day showing all starting and ending ticket numbers. The numbers are reviewed to assure all tickets are issued in sequential order. If there is a break in numerical sequence, it is noted that a new box was opened or an explanation is provided.

Recommendation No. 7:

We recommend OCCR/OC Parks require PCI to use pre-numbered manual parking tickets in sequential order.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to follow the existing policy and properly use the pre-numbered manual parking tickets. OC Parks has required PCI to submit a training schedule for their staff. PCI will be notified by letter of this instruction.

Finding No. 8 – Actual Cash Collected Was Not Reconciled to the VenTek Audit Report Due to a Maintenance Issue (Control Finding)

During our observation of the cash counting process at the OCCR/OC Parks Parking Services Operations Office (Cogan House), the PCI employee counting the cash was unable to reconcile the VenTek Audit Report Summary to cash because the Audit Report Summary total from Pay Station #17 did not print all the number digits. A PCI employee informed us that PCI management was previously made aware of this issue, but PCI had not yet corrected the problem.

According to the Contract Attachment A, Section D.2, "Maintenance":

- a. Contractor shall operate and oversee all parking equipment and software, including, but not limited to, those specified in Section B.2 (Equipment and Software Requirements) of this Scope of Work, and ensure that all aspects of the parking system are in proper working order.

Additionally, Contract Attachment A, Section D.1, "Obligations of Contractor" states, "...Contractor is responsible for any shortage of funds and shall ensure amount of deposited funds correspond exactly to receipts received."

Recommendation No. 8:

We recommend OCCR/OC Parks instruct PCI to repair Pay Station #17 and ensure that all other pay station machines are functioning properly, including the ability to print all the number digits on the Audit Report Summary and other documentation.



Detailed Findings, Recommendations, and Management Responses

OCCR/OC Parks Management Response:

Concur - PCI has been instructed them to repair Pay Station #17 and ensure that all other pay station machines are functioning properly, including the ability to print all the number digits on the Audit Report Summary and other documentation. PCI will be notified by letter of this instruction.

Finding No. 9 – OC Zoo Ticket Booth Policy Did Not Provide for Cash Drops (Control Finding)

PCI began staffing the OC Zoo ticket booth in November 2016. At that time, OCCR instructed PCI employees to use the OC Zoo Ticket Booth Operating Guidelines and Information Guide rather than PCI procedures while working at the OC Zoo. Only one attendant operates the OC Zoo booth and collects attendance fees. At the OC Zoo, cashiers keep cash in the register for the entire shift and are not required to make cash drops when the cash in the register reaches a specific amount. Although there is no safe located in the ticket booth, there is a safe in the office near the ticket booth.

It is a best practice for cashiering procedures to include a cash drop policy in order to prevent the cash register from accumulating a large amount of cash. Excess cash in the cash register increases the potential risk for increased cash losses. PCI Standard Operating Procedure for the OC Parks has a cash drop requirement that states, “Cash drops are made once the change bank has reached an additional \$200.00.” However, the OC Zoo Ticket Booth Operating Guidelines and Information Guide does not include a provision for cash drops.

Recommendation No. 9:

We recommend OCCR/OC Parks update the OC Zoo Ticket Booth Operating Guidelines and Information Guide to include a cash drop procedure.

OCCR/OC Parks Management Response:

Concur - OC Parks will update the OC Zoo Ticket Booth Operating Guidelines and Information Guide to include a cash drop procedure as recommended.

Finding No. 10 – Free Entrance to Parks (Control Finding)

During a walkthrough of operations, we observed a car that re-entered the park without paying an additional parking fee. Additionally, we were able to enter the park during an unannounced observation without paying the parking fee.

According to the Contract, Attachment A, Section D.1 “Collection of Fees”:

Contractor shall charge and collect from all persons utilizing the Parking Facilities the fees or charges established by the County...

- b. There shall be no free parking except as follows:
 - i. County of Orange vehicles and/or their contractor's vehicles only while performing construction or conducting building and grounds maintenance/repair activities.



Detailed Findings, Recommendations, and Management Responses

- ii. As otherwise authorized in writing by the OC Parks Director or designee.

The parking tickets issued by the parking attendants and the VenTek pay stations have “No In and Out” printed in large font on each ticket. We confirmed with OCCR/OC Parks management that this message notifies park visitors that they cannot use the parking tickets for re-entry to the parks.

Recommendation No. 10:

We recommend OCCR/OC Parks confirm with PCI the policy on free parking and that PCI comply with that policy.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to have Parking Attendants follow and comply with the policy on free parking. PCI will be notified by letter of this instruction.

Finding No. 11 – Insufficient Documentation to Support Additional Staffing Hours (Control Finding)

During our testing of additional staffing, we found that PCI did not have written approval for additional staffing hours that were billed to the County. Additionally, the documentation OCCR/OC Parks provided failed to quantify the number of hours approved for PCI staff.

