

The Honorable Mayor Kim McMillan
City Council Members
Charlie Koon, Chief of Staff
Clarksville, Tennessee 37040

Executive Summary

The following is an executive summary of the findings and management's comments related to the internal audit report on the Parking Authority Special Request Audit. The full audit report is attached and contains additional details about the findings and recommendations as well as more background information.

Internal Audit Report on Parking Authority Special Request

The objectives of the audit were:

- To review the process by which the Parking Authority built a dumpster enclosure and determine if the process was done properly; and
- To review the process by which the Parking Authority voids parking tickets.

Brief Background

The Parking Authority's responsibilities are broadly defined in the City Charter and the City Code. The Authority is tasked with managing and controlling parking facilities and publishing and enforcing parking regulations. In the past, an interlocal agreement defined in more detail the structure of the financial relationship between the Authority and the City. The most recent interlocal agreement expired in 2004.

Summary of Findings and Related Management Comments:

The following findings are presented in the audit report:

1. The Parking Authority constructed a dumpster enclosure on a City parking lot in the spring of 2011. Because no formal guidelines exist regarding the financial limitations and the approval process for such an expenditure confusion resulted. The audit recommends that an interlocal agreement be initiated that defines the structure of the Parking Authority's financial relationship with the City.

Management's Response: Both the Parking Authority Board and the City Director of Finance agree that an interlocal agreement is needed to clarify the financial and management relationship of the Parking Authority with the City.

2. The ticket voiding process of the Parking Authority has weak controls. There are no written policies and procedures defining the criteria by which a parking violation can be voided or waived. Also, the duties of one Parking Authority employee are not properly segregated. And auditor test work revealed there may be partiality in the voiding certain tickets.

Management's Response: Both the Parking Authority Board and the City Director of Finance agree that formalized ticket voiding policies and procedures are needed and will be implemented. The policies and procedures will be designed to foster impartiality in the process. The segregation of duties issue will also be addressed.

If you have any questions about the audit, the findings, or the recommendations please contact me at 648-6106.

Respectfully,



Lynn Stokes
Director of Internal Audit



INTERNAL AUDIT REPORT



**PARKING AUTHORITY
SPECIAL REQUEST**

FY 2011

**CITY OF CLARKSVILLE
INTERNAL AUDIT REPORT**

**Construction and Ticket Voiding Processes
Parking Authority
FY 2011**

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The Honorable Mayor Kim McMillan
Audit Committee Members
Ben Griffin, Director of Finance
David Smith, Parking Authority Manager
Parking Authority Board Members

Internal Auditor's Report

I have audited the following processes for the Parking Authority for the year ended June 30, 2011: the process of the constructing a dumpster enclosure and the ticket voiding process. The audit was conducted at the request of the City Director of Finance. The audit focused on compliance with existing laws and regulations as well as the internal controls surrounding the processes.

The audit was conducted in accordance with generally accepted government auditing standards (GAGAS) as set forth in Governmental Auditing Standards issued by the Comptroller General of the United States with the exception of the peer review. Those standards require that the auditor plan and perform the audit to afford a reasonable basis for his judgments and conclusions regarding the organization, program, activity or function under audit. I believe that my audit provides a reasonable basis for my conclusions.

In my opinion, there are material weaknesses in both processes. These are outlined in the section of the report entitled Findings and Recommendations.

I would like to thank the management and staff of the Parking Authority for their cooperation during the performance of the audit. Their willing assistance facilitated the audit process.

Respectfully,



Lynn Stokes
Director of Internal Audit

Internal Audit Report

Origin of the Audit

This audit was conducted at the request of the Director of Finance.

Audit Objectives

The specific audit objectives were:

- **To review the process by which the Parking Authority built a dumpster enclosure and determine if the process was done properly;**
- **To review the process by which the Parking Authority voids parking tickets.**

Scope of the Audit

The audit involved inquiries, observations and tests of the controls surrounding the two processes described above in the audit objectives for the period FY 2011.

