

**Arizona State University
Parking Permits
Audit Report
August 2, 2017**

This page left blank intentionally.

Arizona State University
Parking Permits
Audit Report
August 2, 2017

Summary: The Parking Permits audit was included in the Arizona State University (ASU) FY 2017 audit plan approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU senior leadership. The audit focused on the issuance, billing, and payment collection for parking permits issued across all campuses. This audit is in support of ASU's mission of effective management of financial resources and focus on efficient operations at all levels of the University.

Background: ASU Parking and Transit Services (PTS) is a self-supporting service organization dedicated to balancing the competitive parking needs of a large and diverse university located on five distinct campuses across the metropolitan Phoenix area. Annual permit sales comprise the main source of revenue for PTS. Annual sales for FY 2017 included approximately 31,500 permits totaling over \$13 Million. Students, faculty, staff and third parties may purchase annual or semester permits. Those who choose not to purchase a permit, as well as campus visitors, must comply with various daily and hourly parking options.

PTS utilizes "Flex", a hosted application from T2 Systems Inc., to manage parking permits for the University. Permits are ordered annually in conjunction with the academic year and are based on various criteria including campus, lot/garage, and time restrictions (i.e. evening only). Permits are printed through a third-party vendor, WWL, that also fulfills online permit purchases on behalf of PTS.

Parking permits are sold at the PTS office at each campus. Payments can be made in cash, check, card, payroll deduction and through student accounts. Invoicing also is performed for third-party sales. At the time of sale, the permit is activated in the Flex system. The Flex system then is utilized to aid in parking enforcement activities across the University.

Audit Objectives: The objectives of the engagement were to assess the design and operating effectiveness of controls in the following areas:

- Physical and inventory controls over parking permits
- Parking permit issuance
- Billing and collection of parking permit fees
- Monthly revenue and in-transit reconciliations
- Cash handling
- Opportunities for improvement.

Arizona State University
Parking Permits
Audit Report
August 2, 2017

Scope: The scope of the audit focused on the period of March 2016 to February 2017 and covered all campuses. This audit did not address general computer controls related to the Flex system as this was addressed in a prior FY 2017 audit.

Methodology: Our audit consisted of tests and procedures necessary to provide a reasonable basis for expressing our opinion. Specifically, audit work consisted of interviews with the ASU PTS organization, observation of work processes, review of documented policies and procedures and substantive tests including the following areas:

- Performing a three-way match of the FY 2017 permits ordered with the Flex system and the physical permits received to ensure permits were received and properly accounted for.
- Validated cash handling procedures through observation and tracing 25 days of daily balancing reports to the treasury statement.
- Validating the accuracy of permit holder information in Flex by tracing set up forms for a sample of 18 permits sold.
- Validating settlement procedures/exception processing for the various purchase methods:
 - Cash/Card/Check: Trace permit sales to treasury statements for 15 days.
 - Payroll Deduction: Trace permit sales to PeopleSoft for a sample of five payroll runs.
 - Bill to Student Account: Performing analytic procedures over March 2016 to February 2017 activity to ensure permits sales were applied to student accounts.
 - Third Party: Tracing 25 permit sales to payment receipt.
 - Exception Processing: Tracing a sample of exceptions from each category to ensure timely resolution.
- Tracing a sample of 25 permits reported lost/stolen to the required affidavit signed by the permit holder and confirming permits were deactivated within Flex.
- Validating the accuracy of monthly revenue and in-transit items related to parking permits for a sample of three months.
- Assessing physical access to the PTS safe rooms where parking permits were stored.
- Assessing the year-end inventory performed to ensure remaining permits were accounted for.

Conclusion: Overall, PTS has generally implemented adequate controls over managing the parking permit process; however, improvement is needed over the physical and inventory controls as well as for some exception processing activities.

Effective controls are in place to ensure accurate ordering, set up and receipt of permits. In addition, robust controls are in place governing daily sales, cashier reconciliations, cash

Arizona State University
 Parking Permits
 Audit Report
 August 2, 2017

handling and recording revenue and in-transit activity. These areas have defined processes that are consistently followed including effective management oversight and review.

Controls governing the safekeeping of permits require improvement. Specifically, testing indicated that 15 percent of the individuals with access to where the unsold permits are stored was inappropriate. In addition, the existing reconciliation process for unsold permits is ineffective. The process does not ensure appropriate segregation of duties or documentation nor is it performed at all campus locations. Failure to adequately control permit inventory could result in theft of permits and lost revenue.

In addition, defined procedures related to lost/stolen permits are not being followed. Specifically, 16 percent of the lost/stolen permits tested did not follow the defined process, which require a signed affidavit from the permit holder.

