



**AUDITOR GENERAL'S
REPORT
ACTION REQUIRED**

**Toronto Parking Authority Phase 2: Audit of the
Revenue Operations of Off-Street Controlled Facilities**

Date:	January 12, 2016
To:	Board of Directors of the Toronto Parking Authority
From:	Auditor General
Wards:	All
Reference Number:	

SUMMARY

This report presents the results of the audit of Toronto Parking Authority's revenue operations for off-street controlled facilities.

The objective of the audit was to assess policies, procedures, practices, and controls over the revenue operations. Operational efficiency and effectiveness can be enhanced in three areas:

1. Enhance reporting to clearly demonstrate alignment of parking rates with policy
2. Expand use of automation to enhance operational efficiency and effectiveness
3. Update policies and procedures

There is also an opportunity to review the role and mandate of the internal audit function within the organization, strengthening its ability to provide independent and objective assurance and advice to management and the Board.

This report contains 12 recommendations along with management's response to each recommendation.

RECOMMENDATIONS

The Auditor General recommends that:

1. The Board of Directors request the Chief Executive Officer to clarify the rate setting benchmarks for long stay parking as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”. More specifically, consideration be given to clarifying or updating benchmarks for:
 - a. Multipliers for day maximum rates
 - b. Day maximum rates that may be applicable for long stay discretionary (“early bird”) use and long stay non-discretionary use.
2. The Board of Directors request the Chief Executive Officer to clearly communicate how long term parking rates align with the parking rate benchmarks (as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”) and document the factors which may impact the alignment of Toronto Parking Authority parking rates with the benchmarks.
3. The Board of Directors request the Chief Executive Officer, where possible, to:
 - a. Implement automated interfaces between the parking revenue control system and the accounting system.
 - b. Automate the recording and reconciliation of revenue generating transactions, collections, and deposits.
4. The Board of Directors request the Chief Executive Officer to use system functionality, where possible, and analyze collected data to augment monitoring of exception transactions and events.
5. The Board of Directors request the Chief Executive Officer to periodically review and update standard operating procedures for off-street operations to ensure they reflect current practices and expected controls.
6. The Board of Directors request the Chief Executive Officer to implement a structured program of reviews and surprise audits to monitor adherence to the standard operating procedures.
7. The Board of Directors request the Chief Executive Officer to implement appropriate controls over the safeguarding, issuance, and usage of monthly parking passes. Consideration be given to automating processes, controls and/or exception monitoring of the issuance and usage of monthly parking passes, where possible.

8. The Board of Directors request the Chief Executive Officer to periodically review change fund floats and ensure:
 - a. Change fund floats reflect operational needs and any adjustments to float requirements are approved by appropriate management in both Operations and Finance.
 - b. Approved changes are recorded immediately in financial systems.
9. The Board of Directors request the Chief Executive Officer to develop and implement formal reconciliation procedures which address the responsibilities of supervisors, the Manager of Attended Facilities, and finance staff for managing and safeguarding the various change fund floats.
10. The Board of Directors request the Chief Executive Officer conduct a periodic review of the physical security of cash/coinage handling and implement any necessary enhancements.
11. The Board of Directors request the Chief Executive Officer to ensure that internal audit or independent finance staff conduct counts of cash and coinage on hand on a surprise basis. Such counts be reconciled with the general ledger or another independent financial record to ensure cash overages or shortages are detected and investigated on a timely basis. Results should be retained as evidence of review.
12. The Board of Directors request the Chief Executive Officer, in consultation with the Board's Finance and Audit Committee, to review the role and mandate for the Internal Audit function. Such review to determine whether the Internal Audit function be required to:
 - a. Preserve independence and objectivity, transferring all operational duties to other Toronto Parking Authority personnel
 - b. Conduct audits or issue reports in accordance with or guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.
13. The Board of Directors forward this report to the City's Audit Committee for action.

Financial Impact

The implementation of these recommendations will enhance operational efficiency and effectiveness of the revenue operations. The extent of any resources required or potential revenues resulting from implementing the recommendations is dependent on how the recommendations are implemented and is not determinable at this time.

DECISION HISTORY

In 2009, the Auditor General completed an audit of TPA's pay-and-display parking operations. The 2009 audit included a review of the revenue operations at unattended lots using pay-and-display technology. Therefore, this audit focused on the off-street attended lots and automated garages (referred to throughout the report as "controlled facilities").

(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.9>)

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- The results of Phase 1: Audit of Real Estate Activities was presented in a report to the Board of Directors in October 2015.
(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.11>)
- This report presents the results of Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities.

COMMENTS

The objective of the audit was to assess policies, procedures, practices, and controls over the revenue operations. This report contains 12 recommendations to enhance operational efficiency and effectiveness of the revenue operations. In particular,

1. There are opportunities to enhance reporting to clearly demonstrate alignment of parking rates with existing benchmarks set out in TPA's policy.
2. There are opportunities to update administrative processes to gain efficiencies through increased use of technology. By automating processes, staff can focus on augmenting financial analysis and monitoring controls. Furthermore, analyzing available data will strengthen internal control procedures.
3. Policies and procedures should be kept up-to-date to reinforce the consistent performance of control activities by staff.

