City of Milwaukee

Office of the Comptroller

Martin Matson
Comptroller

John M. Egan, C.P.A.
Special Deputy Comptroller

May 7, 2012

Mr. Ghassan Korban
Commissioner of Public Works
841 N. Broadway, Room 501
Milwaukee, WI 53202

Subject: Department of Public Works Parking Division Revenue Recognition

Commissioner Korban:

The Office of the Comptroller recently audited procedures and controls over the Parking Fund's Revenue Recognition.

The objective of the Parking Fund Revenue Recognition Audit was to evaluate controls over the accuracy and timeliness of Parking Fund deposits and recording of revenues. Audit procedures for this report were conducted periodically throughout 2011 and 2012. The auditors conducted interviews and performed analysis of parking transactions and reconciliations. The auditors reviewed daily posting of parking transactions and the posting of those transactions into the Financial Management Information System (FMIS).

The City's Parking Fund operations are located in the Administrative Services Division of DPW. The Parking Fund manages 5 City-owned parking structures, approximately 45 City-owned parking lots, the tow lot, and approximately 6,250 parking meter spaces. The Parking Fund also issues approximately 180,000 night parking permits and approximately 800,000 parking citations each year.

Table 1 below shows Parking Fund revenues, expenses, income, transfers and net assets for 2008 through 2010 as reported in the City's Comprehensive Annual Financial Report (CAFR) and 2011's numbers are pending finalization.

Room 404, City Hall, 200 East Wells Street, Milwaukee, Wisconsin 53202-3566 Phone: (414) 286-3321, Fax: (414) 286-3281

Table 1
Parking Enterprise Fund Financial Information
(in Thousands of Dollars)

	2008	2009	2010	2011
Revenue by Source				
Structures & Leases	$ 7,842	$7,574	$ 7,449	$7,223
Parking Meters	3,803	4,653	5,112	4,937
Vehicle Towing	6,725	5,471	5,341	5,135
Parking Citations & Permits	25,237	21,864	25,237	26,998
Total Parking Revenues	**$43,607**	**$41,745**	**$43,139**	**$44,293**

As Table 1 indicates, in 2011, $27 million, or 61 percent of all Parking Fund revenues were citation and permit revenue. Parking structures and leases were $7.2 million, or 16 percent of Parking Fund revenue. Vehicle towing revenues were $5.1 million, or 12 percent and parking meter revenues were $4.9 million, or 11 percent. From 2008 to 2011, total Parking Fund revenues increased $1.9 million, or 2 percent. During the same 4 years (2008 to 2011), revenue from parking citations and permits increased $1.7 million, or 5%, and structures and leases decreased $600,000, or 8 percent.

Parking fund revenues are collected through a number of processes involving contractors and City staff. Three different contractors (Duncan, Imperial Parking, Loomis) collect and deposit revenues for the parking meters, parking citations, and parking permits.

Financial Reporting controls are designed to provide management with assurance that transactions are processed timely and recorded properly. During the audit of revenue recording in the Parking Fund, the audit discovered that the accuracy of the work performed was excellent but the information entered into FMIS is untimely. The lack of timeliness is due to a combination of factors ranging from lack of information provided by third party service providers to staffing issues.

The audit determined that parking meter, permit, tow lot and citation revenues are accurately calculated and timely deposited. Contractors Duncan and Loomis make timely deposits into the City's bank accounts, and Parking Fund staff use revenue reports to verify the accuracy of these deposits. Meter revenue is verified with reports generated by two City-owned meter software systems, and permit and citation revenues are verified with the permit/citation software system that Duncan owns and operates. Parking Fund staff then send detail revenue records to the Treasurer's Office, where the deposits reported by Duncan and Loomis are reconciled to deposits reported by the banks.

The audit did not find errors or exceptions for deposits of parking lease, meter, permit or citation revenues. Internal controls appear to be adequate for these revenues.

DPW management responsibilities of the Parking Fund include reconciling deposits made by contractors to source documents that identify reported revenues, oversight over collection of meter coins, collecting and depositing rent from leased spaces, and recording parking revenue into the City's accounting system (FMIS).