Due to the volume of permit sales, exception processing is a key aspect of daily balancing to ensure appropriate payments are received. Exception processing related to the various settlement methods was found effective excluding payroll deduction. Testing indicated that there are no processes in place for the Polytechnic campus related to payroll deduction exceptions. In addition, processes in place at the other campuses do not ensure timely resolution of exceptions. Specifically, 46 percent of the payroll deduction exception items reviewed took three months or more to resolve.

The control standards we considered during this audit and the status of the related control environment are provided in the following table.

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	Control Environment	Finding No.	Page No.
Reliability and Integrity of Financial and Operational Information			
<ul style="list-style-type: none"> • Daily reconciliations are performed to confirm settlement of cash, check and payment card transactions. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Daily reconciliations are performed to ensure bill to student transactions are processed to student accounts. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> • Bi-weekly reconciliations are performed to ensure payroll deduction transactions are processed through PeopleSoft. 	Reasonable to Strong Controls in Place	N/A	N/A

Arizona State University
 Parking Permits
 Audit Report
 August 2, 2017

<ul style="list-style-type: none"> Invoicing processes are in place to ensure payment of third party permit sales. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> Monthly revenue amounts are recorded in a timely and accurate manner. 	Reasonable to Strong Controls in Place	N/A	N/A
Effectiveness and Efficiency of Operations			
<ul style="list-style-type: none"> Annual permit ordering, set up and management ensures permits are available and functional for students, faculty, staff and third parties. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> Quality assurance controls are in place to ensure activation of permit sales and accurate recording of required permit holder information. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> Exception processing controls are in place to ensure exceptions are resolved in a timely and accurate manner. 	Reasonable to Strong Controls in Place	4	8
<ul style="list-style-type: none"> Affidavits for lost or stolen permits are obtained to ensure permit holder acknowledgment and deactivation in Flex. 	Opportunity for Improvement	3	7
Safeguarding of Assets			
<ul style="list-style-type: none"> Effective cash handling processes exist and are being followed. 	Reasonable to Strong Controls in Place	N/A	N/A
<ul style="list-style-type: none"> Annual reconciliations of permit inventory are performed to ensure unsold permits are identified and destroyed. 	Opportunity for Improvement	1	5
<ul style="list-style-type: none"> Authorized individuals have access to the PTS safe rooms. 	Opportunity for Improvement	2	6
<ul style="list-style-type: none"> Cameras are operating in the PTS Safe Rooms and 30 days of history is retained. 	Reasonable to Strong Controls in Place	N/A	N/A
Compliance with Laws and Regulations		N/A	N/A

We appreciate the assistance of Parking and Transit Services representatives during the audit.

Gordon Murphy

 Gordon Murphy, CPA, CFE, CGMA
 Internal Auditor Senior

Lisa Grace

 Lisa Grace, CPA, CIA, CISA, CISSP
 Executive Director

Audit Results, Recommendations, and Responses

1. The existing reconciliation process for unsold permits is ineffective.

Condition: Parking permits are ordered annually and maintained at the four campuses for sale. While the permits are not active until sold, only the garage locations require an active permit in order to enter. The remaining lots require that the permit be displayed in the vehicle. As a result, permits must be maintained in a secure manner to ensure proper inventory control. The primary control PTS relies on to ensure all permits are accounted for is the year-end inventory; however, the process does not include appropriate segregation of duties or adequate documentation nor is it completed at all campus locations.

Criteria: The year-end inventory should clearly show all remaining unsold permits from the year, confirmation that permits were located and evidence that a review was performed to validate the results of the inventory by someone other than the individual responsible for day-to-day operations.

Cause: The existing process does not include appropriate segregation of duties nor is it completed at all locations. Testing indicated that an annual inventory is not performed at the Downtown and Polytechnic campuses and that the individual performing the reconciliation at Tempe and West campuses is the same individual that is responsible for permit security and managing the daily operations over permit sales. In addition, adequate documentation is not maintained to support that the inventory was performed in a complete manner and included proper management oversight.

Effect: The year-end reconciliation does not provide adequate assurance that unsold permits are accounted for, increasing the risk of potential fraud/misappropriation of permits.

Recommendation: The year-end reconciliation process should be formalized to include appropriate segregation of duties, adequate documentation and improved management oversight.

Management Response:

The department will implement a new process for confirmation of year-end reconciliation. Each campus permit control agent will remain responsible for permit security and reconciling unsold permits. In October of each year the Appeals assistant manager, who is separate from this aspect of the customer service area, will visit each campus location and review the permit control agent's reconciliation report and randomly audit 20 permits from the report to

Arizona State University
Parking Permits
Audit Report
August 2, 2017

confirm their presence. The assistant manager and the permit control agent will both sign off on the report. The assistant director for Commuter Services will review and approve all campus reports. Implemented (July 1, 2017)

2. Access is not appropriately restricted to the safe room across all campuses.

Condition: Parking permits are stored in the secured safe rooms at each of the five campuses. Processes are not in place to ensure access is restricted to appropriate individuals.

