
City of Syracuse
Department of Audit
Philip J. LaTessa
City Auditor

**REPORT
OF THE ELECTED
CITY AUDITOR**

To the: Honorable Mathew J. Driscoll, Mayor
Members of the Common Council
City of Syracuse, New York
Jeffrey Wright, Acting Commissioner, Department of
Public Works, City of Syracuse

The Department of Audit is responsible for reviewing the activities of all the departments of the City in accordance with generally accepted government auditing standards. Those standards require that we assess risk in determining the subject matter for audit.

We conducted our examination in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards for the Professional Practice of Internal Auditing*, as promulgated by the Institute of Internal Auditors. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under examination. An audit also includes assessments of applicable internal control and compliance with requirements of law and regulations when necessary to satisfy audit objectives. The management of the City of Syracuse, New York, is responsible for establishing, maintain and complying with the internal control structure and for compliance with applicable laws, regulations and contracts.

Performance audits entail an objective and systemic examination of evidence to provide an independent assessment of the performance and management of a program against objective criteria as well as assessments that provide a prospective focus or that synthesize information on best practice or cross cutting issues. Performance audits provide information to improve program operations and facilitate decision making by parties with responsibility to oversee or initiate corrective action and improve public accountability.

Performance audits encompass a wide variety of objectives including objectives related to assessing program effectiveness and results; economy and efficiency internal control (programmatic, financial and compliance), compliance with legal or other requirements; and objectives related to providing prospective analyses, guidance or summary information.

Performance audits may entail a broad or narrow scope of work and apply a variety of methodologies, involve various levels of analysis, research, or evaluation; generally provide findings, conclusions and recommendations and result in the issuance of a report.

This report is intended solely for the information of the Mayor, the Common Council and the Department of Public Works for the City of Syracuse, New York. However, this report is a matter of public record and its distribution is not limited.

Introduction:

In response to information received by the Department of Audit, the City Auditor determined that an examination of parking garage supervision and management practices was in order. It was anticipated in the original Audit Scope and Methodology that was developed for the project that the performance audit aspect of the examination would be enhanced by some of the procedures normally employed during unannounced cash audits; such procedures would incorporate site visits to determine with the assistance of appropriate personnel employed by the parking garage contractor that cash and checks were being adequately safeguarded and accounted for, confirm that prior days' receipts had been properly and timely deposited, were accurately accounted for, and assess the exposure to fraud and/or theft of moneys. Consistent with Section 5-503 of the City of Syracuse Charter, an audit of operations related to four selected parking garages was included in the Audit Work Plan. The four garages selected were the Fayette Street Parking Garage, the Washington Street Parking Garage, the MONY Parking Garage and the Harrison Street Parking Garage. The manager retained by the City for the Fayette Street, Washington Street and MONY Parking Garages is Murbro Parking, Inc. and the most recent management agreement for the Harrison Street Garage is with Allright Parking Systems, Inc. The audit period was from October 1, 2005 through March 31, 2006.

Background Information:

General Background

In 1987 the City's Department of Transportation was consolidated into the Department of Public Works, primarily within the newly configured Division of Transportation. The City Budget for fiscal 1987 reflected the abolishing of the entire Department of Transportation and the transfer of personnel costs and contractual expenses to Public Works. The Transportation Division is charged with the responsibility of assuring municipal transportation in the most convenient and safe manner, with

minimum interference and congestion. This includes the implementation, operation and maintenance of the City's traffic system services and street lighting. The Division has also assumed the responsibilities previously held by the Department of Transportation's Off-Street Parking Bureau. This Bureau had been responsible for the inspection, operation and maintenance of all municipal parking lots, City-owned parking garages, and City Parking meters.