Results of the Audit

Background

The Parking Authority was created in the City Charter (Article V Section 14) to adopt, publish and enforce parking regulations within the City. The Authority is also tasked with managing and controlling parking facilities and garages. Title 13 Appendix A Section 3 of City Code also addresses certain responsibilities of the Parking Authority such as rental of parking spaces. Additionally, the Parking Authority is tasked with hearing any appeals to parking ticket violations. (Charter Article V Sec 14.4).

Background Regarding the Dumpster Enclosure:

In the spring of 2011, the Parking Authority constructed a dumpster enclosure on one of the City parking lots to address the following issues:

- Several downtown businesses rent parking spaces from the City to accommodate their trash dumpsters. The use of parking spaces for this purpose began when Strawberry Alley was renovated and the area for dumpsters was reduced.
- Downtown design guidelines require trash dumpsters to be screened behind opaque enclosures.
- Local businesses cannot build dumpster screens on City parking property to comply with the design guidelines.
- Trash collection service providers frequently do not return the trash dumpsters on the City parking lot to their proper location after they are emptied. This becomes a safety issue and a parking issue.
- The trash collection trucks cause wear and tear on the asphalt of the City parking lot when they maneuver around to empty the dumpsters.

In connection with the construction of the dumpster enclosure, the Parking Authority also discussed consolidating the servicing of dumpsters within the enclosure by contracting with a trash disposal company. The discussed advantage of this arrangement was that it would reduce trash collection costs to downtown business owners and would increase Parking Authority revenues. The City Legal Department determined that trash collection services do not fall within the allowable activities of the Parking Authority. Upon receiving this information, the Parking Authority continued forward with the construction of the dumpster enclosure, thinking that another entity (Two Rivers Company) would be able to manage the trash collection aspect of the project.

Background Regarding Voiding Parking Tickets:

All parking tickets are voided by one of two methods. The parking authority staff has the authority (by informal policy) to automatically void certain types of parking tickets such as hangtag violations when a valid hangtag is later presented at the parking authority office. The other method is by the Parking Authority Board hearing a verbal or a written appeal submitted to them by an offender. Neither method has been formalized into written policies or procedures.

The Good News

The auditor tested 11 out of 66 voided tickets on a Voided Ticket Report for the month of June 2011 that the staff had voided in accordance with the informal policy of allowing them to automatically void certain types of tickets. All tickets tested had proper documentation on file to support the voiding of those tickets.

Findings and Recommendations

Auditor testing and research revealed the following findings and recommendations.

1. **Parking Authority Responsibilities: Unclear Guidelines Regarding Construction and Improvements to Parking Facilities and Other Financial Obligations**

Criteria: Any Board or Committee that is doing business on behalf of the City should have a clear understanding of what their financial parameters and responsibilities are.

Condition: The City Charter gives broad responsibility to the Parking Authority Board to “manage and control any city owned parking garage or parking facilities” (Article V Section 14.4). The financial responsibilities and accompanying relationship to the City is not defined. Some language in the Charter suggests that all capital projects should be authorized by the City Council, however the language is unclear (Article V Section 14.4). The construction of the dumpster enclosure (a \$9,800 expenditure) was not approved by the City Council.

Cause: In the past, an interlocal agreement between the Authority and the City defined the financial parameters of the Parking Authority. The last one expired in 2004 and a new one has not been signed. The reason for this is unclear.

Effect: Confusion and misunderstanding result when a committee or board is given broad responsibilities with no clearly defined financial guidelines.

Recommendation: The auditor recommends that an interlocal agreement be drawn up that will clearly define the specific financial parameters within which the Parking Authority should operate.