The Treasurer's Office reconciles deposits reported by the bank with deposit records provided by Parking Fund contractors and with lease payments that are managed by Parking Fund staff. The Treasurer relies on records from the Parking Fund for the bank reconciliations.

The audit determined that DPW reconciles deposits with revenues reported in source documents, they collect and deposit lease rentals, and they also record parking revenues into FMIS. However, the audit also determined that Parking revenues are not timely recorded revenues into FMIS, but are recorded weeks or months after the revenue is deposited.

Recommendation:

- The Parking Fund office should work with their third party contractors to develop a plan for receiving data in a more time sensitive manner. In addition DPW management should consider adding an additional position to assist with work flow.

During the interviews conducted, the audit discovered that the individual responsible for monthly lot rental billing was also receiving payments, recording all parking revenue received in FMIS and preparing accounts payable for the Parking Fund. The exposure produced by the inadequate segregation of duties increases the risk of undetected errors and opportunities to misappropriate assets or conceal intentional misstatements in the financial statements. Although there are other mitigating controls in place, proper segregation of duties suggests that some of these duties should be performed by separate individuals. Having one individual responsible for these tasks increases the risks of the City incurring a significant loss of organizational knowledge should that individual become incapacitated.

Recommendation:

- Management should consider separating the recording of revenue in FMIS from the billing/Accounts Payable functions.

Should you or your staff have any questions regarding this letter, please contact Aycha Sirvanci, Audit Manager, at 286-2347.

Appreciation is expressed to the Parking Fund management and staff for the full cooperation extended during this project.

Sincerely,

Martin Matson

Martin Matson
Comptroller

CC: The Honorable Common Council

MM:AS:jsd

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Ghassan Korban
Commissioner of Public Works

Preston D. Cole
Director of Operations

Department of Public Works

May 15, 2012

Martin Matson
City Comptroller
200 E. Wells St.
Milwaukee, WI 53202

RE: Department of Public Works (DPW) Parking Fund Revenue Recognition

Dear Mr. Matson:

Thank you for the "Letter of Findings" dated May 7, 2012, regarding the procedures and controls over DPW Parking Division revenue recognition.

1) In regards to the timeliness of revenue entry, the Department of Public Works (DPW) has made and intends to make further changes to improve the timeliness of entry.

   A) DPW's contractor, Duncan Solutions, understands that they were behind in their response to DPW's inquiries in regard to billing, thus delaying a timely FMIS entry by Parking Fund staff. To correct that issue, Duncan Solutions has hired additional bookkeeping staff to speed and improve the accuracy and completeness of their financial reporting. We believe that this will decrease the time to obtain answers to questions or corrections to errors when they appear.

   B) The DPW-Administrative Services Division has filled a vacant Accounting Assistant II position on May 14, 2012. The duties of the new person will be shared by DPW-Administration and the Parking Fund. The new hire will assist the Parking Fund's Accounting Program Assistant III ([redacted]) on a part-time basis with data entry of Parking Fund accounts payable or receivable, as necessary. We believe this will improve the Parking Fund's timely entry of financial data into the FMIS system.

2) Pertinent to the second recommendation regarding the separation of duties for recording revenues and billing/accounts payable functions by our Accounting Program Assistant III, all accounts payable requests for payment are reviewed and

signed off on by [redacted] DPW's Finance and Accounting Manager, thus ensuring that there is a management review of all payments. We believe that this review meets the City's guidelines in regard to the issuance of payments to vendors.

3) To address the concern indicated in the audit regarding the future absence or retirement of the Parking Fund's Accounting Program Assistant III, DPW will develop a procedural manual to be used by all temporary or permanent staff who fill in or replace the current job incumbent. We anticipate that this will be a detailed document with step-to-step procedures for how to process specific accounts receivable and payable.

If you wish to discuss any information described above, please contact [redacted] Administrative Services Director at extension [redacted] Thank you for the opportunity to address your concerns in the Parking Fund revenue audit.

Very truly yours,

Ghassan Korban

Ghassan Korban
Commissioner of Public Works

GK:SK:ejg