

Internal Audit Report 2018-303

**Riverside County
Economic Development Agency
Facilities Management
Parking Division
Follow-Up Audit**

Report Date: June 28, 2018



**Office of Paul Angulo, CPA, MA
Riverside County Auditor-Controller
4080 Lemon Street, 11th Floor
Riverside, CA 92509
(951) 955-3800**

www.auditorcontroller.org



COUNTY OF RIVERSIDE
OFFICE OF THE
AUDITOR-CONTROLLER

County Administrative Center
4080 Lemon Street, 11th Floor
P.O. Box 1326
Riverside, CA 92502-1326
(951) 955-3800
Fax (951) 955-3802



Paul Angulo, CPA, MA
Riverside County Auditor-Controller

Oscar Valdez
Assistant Auditor-Controller

June 28, 2019

Robert Field
Assistant County Executive Officer
Riverside County Economic Development Agency
3403 10th St, Suite 305
Riverside, CA 92501

Subject: Internal Audit Report 2018-303: Riverside County Economic Development Agency, Facilities Management, Parking Division, Follow-up Audit

Dear Mr. Field:

We have completed the follow-up audit of Riverside County Economic Development Agency, Facilities Management, Parking Division. Our audit was limited to reviewing actions taken as of August 9, 2018, to help correct the findings noted in our original audit report 2015-007 dated April 19, 2016.

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. These standards require that we plan and perform the audit to obtain reasonable assurance that our objective, as described in the preceding paragraph, is achieved. Additionally, the standards require that we conduct the audit to provide sufficient, reliable, and relevant evidence to achieve the audit objectives. We believe the audit provides a reasonable basis for our conclusion.

The original audit report contained 12 recommendations, all of which required implementation to help correct the reported findings. Based on the results of our audit, we found that of the 12 recommendations:

- 7 of the recommendations were implemented
- 1 of the recommendations was partially implemented
- 4 of the recommendations were not implemented

Details of the findings from the original audit and the status of the implementation of the recommendations are provided in this report. For an in-depth understanding of the original audit,

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please refer to Internal Audit Report 2015-007 at www.auditorcontroller.org/Divisions/-AuditsandSpecializedAccounting/InternalAuditReports.

Paul Angulo, CPA, MA
Riverside County Auditor-Controller



By: René Casillas, CPA, CRMA
Chief Internal Auditor

cc: Board of Supervisors
George Johnson, County Executive Officer
Grand Jury

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Cash Handling

Finding 1: Documentation of Cash Register Funds

“Booth attendants did not properly transfer accountability of the cash register funds. Our review of eight days of collections disclosed six days (75%) did not document transfer accountability as office personnel and the booth attendants were not initialing the “Daily Cashier Report.” Auditor-Controller Standard Practice Manual 1001, *Internal Controls*, previously known as subsection 104, requires county departments establish and maintain an effective system of internal controls. Internal controls refers to the methods and procedures used to provide reasonable assurance regarding the achievement of organizational and management objectives, including the safeguarding of assets and accuracy of records. Incomplete “Daily Cashier Reports” make it difficult to hold someone accountable should cash register funds go missing.

Subsequent to the disclosure of our results, we were informed of a change in daily procedures to ensure the booth attendants as well as office personnel are signing for the receipt and return of change funds. Our expanded review of seven days during August, September, and October 2015 disclosed that five days (71%) were not completely documented for the receipt and return of change funds.”

Recommendation 1

“Parking Division personnel document the transfer of accountability by initialing/signing the Daily Cashier Report.”

Current Status 1: Implemented

The Parking Division has revised the daily cashier report form to include a section for cashier and office reviewer signatures. Based on our review of daily cashier reports, we confirmed that cashier and office reviewer signatures were present.

Revenues

Finding 2: Issuance of Validation Stamp Booklets

“During Fiscal Year 2013/14, the Parking Division issued validation stamp booklets valued at \$2,600 without billing the respective recipient. Riverside County Ordinance 626.9, “*An Ordinance of the County of Riverside Relating to County Parking Facilities*”, lists the cost of each parking validation stamp. Procedure override of issuing parking validation booklets without billing the recipient resulted in \$2,600 loss in revenue.