In the interval since 1987, there have been several organizational re-configurations that have moved responsibility for technical support services related to design, construction and renovations of parking structures back and forth between the Department of Public Works and the City's Department of Engineering. The focus of this audit was not to evaluate the maintenance and renovations aspects of the parking garages, but rather to look into the daily operation of the garages as areas where substantial monetary transactions occurred, and the oversight by the Department of Public Works to assess its general management of this particular component of the Division of Transportation. However, it should be noted that the rotation and sharing of responsibility for garages between departments has created confusion which we found to be a recurring theme in other areas reviewed during the audit.

In 2005/2006, the Department of Public Works administered nine parking garages. In recent years there have been twelve different parking garage facilities on-line, however, over the last eleven years, various garages have been closed for repairs, sold or demolished. Between the 1994/1995 fiscal year and the 2004/2005 fiscal period the revenues generated to the City from these physical investments constructed in various areas of the City have averaged between \$3.6 million and \$4.1 million annually. The four garages selected for examination in this audit have been responsible for generating 50.6% of the total revenues from all garages for the above-noted period (See Attachments A and B), making them substantial contributors to overall parking garage income as well as standard selections for risk assessment. The audit of the operation of parking garages under the supervision of the Department of Public Works was conducted to in part determine the efficiency of their operation and management, relative to the entire garage administration component.

Financial Background

The contracts for the parking garages specify that the Owner (the City) shall pay the Manager a specified fee per space per month for Manager's services under each agreement. Additionally, the Owner shall reimburse the Manager for the expenses the Manager incurs and for which the Owner has expressly agreed to be responsible under the agreement, within thirty (30) days after receipt of Manager's written request for reimbursement and upon the submission of the information and documentation requested by the Owner and/or otherwise required by the agreement.

The contracts further stipulate that the Manager shall deposit each day, at the end of each shift the entire gross revenue of each shift's operation at a bank named by, and to the account of, the Owner. Such account will be a Trust Account established by the

Commissioner of Finance of the City of Syracuse. On a daily basis, the Manager shall transmit all bank deposit slips to the City department head designated to receive them.

The Manager shall retain cashier worksheets, deposit slips and register tapes for a period of three (3) years, and all parking ticket stubs, for the purpose of auditing by the City. Such records shall be stored as directed by the City and be made available upon request.

Upon review of the numerous bank accounts used by the City for parking garage transactions, the Commissioner of Finance for the City of Syracuse made a determination several years ago that it was preferable for a single account to be used for all the City's garages instead of those housed at several local banks. HSBC was selected as the depository bank and a single account was established. Daily deposits are made to HSBC and each garage's deposits were supposed to be made with the utilization of a deposit slip that contains a micro-encoded, two-digit number (MICR Number) that would identify which garage was making the deposit.

During our review it was determined that in the Department of Finance two individuals, a Deputy Commissioner and an Account Clerk II, assigned to the Bureau of Accounts, were involved in the reconciliation of the parking garage account and the collection of bad checks. At the Department of Public Works, the daily financial management of financial and accounting management of the garages involved the Administrative Officer for Public Works and an Accountant I from the Main Office.

Our examination confirmed that daily deposits are made by the garage managers. At the end of the month the Department of Finance is sent the monthly bank statement for the garage revenue account. The statement details the deposits, and provides the detail of any adjustments, fees and charges, printing charges related to the account and returned items. Our dialogue with DPW and Department of Finance staff indicated that a Deputy Commissioners of Finance was also sent the original checks that were returned to the bank for there being insufficient funds to cover. These checks, referred to as Returned Checks or NSF Items, were handled by the Deputy Commissioner who sent letters to the maker indicating receipt of the returned item and the general reason for it being returned. The maker would be advised that a \$20.00 returned check fee and the original check amount were due to the City.

We found no indication that the garage managers were being made aware of any of the returned items, which could be checks from monthly parkers or daily garage users. We were informed by the Department of Public Works that they were provided with information on the successfully collected items, but that they had no specific information being communicated to them on any of the failed efforts to collect. In turn, this made it impossible for DPW to inform the garage managers of the unpaid items in an effort to pursue collection, terminate services, etc. We also found no evidence of any sort of log or master sheet being maintained on returned checks for tracking purposes.

