Parking and Transportation Services Business Practices

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Parking and Transportation Services Business Practices

Summary

Our audit of Parking and Transportation Services (PTS) business practices was included in our approved Fiscal Year (FY) 2017 Audit Plan. The University of Arizona’s (UA) Never Settle plan calls for a business model that rewards productivity, effectiveness, and entrepreneurship. As an auxiliary enterprise of UA, PTS’s business practices are critical to its ability to meet its goals and support UA’s overall mission. This is our first audit of PTS business practices.

Background: PTS is an auxiliary department tasked with managing campus parking and alternative transportation services both on the main UA campus and at the Phoenix Biomedical Campus. This includes permit and visitor parking, discounted mass transit passes, facilitation of and perks for riding bicycles, and carpooling programs. In FY 2017, PTS had revenue of approximately $19 million and managed over 17,000 parking spaces.

Students and employees can choose to purchase parking permits for one of seven main-campus parking garages, several classifications of surface parking lots, or off-campus Park and Ride lots. Visitors are also able to park in the garages when space is available and pay an hourly rate.

At the Phoenix Biomedical Campus, PTS has a contract with the parking garage owner that allows PTS to sell parking permits to UA students and employees, and to offer guest parking validations to UA departments. The garage is owned by a private company and the contract allows UA non-exclusive use of a set number of spaces.

PTS sets parking permit rates, provides a website for requesting the permits, and collects the revenue for parking both on the main campus and the Phoenix Biomedical Campus. Students may pay for parking permits directly to PTS or may transfer the charges to their Bursar account. Employees have the option of paying for parking permits through payroll deductions.

Within UA’s decentralized model, PTS, like other UA departments, is responsible for developing and implementing business practices in compliance with UA policy. PTS uses a parking management system vendor that provides software as well as website hosting, data storage, and some hardware that facilitates PTS’s management of parking garages, permits, meters, and parking violations on campus. PTS senior management includes managers who oversee various aspects of PTS’s mission and business practices.

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1 Unaudited data provided by PTS.
Audit Objective: Our primary audit objective was to determine whether PTS business practices were in compliance with University policies and procedures and best practices.

Scope: The scope of this audit included PTS business practices during FY 2017. Our risk assessment identified nine higher-risk business process areas that were selected for audit (listed in alphabetical order):

- Construction space revenue,
- Contract administration related to the Phoenix Biomedical Campus parking garage,
- Information technology management and long-term planning,
- Management oversight,
- Non-capital asset management, inventory, and disposal,
- Parking garage revenue and cashiering procedures,
- Procurement practices,
- Special event revenue and cashiering procedures, and
- Vendor management practices related to a critical software/parking administration vendor.

Methodology: Our audit objective was accomplished by performing the following:

- Meeting with the PTS Executive Director, Associate Director of Finance, and Financial Operations Manager to discuss overall business practices and management oversight.
- Performing a preliminary risk assessment to identify the areas that would be included in the Scope.
- Reviewing written procedure documents provided by PTS for the following areas:
  - Cashiering over/short procedures,
  - Credit card payment security,
  - Emergency procedures,
  - Leased spaces,
  - Purchase authorization,
  - Restricted access procedures,
  - Secure deposit pick-up procedures, and
  - Special events fee collection, billing, money bags, and staffing.
- Observing cashiering practices in two main-campus parking garages, and discussing opening, shift change, and closing processes.
• Observing cashiering processes for one special event, including observing money bag and ticket check-out.
• Observing the deposit preparation and reconciliation processes.
• Discussing practices for ensuring all necessary employees complete cash handling training with the Financial Operations Manager and the Financial Services Office (FSO) Bursar’s Office Program Coordinator.
• Reviewing procedures for reconciling revenue following deposit.
• Evaluating practices for ensuring accurate revenue is received for all spaces temporarily or permanently lost to construction projects, including observing spaces used by construction projects and confirming the associated revenue was received.
• Identifying purchases over $5,000 and reviewing for compliance with procurement policies, including obtaining signed contracts where applicable.
• Obtaining the contract for garage spaces and visitor parking validations at the Phoenix Biomedical Campus and reviewing associated processes for selling and delivering permits and reconciling validations.
• Reviewing non-capital inventoried equipment to ensure items were still in use, including identifying older technology assets and confirming existence in PTS.
• Identifying FY 2017 purchases between $500 and $1,000 that may have been for technology items that need additional monitoring such as tablets and confirming adequate controls were in place where necessary.
• Evaluating PTS’s administration of the contract with its parking management system vendor, including reviewing invoices and comparing to the contract pricing.
• Meeting with the Chief Procurement Officer in FSO Procurement and Contracting Services to discuss contracts and sole source procurement.

Conclusion: Overall, PTS has adequate business practices in place, with the exception of a finding related to the relationship with the critical parking administration system vendor discussed later in this report. Based on the areas described in the scope, we determined the following:
• PTS has internal controls in place to ensure revenue was received for all spaces temporarily or permanently lost to campus construction.
• Procedures are in place to support information technology within PTS as well as to prepare budgets that include plans for future replacement and improvement costs.
• Assigned staff are familiar with the Phoenix Biomedical Campus parking garage and have implemented a workflow that promotes compliance with the terms of the Phoenix parking garage agreement.
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- Non-capital asset management has reasonable controls in place except that we noted one small issue related to trading in old equipment that was discussed with management.
- Due to the large number of cashiers in parking garages, at the PTS office, and for special events, PTS requires many employees to be trained in good cash handling and collection practices. PTS has written operating procedure documents that are available to employees and are used to train staff, especially at the beginning of each fall semester when many new student employees start. These procedures help ensure revenue from garages and special events is accurately collected, deposited, and reconciled.
- PTS also has a dedicated accounting staff that reviews purchases to help ensure adequate documentation is maintained.