We expanded our review to include validation stamp booklets issued during fiscal year 2014-15 for the period July 1, 2015 through August 11, 2015 and determined that the condition still exists as validation stamp booklets with a value of \$4,200 were issued without billing respective departments.”

Recommendation 2

“Parking Division discontinue the issuance of parking validation stamp booklets without billing the respective recipient.”

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 2: Not Implemented

Parking Division continues the issuance of parking validation stamp booklets without billing the respective departments.

Finding 3: Reconciliation of Parking Citation Revenues

“Accounting Division did not reconcile parking citation revenues with outstanding balances. Personnel were not assigned to complete reconciliations of citation revenues and fiscal operations lacked procedures for reconciling the aforementioned revenues. Auditor-Controller Standard Practice Manual 1001, *Internal Controls*, states that records should be routinely examined and reconciled to determine if transactions were properly processed. Not performing citation revenue reconciliations in a timely manner increases the risk of concealment of fraudulent activity such as stolen cash or checks and fraudulent reporting of county assets.

After multiple inquiries in our expanded audit procedures during the period July 1, 2015 through August 11, 2015, it was determined that parking citation revenues continue to be unreconciled.”

Recommendation 3.1

“Implement written procedures for a monthly reconciliation of parking citations issued, collected, and outstanding.”

Current Status 3.1: Implemented

We confirmed the Parking Division has implemented written procedures for the monthly reconciliation of parking citations. Daily citation logs and paperwork are compiled and a reconciliation is performed at the close of each month.

Recommendation 3.2

“The preparer and the reviewer of the reconciliation should document their steps and sign off on the reconciliation.”

Current Status 3.2: Implemented

Based on our review of daily and monthly reconciliations, we confirmed the preparer and reviewer documented their steps and signed off on reconciliations.

Accounts Receivable

Finding 4: Accumulation of Past Due Accounts

"The Parking Division has not deactivated past due accounts as required by their procedures. Some accounts have remained active without collection for over two years. As a result, past due accounts carry a total accumulated balance of \$53,426 (as of September 10, 2014). Auditor-Controller Standard Practice Manual 1001, *Internal Controls*, 'defines internal controls as those methods and procedures that ensure adherence to policies, procedures, regulations, and laws as well as the safeguarding of assets. Procedures to communicate past due accounts is lacking between parties managing the parking operations. By not enforcing its procedures, there is the risk of loss of revenue since unpaid balances may become uncollectable.'

We expanded our testing to include a review of past due accounts as of July 31, 2015. Even though there has been a significant drop in the accumulated balance of past due accounts, the condition for this finding still exists as accounts remain active with past due balances. The following schedule demonstrates the past due balances as of July 31, 2015."

Parking Structure	Number of Accounts Outstanding	30 Days Past Due	60 Days Past Due	90+ Days Past Due	Total by Structure
CAC	10	\$ 333	\$ -	\$ 753	\$ 1,085
Riverside Centre	11	448	465	2,463	3,375
12 th Street	31	605	515	1,628	2,747
District Attorney (DA)	13	315	175	368	858
Garage 6	5	88	40	60	188
Total	70	\$ 1,787	\$ 1,195	\$ 5,270	\$ 8,252

Recommendation 4

"Establish procedures to communicate between parties managing the parking operations to deactivate accounts that are three days past due."

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 4: Partially Implemented

The Parking Division has implemented written procedures for termination of past due accounts. A termination list is prepared each month and sent to the Parking Office to have past due accounts terminated. However, procedures do not show communication between parties to deactivate accounts that are three days past due.

Finding 5: Collection of Past Due Accounts

“Procedures for the management of past due accounts are not consistently followed. Our review of 22 parking accounts disclosed that action to collect the outstanding balance for four accounts were never initiated and actions to collect on the remaining 18 was initiated five to 25 months after the accounts were delinquent. Auditor-Controller Standard Practice Manual 302, *Accounts Receivables – Billings (previously known as subsection 704)*, requires proper and timely posting and collection of accounts receivable. It further states that at a minimum, bills for services rendered should be created monthly. The risk of revenue losses increases as the accumulation of past due balances accumulate over time.