There is also an opportunity to review the role and mandate of the internal audit function within the organization, strengthening its ability to provide independent and objective assurance and advice to management and the Board.

The audit report entitled "Toronto Parking Authority, Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities" is attached as Appendix 1. Management's response to each of the recommendations contained in the report is attached as Appendix 2.

CONTACT

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SIGNATURE

Beverly Romeo-Beehler, Auditor General

ATTACHMENTS

- Appendix 1: Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities
- Appendix 2: Management's Response to the Auditor General's Review of Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities

AUDITOR GENERAL'S REPORT

**Toronto Parking Authority
Phase 2: Audit of the Revenue Operations of
Off-Street Controlled Facilities**

January 12, 2016

**Beverly Romeo-Beehler, CPA, CMA, B.B.A., JD
Auditor General**



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EXECUTIVE SUMMARY

TPA's Mandate

The Toronto Parking Authority is a self-sustaining corporation owned by the City of Toronto. Under the *City of Toronto Act, 2006*, the Toronto Parking Authority (TPA) is a City board and the City has full authority over its structure and mandate.

Municipal Code, Chapter 179, Parking Authority gives TPA authority over the construction, maintenance, operation and management of parking facilities for the City of Toronto. This includes both off-street and on-street parking metered and parking lot facilities.

Off-Street Parking Operations

The TPA maintains approximately 21,500 off-street spaces within 12 attended lots, 13 fully automated garages, and 180 unattended lots. TPA also manages parking facilities on behalf of other City programs such as TTC, TCHC and Parks, Forestry and Recreation. The financial results for off-street parking operations for the year ended December 31, 2014 are summarized below:

	Revenue	Direct Expenses	Operating Expenses	Admin. Expenses	Net Income	Number of Spaces
	\$	\$	\$	\$	\$	
Controlled facilities	50,900,000	18,400,000	14,200,000	3,600,000	14,700,000	11,600
Unattended lots	28,800,000	14,200,000	9,100,000	3,800,000	1,700,000	13,200 ¹
Total	\$79,700,000	\$32,600,000	\$23,300,000	\$7,400,000	\$16,400,000	

¹ Includes 3,300 spaces at TCHC and City Parks

Auditor General's 2009 audit of pay-and-display parking operations included unattended lots

In 2009, the Auditor General completed an audit of TPA's pay-and-display parking operations. The 2009 audit included a review of the revenue operations at unattended lots using pay-and-display technology. Therefore, this audit focused on the off-street attended lots and automated garages (referred to throughout the report as "controlled facilities").

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.9>

2014 Audit Work Plan

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- The results of Phase 1: Audit of Real Estate Activities was presented in a report to the Board of Directors in October 2015.
(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.11>)
- This report presents the results of Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities.

Audit objective

The objective of the audit was to assess policies, procedures, practices, and controls over the revenue operations of TPA's off-street controlled facilities. In particular, we assessed:

- Compliance with the policy governing parking rates for off-street controlled facilities.
- The completeness of revenues recorded for transactions initiated through pay-on-foot machines, gated entrance and exit machines, and attendant point-of-sale machines.
- The effectiveness of controls over cash handling and revenue collection processes.

Summary of audit results

Our key findings are briefly discussed below:

(1) Enhance Reporting to Clearly Demonstrate Alignment of Parking Rates with Policy

Parking rates reflect TPA's objectives

TPA's parking rate policy sets out benchmarks for parking rates that are intended to reflect its objectives. Consistent with TPA's mandate to provide low cost short term parking, half hourly rates at off-street controlled facilities are usually lower than the average rates offered by competing parking operators in the same vicinity. TPA's rates for short term parking adhere to the benchmarks set out in its parking rate policy.

Long stay parking, and in particular journey to/from work commuters who park all day, is not part of TPA's primary market focus. One of TPA's objectives is to discourage long term parking, especially in the downtown and mid-town commercial areas and other commercial areas well served by transit. However, where there is more than sufficient space available within TPA facilities to accommodate the demand for short stay parking, TPA will accommodate longer stay parkers.

Reporting of comparative analysis supporting TPA rates can be enhanced

The Annual Rate Review reports and supporting documents provided to the Board and/or its Rate Setting Committee do not always clearly communicate how long term parking rates align with the benchmarks set out in TPA's policy.

Additional information can be included where there are deviations in meeting benchmarks due to factors such as the utilization of TPA facilities or the specific features of competing parking facilities.

(2) Expand the Use of Automation to Enhance Operational Efficiency and Effectiveness

There are opportunities to use technology to increase efficiency of administrative processes and strengthen monitoring controls

TPA uses an automated revenue control system to process transactions and events at its off-street controlled facilities. In 2014, this system processed \$50.9 million in revenue generated from over 6.3 million cars parked. However, until very recently, there has been no direct interface between TPA's revenue control system and its accounting system. There are opportunities to update administrative processes to gain efficiencies through increased use of technology. By automating processes, staff can focus on augmenting financial analysis and monitoring controls. Furthermore, analyzing available data will strengthen internal control procedures.