We also identified two minor issues that were provided to PTS management verbally during the audit.

According to the Institute of Internal Auditors International Professional Practices Framework, an organization is expected to establish and maintain effective risk management and control processes. These control processes are expected to ensure, among other things, that:

- The organization’s strategic objectives are achieved;
- Financial and operational information is reliable and possesses integrity;
- Operations are performed efficiently and achieve established objectives;
- Assets are safeguarded; and
- Actions and decisions of the organization are in compliance with laws, regulations, and contracts.

Our assessment of these control objectives as they relate to PTS business practices is presented on the following page.
<table>
<thead>
<tr>
<th>General Control Objectives</th>
<th>Control Environment</th>
<th>Audit Result</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Achievement of the Organization’s Strategic Objectives</strong></td>
<td></td>
<td></td>
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<tr>
<td>• PTS’s business practices support its position as a UA auxiliary unit.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td><strong>Reliability and Integrity of Financial and Operational Information</strong></td>
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<tr>
<td>• Revenue is accurately collected, deposited, recorded and monitored.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td><strong>Effectiveness and Efficiency of Operations</strong></td>
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<tr>
<td>• Vendor management practices were adequate to ensure risks were adequately mitigated.</td>
<td>Opportunity for Improvement</td>
<td>1 6</td>
</tr>
<tr>
<td>• Practices are in place to ensure sound long-term management of IT resources.</td>
<td>Reasonable to Strong Controls in Place</td>
<td></td>
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<tr>
<td>• Parking spaces used for construction are adequately monitored to ensure accurate payment was received for all spaces.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td><strong>Safeguarding of Assets</strong></td>
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<tr>
<td>• Non-capital assets are adequately monitored, inventoried, and disposed of.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td><strong>Compliance with Laws and Regulations</strong></td>
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<tr>
<td>• Practices are in compliance with the Phoenix Biomedical Parking Garage contract.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td>• Cash handling practices are in compliance with UA policy.</td>
<td>Reasonable to Strong Controls in Place</td>
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<tr>
<td>• Procurement practices are in compliance with UA policy.</td>
<td>Reasonable to Strong Controls in Place</td>
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</tr>
<tr>
<td>• Adequate management oversight to ensure overall compliance with PTS procedures and UA policies.</td>
<td>Reasonable to Strong Controls in Place</td>
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</tbody>
</table>

We appreciate the assistance of UA employees during this audit.

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Audit Results, Recommendations and Responses

1. Vendor management procedures are not adequate.

Condition:

PTS does not have processes in place to adequately manage the relationship with its parking system vendor, whose services are critical to PTS's operations.

PTS has outsourced several critical processes to the vendor, increasing the risk that PTS would be unable to continue pursuing its mission if the company were to cease providing these services. The services include:

- Garage management software including parking permits, visitor parking payments and cashiering software, and space availability tracking,
- Parking meter hardware, software, and modem,
- Website hosting, and
- Parking ticket hardware and software.

Because critical functions are outsourced, there are associated risks including:

- Data location and security,
- Compliance with credit card, privacy, and other regulations,
- Reputational risk, and
- Concentration and reliance on one company.

PTS worked with UA Information Technology in 2013 and 2014 to evaluate options and risks associated with maintaining compliance with PCI standards, and ultimately decided to increase the services from the parking system vendor. However, PTS has not adequately assessed the ongoing risks associated with the service agreement and has not developed a mitigation plan to address the risks.

Criteria:

Good business practices and industry standards suggest that outsourcing does not shift risks to a 3rd party but instead changes the nature and mitigation required to address the risks. In addition, good business practices suggest customers perform a risk assessment related to key vendors and identify steps to adequately mitigate the risks.

Cause:

PTS was not aware of vendor management practices.
Effect:

- If the vendor were to have a data breach, PTS may not be prepared to handle the ramifications or to address reputational harm.
- If the vendor were unable to continue as the outsourcing vendor for PTS, there would be significant expenses to bring another vendor online and PTS may not have adequately planned for this possibility.

Recommendations:

Work with stakeholders within PTS and other applicable UA units to perform a risk assessment related to the contract. Then develop a vendor management checklist to periodically monitor the vendor and re-evaluate risks related to outsourcing.

Considerations may include:

- Requesting a SOC report for the vendor and any of the vendor’s critical outsourced vendors, and developing a review checklist to confirm that the report is reliable and relevant to the services provided to PTS and to review exceptions and management action plans identified in the SOC report.
- Identifying responsibilities in case of a data breach, including evaluating the risks to PTS’s reputation.
- Considering whether disaster recovery processes should include plans if the vendor cannot continue providing the services to PTS.
- Based on review results, developing a process that includes applicable stakeholders to evaluate whether the vendor should continue providing services to PTS.
- Where risks are identified, negotiating terms in future agreements with the company that address risks, such as specific information on how and where UA data is stored and responsibilities in case of a breach.

All vendor management reviews should be documented and approved by PTS management.

Management Response: Implemented.

PTS management completed a contract risk assessment, identified four risks related to the parking system vendor, and identified ongoing monitoring activities to mitigate these risks to an acceptable level. We developed an internal procedure document to ensure the monitoring is consistent and documented. The monitoring and control activities are ongoing and the procedure specifies times during the year when steps will be completed. In addition, the procedure names PTS staff responsible for completion of each monitoring activity. PTS management also developed action plans in case an issue is identified during monitoring. The risk assessment and monitoring process will be revisited annually and updated as needed by PTS Information Technology Manager.
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