As a result of a new policy implemented on December 23, 2015, Orange County employees were eligible to receive free access to County parks. We were informed that OCCR/OC Parks determined the free employee entrance to County parks policy would require additional staffing. The parking attendant hours approved in the original agreement did not provide sufficient coverage, so OCCR/OC Parks verbally agreed to pay PCI to staff parking booths for additional hours. This approval should have been documented in writing in order to provide PCI with support for the number of hours billed to the County and to enable the County to confirm that PCI had complied with the County’s request.

Recommendation No. 11:

We recommend OCCR/OC Parks document its agreement with PCI to provide additional services. This documentation should include specific information regarding hours, services requested, number of employees, and any additional information pertinent to the request that would provide support for the PCI staff hours billed to the County.

OCCR/OC Parks Management Response:

Concur - OC Parks will document its agreement with PCI to provide additional services. This documentation will include specific information regarding hours, services requested, number of employees, and any additional information pertinent to the request. This documentation will be provided to PCI in a letter for regular park hours and via email for each special event.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT A: Report Item Classifications

For purposes of reporting our audit findings and recommendations, we will classify audit report items into three distinct categories:

Critical Control Weaknesses	Significant Control Weaknesses	Control Findings
<p>These are audit findings or a combination of audit findings that represent critical exceptions to the audit objective(s) and/or business goals. Such conditions may involve either actual or potential large dollar errors or be of such a nature as to compromise the department's or County's reputation for integrity. Management is expected to address Critical Control Weaknesses brought to its attention immediately.</p>	<p>These are audit findings or a combination of audit findings that represent a significant deficiency in the design or operation of internal controls. Significant Control Weaknesses require prompt corrective actions.</p>	<p>These are audit findings concerning internal controls, compliance issues, or efficiency/effectiveness issues that require management's corrective action to implement or enhance processes and internal controls. Control Findings are expected to be addressed within our follow-up process of six months, but no later than twelve months.</p>



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: OCCR/OC Parks Management Responses



February 20, 2018

DYLAN WRIGHT
DIRECTOR
OC COMMUNITY RESOURCES

CYMANTHA ATKINSON
DEPUTY DIRECTOR
OC COMMUNITY RESOURCES
& INTERIM DIRECTOR
OC ANIMAL CARE

RENEE RAMIREZ
DIRECTOR
OC COMMUNITY SERVICES

JULIA BIDWELL
DIRECTOR
HOUSING & COMMUNITY
DEVELOPMENT &
HOMELESS PREVENTION

STACY BLACKWOOD
DIRECTOR
OC PARKS

HELEN FRIED
COUNTY LIBRARIAN
OC PUBLIC LIBRARIES

TO: Scott Suzuki, Assistant Director
Auditor-Controller, Internal Audit Division

RE: AUDIT NO. 1739 Revenue Generating Contract Audit:
OC Community Resources/OC Parks – Parking Concepts, Inc.

The Auditor-Controller Internal Audit Division completed a Revenue Generating Contract Audit of OC Community Resources (OCCR)/OC Parks – Parking Concepts, Inc. for the year ended June 30, 2017. Below are OC Community Resources' responses to the audit findings and recommendations, which have been reviewed and approved by the County Executive Office.

Finding No. 1 – Abandoned Credit Card Charges Were Not Included as Gross Receipts (Control Finding)

Recommendation No. 1:

We recommend that OCCR/OC Parks require PCI to include uncollectible cash and credit card charges as gross receipts on the monthly invoice to the County. We further recommend that OCCR/OC Parks determine whether to collect the \$5,853 in abandoned credit card charges.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to include uncollectible charges as gross receipts on monthly invoice. PCI stated their December 2017 invoice would reflect requirements. Requested of PCI to work with Pacific Parking/VenTek to have the VenMobiles devices indicate declined credit cards if feasible. PCI will be notified by letter of this instruction. OC Parks has determined it will not pursue collection of the \$5,853 in abandoned credit card charges.

Finding No. 2 – PCI Had Not Submitted Statements of Gross Receipts Audited by a Certified Public Accountant (Control Finding)

Recommendation No. 2:

We recommend that OCCR/OC Parks require that PCI submit its Statement of Gross Receipts audited by a Certified Public Accountant in a timely manner. We further recommend OCCR/OC Parks require that OCCR Accounting implement monitoring procedures to ensure PCI submits these statements timely.

OCCR/OC Parks Management Response:

Concur - On November 7, 2017, PCI submitted FY 2013-14, FY 2014-15, FY 2015-16 and FY 2016-17 Statements of Gross Receipts Audited by a Certified Public Accountant. OC Parks will work with OCCR



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Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: OCCR/OC Parks Management Responses (cont.)

Accounting to implement monitoring procedures to ensure PCI submits these statements in a timely manner.

Finding No. 3 – OCCR Accounting Did Not Reconcile PCI Invoices for Regional Parks, Beaches, and Wilderness Parks to Cash Received (Control Finding)

Recommendation No. 3:

We recommend OCCR/OC Parks require OCCR Accounting to reconcile PCI invoices to cash received on a monthly basis and adjust for any uncollected amounts as stated in the Contract.