Upon the monthly receipt of the bank statements, the Department of Finance would forward the original copy to the Department of Public Works. This is the earliest transmittal of the details on returns, fees, etc. that DPW gets, which was pointed out to us as a disruption in normal information flow. The Accountant I at Public Works will then reconcile the deposit slips received from the garages to the bank statement, make the necessary adjustments for credits or debits based on information contained in the bank statement and compile the journal entries to be posted to reflect the revenues received, by location. The Accountant I sends the journal entries to the Bureau of Accounts for posting to the City's Financial Recording System.

Operational Background

The contracts also require that only numbered parking tickets provided by the Owner are to be used and the Manager shall be fully accountable for these tickets. Tickets lost by customers shall be accounted for by a "lost ticket form" provided by the Manager and approved by the Owner and fully executed by the customer. Managers will be charged for tickets unaccounted for in excess of five (5) in one month on a sliding scale and such sums to be charged may be deducted from the Manager's fee.

The parking rates established for each facility are established by the City of Syracuse. The Owner has the right to establish a maximum number of monthly parkers and to designate specific areas of the garage for the exclusive or mandatory use of monthly parkers or transient parkers. The Managers are bound by and must honor any existing agreements or any agreements the Owner may make for the purpose of reserving monthly spaces, turnover spaces or parking validation programs.

The Managers shall insure that all parking charges are prominently displayed at the entrance and on each exit booth of each parking facility on signs, the size, design, and location of which shall be subject to the written approval of the Owner.

Audit Scope:

Scope and Methodology

The purpose of this audit was to get an over view of the management of four selected parking garages through a review of the Comprehensive Audit Questionnaire submitted by the Department of Public Works and from meetings/communications with various individuals in DPW, the Department of Finance and the Corporation Counsel's Office; subsequently, spot checks would be scheduled at some or all of the selected garage sites.

The planned methodology of this audit was to meet with appropriate personnel, to obtain necessary documentation, relevant policies and procedures, and any pertinent correspondence to verify the management practices in place as they relate to the four garages selected for investigation. With a general understanding of the daily operations of the garages obtained, it was expected that the Audit Team would make unannounced

visits to the four garages to perform a physical count of the cash and checks in the cashiers' drawers and the reconciliation of cash and checks on hand to the daily imprest balances plus the cash and checks collected by the cashiers on the premises, per the cash register/revenue control equipment tapes and/or the daily recap sheets maintained by the garage.

Preliminary interviews were conducted with staff from the Department of Public Works and the Department of Finance. The Audit Department's initial contact with individuals from these departments very quickly started to reveal that there were a number of serious gaps in cohesive management that should be investigated to understand what has been developing over an extended period of time. This new information that was shared with the Audit Team demanded that the original scope and methodology needed to be adjusted.

Objectives:

The original objectives of the audit included confirming that the cash on hand was being adequately safeguarded and accounted for, performing a risk assessment of each of the selected locations to determine if there are sufficient internal controls against the theft of moneys and services, and reviewing the current parking garage contracts to verify that revenues are being calculated and reported properly. In addition to the above-noted objectives, the effectiveness of the Department of Public Works in administering its responsibilities was also anticipated to be reviewed for possible improvements.

After meeting with the Acting Commissioner of Public Works on May 8, 2006, the Audit Department started to receive materials requested including the deposit slips and cash register reconciliations from 10/01/05 through 03/31/06, credit memo or other notices issued by the bank indicating any correction, revenue and expense reports and reconciliations from 10/01/05 through 03/31/06 and all journal entries used to post monthly revenues and expenses for the audit period.

It was with the review of this financial information that it started to become evident to the Audit Department that there was a lack of coordination and accountability in reporting the moneys the City was receiving from the parking garages. Among the problems we identified were the fact that HSBC Bank was not always accurately adjusting for the differences between the actual cash/checks included in a deposit and the amount entered on the deposit slip, the source garages were occasionally not identified due to the use of generic deposit slips instead of the encoded MICR deposit slips, that there was no timely communication between the Department of Finance and the Department of Public Works staff regarding NSF checks, and that there was a lack of any sense of ownership over the management of City parking garages.