We expanded our testing to include a review of 13 past due accounts as of July 31, 2015. We were informed that internal procedures had changed to ensure all past due accounts are reviewed and documented on a monthly basis. We noted that the condition of the finding still exists, since six of the 13 accounts had not been reviewed or collected. Fiscal personnel are in the process of implementing a more efficient way of documenting and tracking these types of accounts.”

Recommendation 5

“Implement procedures for the timely review and collection of delinquent accounts and ensure consistent compliance to the procedures.”

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 5: Implemented

We confirmed the Parking Division has implemented written procedures for review and termination of past due accounts. We also reviewed the month of August for documented terminations of delinquent accounts.

Records Management

Finding 6: Destruction of Records

"Parking application forms have not been destroyed for at least 15 years. The Parking Division maintains all active and inactive parking records in hard copy as well as electronic format. Board of Supervisors Policy A-43 includes a section noting security access records having an official record retention period of one's termination date plus two years. The Parking Division considers it necessary to keep all records on file. This may cause inefficiencies in the use of space, time, money, and labor in storing unnecessary records.

We expanded our review and determined that as of September 14, 2015, the maintenance of records continues as noted in the condition of this finding."

Recommendation 6

"Develop a Department Records Retention Schedule."

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 6: Implemented

We confirmed the Parking Division has developed a Departmental Records Retention Schedule. The Board of Supervisors approved the Parking Divisions Departmental Records Retention Schedule on October 4, 2016.

Finding 7: Parking Application Forms

"During our review of accounts and their corresponding applications, we identified accounts that either did not have an application on file, or had an incomplete application as their record. Our review of 75 applications disclosed 41 (55%) had deficiencies. These included 34 incomplete applications, five with no application, and two applications completed after the account was established and in use. In some instances, the application was signed on behalf of one's superiors. The Parking Division requires all individuals requesting parking to submit a completed Parking Permit Request or Parking Access Card application. The application will then be processed and noted as authorized by Parking Division personnel. There is a lack of controls for the review of applications; this increases the risk that an account can be created erroneously or falsely.

We attempted to expand our testing of applications for new parking accounts, but were unable to as the paper files are filed alphabetically and the system does not note which accounts are new. We were informed that the Parking Division has implemented changes to their procedures to

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ensure applications are complete and a second reviewer has looked at the corresponding application for the account.”

Recommendation 7

“Implement controls to ensure one preparer and one reviewer sign off on all activated accounts and corresponding applications.”

Current Status 7: Implemented

We confirmed the application form has been revised to include the signatures of the approver and reviewer.

Parking Administration

Finding 8: General Parking Permits for County Employees

“The Parking Division is not monitoring or setting controls to limit the issuance of parking permits identified as “Blue Square Permits” (permit) provided to county employees. These permits are for the use of the employee only surface parking lots owned by the county. The Parking Division’s current procedures allow county employees to possess an unlimited number of permits. Auditor-Controller Standard Practice Manual 1001, *Internal Controls*, defines internal controls as those methods and procedures that ensures adherence to policies, procedures, regulations and laws as well as the safeguarding of assets. The procedure has been to ensure that each vehicle displays a parking permit on the windshield and not how many are issued to each county employee. This increases the risk of having unauthorized individuals use employee only parking lots and limiting the number of parking spaces available to employees.

We expanded our review and determined that as of September 14, 2015, the Parking Division has not made any changes to the issuance of parking permits for County of Riverside employees.”

Recommendation 8

“Limits should be set on the amount of general parking permits one person may possess.”

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 8: Not Implemented

Department states County Ordinance 626.9 establishes the limits on the number of parking permits. According to the department, the parking permit limits will be addressed in the next amendment to the ordinance but no further details on whether the number of permits would be increased or eliminated.