OCCR/OC Parks Management Response:

Concur - PCI invoice will be reconciled to the cash received on a monthly basis using supporting reports from PCI. Invoice will be adjusted for uncollected amounts.

Finding No. 4 – Parking Attendants Did Not Follow Cashiering Procedures (Control Finding)

Recommendation No. 4:

We recommend OCCR/OC Parks ensure the parking attendants are following cashiering procedures regarding accurate and complete information, cash drawer limits, prepaid parking, cash drawer accountability, and excess tickets, as specified in PCI's Standard Operating Procedures.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to follow the cashiering procedures regarding accurate and complete information, cash drawer limits, prepaid parking, cash drawer accountability and excess tickets, as specified in PCI's Standard Operating Procedures. OC Parks has required PCI to submit a Training Schedule (twice a year) for their staff. The OC Parks Manager assigned to oversee PCI will verify the data reports are received and the training sessions occur. PCI will be notified by letter of this instruction.

Finding No. 5 – 2016 Performance Bond Was Not Submitted to the County (Control Finding)

Recommendation No. 5:

We recommend OCCR/OC Parks require PCI to submit the required performance bond annually. We further recommend OCCR/OC Parks create a monitoring procedure to ensure that PCI submits its performance bond as required by the Contract.

OCCR/OC Parks Management Response:

Concur - On December 5, 2017, PCI provided a Performance Bond up to December 31, 2018. OC Parks will create an internal monitoring procedure and include appropriate language in the contract that results from the upcoming parking RFP.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: OCCR/OC Parks Management Responses (cont.)

Finding No. 6 – Reconciliation of Daily Sales Report to the Cash Count Was Not Documented (Control Finding)

Recommendation No. 6:

We recommend OCCR/OC Parks require PCI to document its reconciliation of parking fees reported (per daily sales reports and attendant booth reports) to the actual cash collected. We further recommend that OCCR/OC Parks require PCI to provide this information to the County as part of the monthly reporting to help ensure completeness of all parking fees collected and deposited to the County bank account.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to document its reconciliation of parking fees reported (per daily sales reports and attendant booth reports) to the actual cash collected. OC Parks directed PCI to provide this information to OCCR Accounting as part of the monthly reporting. PCI will be notified by letter of this instruction.

Finding No. 7 – Emergency Manual Tickets Were Not Used in Sequential Order (Control Finding)

Recommendation No. 7:

We recommend OCCR/OC Parks require PCI to use pre-numbered manual parking tickets in sequential order.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to follow the existing policy and properly use the pre-numbered manual parking tickets. OC Parks has required PCI to submit a training schedule for their staff. PCI will be notified by letter of this instruction.

Finding No. 8 – Actual Cash Collected Was Not Reconciled to the VenTek Audit Report Due to a Maintenance Issue (Control Finding)

Recommendation No. 8:

We recommend OCCR/OC Parks instruct PCI to repair Pay Station #17 and ensure that all other pay station machines are functioning properly, including the ability to print all the number digits on the Audit Report Summary and other documentation.

OCCR/OC Parks Management Response:

Concur - PCI has been instructed them to repair Pay Station #17 and ensure that all other pay station machines are functioning properly, including the ability to print all the number digits on the Audit Report Summary and other documentation. PCI will be notified by letter of this instruction.



Detailed Findings, Recommendations, and Management Responses

ATTACHMENT B: OCCR/OC Parks Management Responses (cont.)

Finding No. 9 – OC Zoo Ticket Booth Policy Did Not Provide for Cash Drops (Control Finding)

Recommendation No. 9:

We recommend OCCR/OC Parks update the OC Zoo Ticket Booth Operating Guidelines and Information Guide to include a cash drop procedure.

OCCR/OC Parks Management Response:

Concur - OC Parks will update the OC Zoo Ticket Booth Operating Guidelines and Information Guide to include a cash drop procedure as recommended.

Finding No. 10 – Free Entrance to Parks (Control Finding)

Recommendation No. 10:

We recommend OCCR/OC Parks confirm with PCI the policy on free parking and that PCI comply with that policy.

OCCR/OC Parks Management Response:

Concur - PCI has been directed to train their Supervisors and Parking Attendants to have Parking Attendants follow and comply with the policy on free parking. PCI will be notified by letter of this instruction.

Finding No. 11 – Insufficient Documentation to Support Additional Staffing Hours (Control Finding)

Recommendation No. 11:

We recommend OCCR/OC Parks document its agreement with PCI to provide additional services. This documentation should include specific information regarding hours, services requested, number of employees, and any additional information pertinent to the request that would provide support for the PCI staff hours billed to the County.

OCCR/OC Parks Management Response:

Concur - OC Parks will document its agreement with PCI to provide additional services. This documentation will include specific information regarding hours, services requested, number of employees, and any additional information pertinent to the request. This documentation will be provided to PCI in a letter for regular park hours and via email for each special event.

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

Sincerely,

2/20/2018

Signature

Date