Also among the first requests for relevant information made by the Audit Department was the request for copies of the most recent contracts for the four garages that had been specified. It took several weeks to get three of the four contracts, those being the Fayette Street Parking Garage, the Washington Street Parking Garage and the

Harrison Street Parking Garage. The City's staff from the Department of Public Works and the Corporation Counsel's Office was asked to search their files for the fourth and final contract requested, for the MONY Parking Garage. While the Acting Commissioner of Public Works was asked to start providing contracts and related information at a meeting with the Audit Team in May 2006, the MONY Parking Garage contract has not been located and forwarded to the Department of Audit.

When we started looking at the contracts that were provided, we observed that the most current agreements had expired on December 31, 1999. We asked why the contracts had been allowed to continue without re-bidding for nearly six and a half years after the 6/30/99 termination date, which was the common date of termination for the eight separate garage contracts that we were able to examine.

The Department of Public Works has expressed the opinion that the specific provisions of the expired contracts have been extended on a month-to-month basis and that the City, as the owner, has the ability to exercise the option to terminate without cause or penalty upon thirty (30) days written notice to manager. We contacted the Corporation Counsel's Office regarding this interpretation of the present status of the contracts, bringing to the attention of Corporation Counsel Staff the fact that there is no specific mention of the option to continue past the termination date of the agreements in the executed documents that we had been given. Nonetheless, the City's Corporation Counsel concurs with the position taken by the Department of Public Works that the City is within its rights to continue with month-to-month extensions and without the requirement to get Common Council approval for extending the contracts past their termination dates.

We were informed that Department of Public Works staff had started to review the expired contracts in 2002 to try to incorporate desired changes that would improve the administration of the parking garages, before soliciting bid responses from professional garage management companies. The management at DPW recognized a number of provisions in the existing contracts that could be altered, bringing benefit to the City's ongoing operating of its parking garage assets. Due to personnel changes that took place during that part of 2002, the momentum toward authorizing improved contracts was lost.

The individuals involved in working on updating the garage management contracts were not exclusively employed to deal with the parking management function. The last individual that held this responsibility, and was physically located at the Department of Public Works, held the title of "Building Manager". The person who was in this position left City employment in 1998 and his departure started the trend of using various City Hall staff on an as-needed-basis to give DPW assistance and fill in; the parking management portion of their job duties was generally one of several job responsibilities and their attention to parking issues has remained limited, as evidenced by a number of the findings in this audit.

We asked the DPW personnel we met with how they made determinations as to compliance with garage contracts when: a.) They did not have copies of the most

current agreements to reference and b.) Provisions of the agreements were over six years old. While staff felt that they could answer these questions, it was freely communicated that there had developed lapses in oversight, resulting from insufficient resource being dedicated to the supervision and management of the parking garages.

The lack of adequate support was the reason given for a number of inactions and oversights on the part of Public Works, as the owner of the facilities. For example, mention was made of the failure of the City (DPW) to perform spot audits to determine if the garage managers are in compliance with the provisions of the contracts, as an indicator of the typical kind of omissions in adequately supervising the contractors.

Conclusion:

The conclusion reached by the Department of Audit regarding the operation of parking garages under the supervision of the Department of Public Works is that the management of the garages has been fundamentally flawed, if not non-existent. An insufficient level of support has been dedicated to the parking program in general. It seems to be a reflection of a belief that the City's investment in parking, made out of necessity to assist the City with its parallel economic development agenda, is by nature a losing investment and the best philosophy available to the City is one that minimizes the number of dollars committed. Given the materiality of the dollars involved in the macro-economic picture (Including the construction of garages and the required maintenance as well as the costs of daily operation, utilities, etc.), and in light of the instability of the City's financial condition with its excessive reliance on nonrecurring revenues, fuller support and participation from management is critical and timely.