Criteria: Access is restricted to appropriate individuals.

Cause: PTS has not implemented periodic access reviews of the safe rooms. As a result, access has not been removed as individuals have left the university or transferred to different positions.

Effect: Access to the safe rooms was not restricted to appropriate individuals. Specifically, 6 (15%) of the 39 individuals tested had inappropriate access.

Recommendation: PTS should implement formal periodic access reviews over the secured areas within their offices. In addition, existing processes should be reviewed to ensure that physical access is considered when employees leave the department.

Management Response:

Several of the individuals identified as having inappropriate access were terminated prior to the current ISAAC segment/area managers taking over responsibility. The current process is that the employee's supervisor requests ISAAC access based on existing employee access. The department ISAAC team will require specific door access to be requested via Salesforce process then safe room access will be approved by the campus manager or assistant director. It is the supervisor's responsibility to notify the ISAAC team via Salesforce when an employee is terminated from the department. In addition, semi-annual access reviews of these rooms will be performed to ensure that the defined process is being followed and that access is limited to appropriate individuals. (Implemented as of July 10, 2017)

Arizona State University
Parking Permits
Audit Report
August 2, 2017

3. Controls to ensure affidavits are completed by the permit holder for lost or stolen permits are not being followed.

Condition: Permit holders can report a permit as lost or stolen and receive a replacement at no cost. The permit holder is required to sign an affidavit stating that the permit will no longer be utilized if found. In 4 (16%) of 25 lost permits tested, the signed affidavit could not be located.

Criteria: Signed affidavits are used by PTS as part of the control process to deactivate a lost or stolen permit and prevent unauthorized use of the permit.

Cause: The existing process is not effective to ensure required documentation is obtained and retained.

Effect: Permit holders may continue to utilize permits reported lost/stolen resulting in lost revenue to PTS.

Recommendation: Existing controls should be recommunicated to ensure cashiers are aware of the requirement. In addition, it is recommended that the existing quality assurance processes in place involving permit set up are extended to validate that the affidavit is collected and stored in Flex.

Management Response:

The lost/stolen process will be communicated during internal staff meetings and at the department's quarterly staff meeting. The campus permit control agent will be responsible for ensuring affidavits have been attached in Flex. The department support team will run periodic reports of lost/stolen permits and provide to the control agents for review. (Implemented as of July 10, 2017)

Arizona State University
Parking Permits
Audit Report
August 2, 2017

4. Exception processing related to payroll deduction payment items are not effective.

Condition: Employees may utilize payroll deduction to pay for a parking permit at the time of purchase. Bi-weekly files are extracted from Flex and processed as part of each payroll run in PeopleSoft. Items that cannot be processed are identified and sent to PTS to resolve. Testing identified that there was no process in place to review and resolve the Polytechnic campus exceptions. In addition, while there is a process in place to work exceptions related to the Tempe campus, the control does not ensure timely resolution of exception items. Specifically, 46% (193 of 416) of the Tempe rejects reviewed took 3 months or more to resolve.

Criteria: Payroll exceptions are resolved in a timely manner to ensure appropriate payment for permits sold through payroll deduction.

Cause: The existing process does not require a specific resolution timeframe. As such, exceptions are worked as time allows, which results in rejects taking extended periods to resolve.

Effect: Permits paid for through payroll deduction are collected at each payroll. Catch up amounts are not collected from the employee when exceptions occur resulting in potential lost revenue to PTS.

Recommendation: Formalize the existing process to require follow up and resolution to be completed in a timely manner.

Management Response:

The assistant director of commuter services will designate staff responsible for resolving each campus's payroll deduction exceptions. The exceptions for each payroll shall be resolved by the next payroll cutoff date (5-7 business days) but no later than the following payday (10-13 business days). The assistant director will be updated by the designated staff with the resolution status weekly during Customer Relations staff meeting. (Targeted implementation: August 1, 2017)

Arizona State University
Parking Permits
Audit Report
August 2, 2017

Distribution:

Arizona Board of Regents Audit Committee

Michael M. Crow, President

Morgan R. Olsen, Executive Vice President, Treasurer and Chief Financial Officer

Nichol Luoma, Associate Vice President, University Business Services

Melinda Alonzo, Director, Parking and Transit Services

Raymond Humbert, Associate Director of Operations, Parking and Transit Services

Arnold Mendez, Assistant Director Strategic Support Manager, Parking and Transit Services

William Westlake, Assistant Director for Finance and Administration, PTS

JC Porter, Assistant Director Commuter Services, PTS

Internal Audit Review Board