Management Comments – Parking Authority Board

Agree X Disagree _____

The Parking Authority Board wants to clarify that it believes that all of its actions in regard to the construction of the dumpster were carried out within its authority according to the City Code and City Charter. There was never an intent to circumvent any City Code or Charter provision. The Parking Authority Board agrees that an interlocal agreement between the City and the Parking Authority which clarifies the financial relationship and approval requirements will improve the process and clear up misunderstandings in the future. The Parking Authority also agrees that this interlocal agreement should be comprehensive in nature and define all aspects of the management and operation of the Parking Authority since there is currently no interlocal agreement of any type and the current method of operation is clearly not functioning as outlined in the City Charter.

Corrective Action Plan: We will work with the City Attorney and the City Director of Finance to develop an interlocal agreement.

Management’s Comments – Director of Finance:

Agree X Disagree _____

As Director of Finance, I am especially concerned that all City Boards understand the process and the responsibility of handling public funds and agree with Internal Audit's finding that there needs to be clarification of the duties and responsibilities of the Parking Authority Board.

Corrective Action Plan: I agree that the interlocal agreement between Finance and the Parking Board needs to be renewed. The Parking Authority asked for and was given permission by Council to hire a Parking Manager to handle day to day operations and because that manager is a City employee and the Parking Authority budget is part of the Finance Department budget, that employee is supervised by the Finance Director. I see a real liability to the city if this procedure were to change. I have heard suggestions that the Parking Authority be made into a legally separate entity and I feel that if that were to happen it would either have financial problems or have to substantially raise fees, neither of which are in the best interests of the citizens.

Projected Completion Date: January 31, 2012

Responsible Managers: Chief of Staff, City Attorney, Director of Finance, Parking Authority Chair, Parking Authority Manager.

2. Ticket Voiding Process: Weak Controls

Criteria: The following criteria relate to the ticket voiding process:

- According to the State's *Internal Control and Compliance Manual for Tennessee Municipalities*, all processes within the municipality should have written policies and procedures.
- The ticket voiding process should reflect impartiality and independence.
- Proper segregation of duties prohibits an employee who collects cash from being able to unilaterally void tickets.

Condition: The following conditions exist:

- The Parking Authority has no formal written policies and procedures which clearly outline the conditions for which a ticket can be voided.
- In FY 2011, the Board voided 37% of the tickets for which they received written appeals; however they voided 76% of the tickets for which they received a written appeal that mentioned in the appeal the name of a business that is owned by a Board member.
- One parking authority employee has the ability to unilaterally void a ticket and also has cash collection responsibilities.

Causes: No one has questioned the process of voiding tickets in the past. The Parking Authority Board believes they are not properly equipped to hear appeals and would like to turn the function over to City Court.

Effect: The lack of formal policies and procedures, the appearance of partiality and the lack of segregation of duties can result in loss of confidence in the process. It also leaves the process vulnerable to misuse.

Recommendation: The auditor recommends that the Parking Authority develop written policies and procedures for the ticket appeal/voiding process. The design of the process should foster impartiality in the hearing of appeals. The segregation of duties issue should be resolved by either removing the unilateral ability of the employee to void a ticket or by changing the cash collection responsibility of the employee.

Management Comments – Parking Authority Board:

Agree _____ **X** _____ Disagree _____

Management Comments – Director of Finance:

Agree _____ **X** _____ Disagree _____

Corrective Action Plan: We will develop and implement a ticket voiding process that formalizes the criteria by which a ticket can be voided and fosters impartiality. In regard to the employee who has both cash collection responsibility and ticket voiding capability, it may not be possible to remove one of those tasks because of the small size of our staff. However, we will work with the Parking Authority Manager to come up with a compensating control to reduce the resulting risk by initiating an additional review over all tickets voided by this employee.

Projected Completion Date: October 31, 2011

Responsible Manager: David Smith

The auditor would like to thank the Parking Authority management and staff for their help and support during the performance of this audit. Their positive attitudes facilitated the conduct of the audit and also provide the necessary environment for process improvements to take place.

If further information about this audit is desired please contact Internal Audit at 931-648-6106.