One of the most striking impressions the Audit Team picked up during the early phase of the audit is that there was a lack of ownership associated with parking. It came across as though the staff doing the management and accounting for the garages felt they had only a partial responsibility to see that things were done properly. Whether this is a result of the including of multiple departments in many aspects of the operating of City garages (i.e. maintenance efforts shared by DPW and Engineering, while the financial accounting for the garages is split between DPW and the Department of Finance) or other factors, the City management must sort out these interactions and establish a chain of leadership and ownership that can provide the immediate corrective action needed to re-establish control over the management of the parking garages.

Later on it may be in the City's interest to evaluate the potential for moving to a City Parking Authority, re-creating a separate Department of Transportation or merely reorganizing the Bureau of Transportation within DPW. In the short term the City must focus on working collectively to remedy the problems currently impeding effective management of the garages. The areas needing corrective action immediately or almost immediately are numerous and it is understandable if the Management of the Department of Public Works were to feel overwhelmed by our findings. It is the belief of the Auditor that by building a core management team whose job it will be to prioritize the

goals and starting to work toward these goals with a work plan that reflects a number of the recommendations herein; major improvements are within the City's reach.

For a number of years the City's printed budget has displayed an Analysis of Tax Levy Impact derived from city parking facilities. The analysis for 2005/06 indicates that the total revenues associated with parking (Inclusive of garages, lots, and meter receipts) falls short of the expenses (utilities, contract expenses, debt service, etc) by over \$2.4 million. It has been this subsidizing of parking that has been interpreted to be the cost to City government's efforts to make a number of City businesses economically viable and provide a level playing field to those competing against development in the surrounding suburban communities. However, by casting the analysis in the light of "Tax Levy Impact" the emphasis is turned toward finding ways to lessen what is essentially a cost to taxpayers. This can be done in several ways other than under-investing in the managing and operating of expensive parking facilities.

Auditor's Note: During our interview sessions with the management staff at Public Works, we observed a very proactive attitude and we felt the interest expressed in working closely with the Audit Department to resolve these long-standing problems was genuinely made. This support was greatly appreciated and we look forward to working with these individuals in the future to remedy the problems brought to light in this report.

Findings and Recommendations:

Finding 1: Public Works Department Unable To Locate Contracts For All Garages Included In Audit

Finding: As noted in the Audit Objectives, the administration at Public Works was not able to provide the Audit Department with the most recent parking management agreement for MONY Parking Garage even after repeated requests.

Recommendation: Public Works Management needs to immediately locate copies of all executed contracts for the parking garages and parking lots that it currently manages and needs to inform appropriate staff as to the location of their retention so they are available as a resource for determining the responsibility of the City and the Managers of these facilities.

Management Response: To date no signed agreement has been located. However, the Acting Commissioner has located the ordinance authorizing contract with MURBRO Parking, Inc. relative to the management of the MONY Parking Garage, Ordinance 229-1999.

Finding 2: Garage Contracts Expired on December 31, 1999 Without Subsequent Action By City To Put Expired Contracts Out To Bid

Finding: As noted in the Audit Objectives, the administration at Public Works started to address the issue of expired parking garage contracts in 2002 but failed to complete the

desired changes in newly-structured agreements and successfully put revised documents out to bid. As a result of this failure, outdated and unfavorable contracts have been allowed to remain in place for an unacceptable period of time.

Recommendation: Public Works Management needs to immediately start reviewing the currently used agreements for changes and start the process of openly soliciting parking garage management firms, both regional and national, with the goal of enhancing the City's position with the best possible contractual arrangements possible.

Management Response: Current agreements have been reviewed and a proposed Operating and Structural Management Plan must be finalized with the Department of Engineering and the Department of Law. Once hired, the first priority of the Parking Facilities Supervisor will be to finalize this plan and begin the RFP process.