Finding 9: Parking Activity

“The Parking Division does not have procedures for reviewing parking activity reports to identify questionable parking activity. Our review of 75 active accounts identified 28 (37%) did not have activity reports and 25 (33%) displayed questionable or irregular parking activity. We considered multiple occurrences of entries and exits logged within a short time span as questionable or odd number of entry and exit occurrences. The automated entry system has the capability to prevent multiple entries or exits, but this system capability is not currently active in the system and Parking Division did not implement compensating controls in the absence of these system capabilities. Riverside County Ordinance 626.9, *Relating to County Parking Facilities*, states that it is prohibited for county employees to facilitate a person’s failure to pay a required exit fee by allowing

him to use a parking access device that he was not issued. Not monitoring questionable parking activity, increases the risk of unauthorized people using the parking structures, reduces the Parking Division's fee revenue, reduces the number of available spaces, and increases the likelihood of non-compliance with Riverside County Ordinance 626.9.

We expanded our review and determined that as of September 14, 2015 the Parking Division has not made any changes in reviewing parking activity for possible abuse of parking privileges."

Recommendation 9

"Implement procedures to monitor parking activity through the review of activity reports and ensure compliance with County Ordinance 626.9."

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 9: Not Implemented

Department was not able to implement procedures to monitor parking activity as recommended. According to the department, the system is outdated and budgetary constraints makes it difficult to replace the system. They are working with the EO to find a funding solution.

Finding 10: Complimentary Parking

"As of October 2014, the Parking Division had 106 parking accounts for active cards and transponders, classified as complimentary, which did not require the recipient to pay the monthly parking fee. Additionally, we noted that individuals had multiple complimentary cards issued in their name. Riverside County Ordinance 626.9, section 9g, states that no county employee or any other person should occupy more than one parking space or fail to pay a required monthly parking fee. Override of normal operating procedures resulted in the loss of revenue to the County of Riverside.

We expanded our review and obtained a current listing of active complimentary accounts as of October 28, 2015. We determined that the condition in this finding still exists as all of the structures continue to have complimentary parking. In two of the five parking structures, the amount of complimentary parking increased by five additional accounts. One parking structure had a decrease of 20 complimentary accounts."

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Recommendation 10

"Parking Division close all complimentary parking accounts."

Current Status 10: Not Implemented

Department did not close all unpaid complimentary parking accounts. They are currently revising County Ordinance 626.9 to ensure recovery of all complimentary cards.

Finding 11: Controls Over Reserved Parking Spaces

"The Parking Division inventory control for reserved parking spaces is inadequate. The Parking Division designates reserved parking spaces in the Parker Accounts Receivable Information System (PARIS) and physically marks them using a numbering system or placards. Our physical inventory of reserved parking spaces for the CAC, 12th Street, and Riverside Centre garages disclosed significant discrepancies. Specifically, the PARIS report indicated 11 spaces identified as reserved by an entity or an individual. However, our physical observation disclosed 46 reserved spaces. Riverside County Ordinance No. 626.9, states that no county employee or any other person can park in a reserved parking space without the proper authorization. Review procedures are not in place to ensure the accuracy of the system reports or verification of authorized parking in the reserved spaces. There is the risk of individuals using reserved parking spaces without authorization and the loss of revenue to the County of Riverside.

On September 23, 2015, we inquired as to whether there have been any updates regarding the status of reserved parking spaces. It was disclosed that a physical review of all reserved parking spaces was performed throughout the structures and correspondence was placed on vehicles parked in the spaces to determine whether respective individuals were authorized. The information was submitted to the Accounting Division for the preparation of the annual invoices for these spaces. Accounting Division now has a master listing of all reserved spaces. We did not determine the status of payment at the time of the updated testing. However, we did note that there are entities listed on the reserved parking space listing as non-billable."

Recommendation 11

"Perform an annual inventory and update the system to ensure the accuracy of the inventory of reserved parking spaces."

Auditor Note:

The fiscal year information as written in the finding above reflect the original audit finding. Our follow up audit work included the implementation of the recommendation as of August 2018.

Current Status 11: Implemented

A review of inventory and reconciliations for parking spaces was performed. Based on our review, we confirmed the Parking Division is performing an annual inventory of reserved parking spaces.