Finding 3: Expired Garage Contracts Extended On Month-To-Month Basis Without Common Council Approval

Finding: As stated previously, both the Corporation Counsel's Office and the administration at Public Works have taken the position that it is within the City administration's prerogative to have extended the parking garage contracts over the last six plus years on a month-to-month basis without Common Council approval. We accept the legal interpretation provided by the Corporation Counsel as valid while suggesting that such action is counter to the spirit of the RFP process in soliciting proposals both from the point of view that such continuances does not favor an open and competitive environment and that the extending of significantly older agreements can be seen as an act of favoritism toward the existing vendors managing garages at the expense of taxpayers. Best practice policy would favor a timely re-bidding of expired contracts: this is obviously especially desirable when the magnitude of the dollars involved is as large as with the parking garages.

Recommendation: Public Works Management needs to establish the re-bidding of the parking garage contracts as an immediately priority for the individual who is hired for the newly created title of Parking Facilities Supervisor.

Management Response: As stated in the Management Response to Finding #2, once hired the first priority of the Parking Facilities Supervisor will be to finalize the Operating and Structural Management Plan and begin the RFP process.

Finding 4: City Has Failed To Communicate Information To Garage Managers Related To NSF Checks Allowing Some Parkers To Park Free Of Charge

Finding: The handling of returned checks was observed to be a disjointed system at best. We found no written procedures detailing what steps are to be taken to collect on returned items and no provision for communication whatsoever with garage managers who might be able to assist in the collection process by threatening to terminate access for non-payment. The Deputy Commissioner of Finance who has been sending out

collection letters did not bring DPW into the process, allowing Public Works fully exploit its relationships with garage managers to maximize collection efforts. DPW was only provided with information on the successful collections resulting from the letters sent by the City and had no details regarding the individuals who did not respond to the letters.

Recommendation: The Department of Finance is encouraged to take the lead in establishing a written Returned Check Policy that would apply to the handling of NSF items regardless of which operating department is responsible for revenue collection. Furthermore, Public Works Management needs to establish a written Returned Check Collection Procedure that would outline the policy for notifying the managers of the City's parking garages and lots of non-payment. One of the two departments needs to set up and maintain a log to track the returned checks and DPW should share information related to repeated offenders with the garage managers.

Management Response: Based on the Department of Finance's "Procedures for Handling Returned Checks" (reference "Subsequent Events" on Page 15), the Department of Public Works is currently establishing a written policy for the garage managers related to NSF checks.

Finding 5: No Timely Communication Between Bank and City

Finding: The Department of Public Works Staff that were contacted during this audit informed the Audit Team that they only were made aware of any adjustments in the bank account due to returned items, fees and charges, etc. at the end of the month when the prior month's bank statement was received from the City's Finance Department. While the Finance Department received notification on the returned checks, all other adjustments were likewise not communicated to the City until the monthly bank statements were sent out at the end of each month.

Recommendation: The Department of Public Works need to ensure that it receives whatever information it deems to be relevant in a timely manner from HSBC Bank. A closer working relationship needs to be established for DPW to properly manage the financial component of the administration of parking garages.

Management Response: The Department of Finance has requested of HSBC Bank timely notifications of all bank adjustments. Once received by Finance, copies are to be forwarded to the Department of Public Works. This procedure will aid in the management of the financial component of the administration of the parking garages.

Finding 6: Frequent Addition Errors Made By Garage Managers When Assembling Deposit Slips

Finding: The review of the deposit slips provided to us for the audited period showed an unusually large number of mathematical errors having been made by the garage managers in preparing deposits. There was a question of consistency in how these deposits were

prepared suggesting that a calculator might not have been used. There was no indication that a calculator tape was submitted on a regular basis with the deposit.

Recommendation: The Department of Public Works need to ensure that more attention is given to the preparation of the deposit slips, and the managers need to be held accountable for a higher degree of accuracy. DPW should instruct garage managers to include a calculator tape with each deposit to verify the total amount of cash and checks included in the deposit and accurately total the amount of the deposit.

We were provided with various spreadsheets that are maintained at some of the garages, with the intent being to show that there was some further maintenance of receipt information that stood behind the daily deposits. However, our review showed that these spreadsheets were of limited value, and in some cases didn't even seem to be based on programming formulas that accurately tied out to the daily amounts deposited at the bank. We suggest that either DPW or the Finance Department work with the garage managers to put into use a uniform spreadsheet that will assist in improving the accuracy of the daily deposits.

Management Response: The Department of Public Works has developed a daily reconciliation form to be completed by the individual parking garage supervisors. This procedure will achieve a higher degree of accuracy in the daily preparation of deposit slips. The Department of Public Works has scheduled individual training sessions with each garage supervisor to review this procedure. Full implementation of the procedure is expected to be in place on or about August 15, 2006.

Finding 7: No Master Spreadsheet Detailing Revenues And Expenditures For City's Parking Garage Operations Maintained

Finding: Our examination showed that there was no master spreadsheet maintained for expenditures and revenues, the percentages of growth or shrinkage, etc. that could be useful for long-term planning.

Recommendation: A master document, which could be formatted by the Parking Facilities Supervisor to best suit the City's planning decisions (i.e. Set up to aid with periodic pricing adjustments in facilities to impact on parking habits) as that supervisor sees those needs, should be another one of the top priorities to establish control over the City's parking structures and manage them in a proactive manner in conjunction with economic development needs.

Management Response: The Department of Public Works concurs with this recommendation.

Finding 8: Bank Errors Not Found And Brought To The Attention Of The Bank: Information From HSBC Bank Statements Not Accurate

Finding: Our examination of deposit slips revealed errors in addition being made in making deposits that HSBC Bank failed to pick up and record corresponding adjustments. It may be a situation where, given the mix of coins, currency and checks, the bank has been adjusting the amounts being credited to the actual receipts by using its own short account (an internal over/under account maintained by HSBC). As a result, DPW was reconciling revenue against inaccurate bank statements. Since reconciling against the bank is at the core of the reconciliation process, the bank's information must be completely accurate or needs to be adjusted when the customer points out mistakes in the bank's work.

Recommendation: We recognize that DPW does not have the time to manually recheck every deposit slip submitted to the bank from all nine of the City's parking garages. However, as the responsible department for the information delivered to the bank, DPW needs to work with both entities - the garages and the bank - to find a practical way to address this situation and correct it.

Management Response: The Department of Public Works is working with the Department of Finance and HSBC Bank to address this issue.

Finding 9: No Written Policies Or Procedures In Place For Handling Of Returned Items, Bank Exceptions, etc.

Finding: As we have found in a number of other audits on City operations, there were no written policies or procedures that could be located in DPW or the Finance Department to follow for handling returned checks or to confirm the accuracy of other charges reported in the monthly bank statements.

Recommendation: Once more the Department of Audit encourages the Department of Finance to take the lead in establishing a written Returned Check Policy that would apply to the handling of NSF items regardless of which operating department is responsible for revenue collection. The Department of Public Works needs to establish a written Returned Check Collection Procedure that would outline the policy for notifying the managers of the City's parking garages and lots of non-payment. DPW should also establish a written procedure for verifying the amount charged by the bank for other charges and adjustments so that they are reasonably accounted for and understood.

Management Response: Once hired, the Parking Facilities Supervisor shall establish such policies and procedures.

Finding 10: No Uniformity In Utilization/Placement Of Revenue Control Equipment: Some Equipment Still In Use Outdated

Finding: We found that an effort to standardize the revenue control equipment was started by the Department of Public Works but was not seen through to its conclusion. Whether totally standardized revenue control equipment is a prudent goal, or whether a mix of a number of professional products would be a better solution is for the

management team at Public Works to determine. It seems clear though that the out-dated equipment remaining in some of the garages does not facilitate the City's efforts to get at data and use it effectively.

Recommendation: DPW needs to make this another priority for the Parking Facilities Supervisor when that person is hired. That professional position can be instrumental in directing the City's energies in finding the right equipment that will give the City information that can be used for monitoring garage revenues and using the data base of each garage as a planning tool.

Management Response: The Department of Public Works concurs with this recommendation.

Finding 11: No Spot Check Audits Being Conducted By Management Of The Department Of Public Works

Finding: We were informed that the lack of adequate staffing had prevented DPW from undertaking what it recognized as its own audit responsibilities in the garages including the use of spot checks to keep the garage managers and staff sensitive to the fact that they were being checked on by the garage owner's employees.

Recommendation: DPW will want to reinstitute a regular schedule of periodic spot checks in the garages at the earliest opportunity after re-aligning the staffing to meet the needs and responsibilities of the Division of Transportation.

Management Response: Spot checks shall be established and shall be the responsibility of the Parking Facilities Supervisor once hired. In the interim, Bureau of Main Office staff shall conduct monthly spot checks.

Finding 12: City Has Failed To Replace Full-Time Administrative Staff To Manage The Parking Garages Function

Finding: We were informed that DPW was optimistic that a number of the problems pointed out during the audit of the operation of parking garages under the supervision of Public Works would be addressed with the hiring of an individual to fill the newly created position of Parking Facilities Supervisor. The lack of adequate managerial staffing was portrayed as a major undermining of DPW's management and operational responsibilities for the garages. We were also led to believe that the recognition of this need was obvious enough to the Office of Management and Budget that the Budget Office expedited the hiring process by creating the new position in May 2006 (The new position was originally scheduled to be created as part of the 2006/07 budget which means that the effective date for the position was July 1, 2006). We did see the approved Create/Abolish Form that created the new position in May and hoped this did in fact reflect a real recognition of the extreme need for this position, but as of July 24, 2006 nobody has been hired for this job.

Recommendation: DPW needs to successfully move the process along and find someone qualified to fill the position of Parking Facilities Supervisor as soon as possible.

Management Response: The Department of Public Works has budgeted for a new position of Parking Facilities Supervisor in the 2006/07 FY Budget. A request has been submitted to fill said position.

Finding 13: City Has Failed To Commit Adequate Resources To Function Which Involves A Material Amount Of Revenue And A Substantial Amount Of Cash

Finding: The City has created many of the problems reported in this examination of the operation of parking garages under the supervision of Public Works by under-investing in the management of these garages. The City has not dedicated sufficient resources (supervisory staff, operational staff, investment in revenue control equipment, capital reinvestment, etc.) to be regarded as a good “owner” for the multi-million dollar structures that it owns and operates. This can only set the stage for future problems that could manifest themselves in a vast array of complications. With better management of the assets discussed in this audit, the City may be able to recoup the additional dollars that would be spent on the expense side with comparable revenue increases on the income side of the equation.

Recommendation: DPW needs to successfully advocate for adequate resources to be made available to sustain the assets that represent millions of dollars in investment from taxpayers and fully take on the role of ownership and responsibility that is the true role of the Department of Public Works as the managing department for this governmental function.

Management Response: Capital investment has been prioritized over the last five years so that the investments are being made in a more proactive manner to extend the life use of the parking garages. This effort will be enhanced under the Operating and Structural Management Plan that is currently under development and shall be implemented once additional staff is hired. In addition at this time, budgetary constraints are a challenge when managing assets.

Subsequent Events:

On June 30, 2006, the Systems Accounting Manager for the City’s Department of Finance sent a correspondence to HSBC Bank requesting that the Finance Department be notified in a timely fashion when there are items returned unpaid and when deposit amounts are adjusted due to errors.

On July11, 2006, the Department of Audit was provided with a copy the written Procedures for the Handling of Returned Checks as distributed by the Bureau of Accounts and described as preliminary guidelines that may be revised by the supervisor of the Bureau of Accounts as necessary.

The Department of Audit acknowledges and applauds these efforts initiated by the Department of Finance, Bureau of Accounts.

July 24, 2006

**Philip J LaTessa
Syracuse City Auditor**