(3) Update Policies and Procedures

Review and update standard operating procedures

Although TPA periodically reviews its policies and procedures, standard operating procedures were not fully up-to-date or consistent with current practices. Management advised that the standard operating procedures for parking attendants were recently updated and the revised expectations were communicated to supervisory staff and implemented in December 2015. The finance department's standard operating procedures are dated and should be reviewed.

In addition, there are opportunities to strengthen controls over cash handling and revenue collection processes.

There is also an opportunity to review the role and mandate of the internal audit function within the organization, strengthening its ability to provide independent and objective assurance and advice to management and the Board.

Conclusion

This report contains 12 recommendations. The implementation of these recommendations will improve operational efficiency and effectiveness of the revenue operations of off-street controlled facilities.

Auditor General's recommendation follow-up process

Implementation of audit recommendations will be reviewed in 2017

The Auditor General conducts an annual follow-up process to determine the implementation status of previously issued audit recommendations. Recommendations contained in this report will be included in the 2017 follow-up process and the results will be reported to the TPA Board and the City's Audit Committee.

AUDIT OBJECTIVES, SCOPE AND METHODOLOGY

2014 Audit Work Plan

The Auditor General's 2014 Audit Work Plan included an audit of the Toronto Parking Authority. In the 2015 Audit Work Plan, the audit of the Toronto Parking Authority was separated into two phases:

- The results of Phase 1: Audit of Real Estate Activities was presented in a report to the Board of Directors in October 2015.
(<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.AU4.11>)
- This report presents the results of Phase 2: Audit of Revenue Operations at Off-Street Controlled Facilities.

***Auditor
General's 2009
audit of pay-and-
display parking
operations
included
unattended lots***

In 2009, the Auditor General completed an audit of TPA's pay-and-display parking operations. The 2009 audit included a review of revenue operations at unattended lots controlled by pay-and-display technology. Therefore, this audit focused on the off-street attended lots and automated garages (referred to throughout the report as "controlled facilities").

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2009.AU11.9>

Audit objective

The objective of the audit was to assess policies, procedures, practices, and controls over the revenue operations of TPA's off-street controlled facilities. In particular, we assessed:

- Compliance with the policy governing parking rates for off-street controlled facilities.
- The completeness of revenues recorded for transactions initiated through pay-on-foot machines, gated entrance and exit machines, and attendant point-of-sale machines.
- The effectiveness of controls over cash handling and revenue collection processes.

***Scope and
Methodology***

Our audit methodology included the following:

- Review of the Toronto Municipal Code, Chapter 179, Parking Authority
- Review of relevant staff reports to the Board of Directors and related meeting minutes
- Review of annual reports, audited financial statements, and other financial information internal to TPA
- Review of policies and procedures
- Interviews with TPA staff
- Analysis of transactional and other relevant parking data for the month of November 2014 extracted from TPA's off-street parking revenue control and management system
- Reconciliation of transactional data to deposits and TPA accounting records

- Surprise cash and coinage counts at various TPA locations on June 3, 2015, June 17, 2015 and November 12, 2015
- Review of other documents and records
- Evaluation of management controls and practices.

As part of their audit of the financial statements TPA's external auditors, PricewaterhouseCoopers LLP (PwC), test internal controls surrounding cash collections and reconciliations in respect of off-street parking revenues. In 2013 and 2014, PwC tested a sample of these daily reconciliations and ensured they were completely and accurately recorded in the general ledger. They did not note any exceptions. PwC performs these tests annually; therefore, we have not separately tested the operating effectiveness of these controls.

The audit covers the period from November 1, 2014 through October 31, 2015 except for additional surprise cash and coinage counts performed on November 12, 2015.

Compliance with generally accepted government auditing standards

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

This section of the report contains the findings from our audit work followed by specific recommendations.

A. ENHANCE REPORTING TO CLEARLY DEMONSTRATE ALIGNMENT OF PARKING RATES WITH POLICY

A policy sets out objectives and benchmarks for off-street parking rates

TPA's parking rate policy includes benchmarks to provide guidance in the evaluation and setting of off-street parking rates. Parking rates are set at levels which support TPA's objectives to:

- Provide low cost short term parking, especially in neighbourhood commercial areas
- Discourage long term parking, especially in the downtown and mid-town commercial areas and other commercial areas well served by transit
- Encourage downtown commuters to park at suburban carparks and transfer to the subway
- Generate sufficient revenue to at least cover operating and administrative costs, and either recover past capital costs or allow for future capital costs.

Short term parking

To encourage turnover TPA short stay rates are lower than 75 per cent of the average of nearby competitor rates

TPA's target market is short stay parking. To reflect its objectives, TPA's parking rate policy specifies that the half-hourly rate at its off-street facilities should normally be less than 75 per cent of the average of nearby competitor rates. In 2014, TPA's half-hourly rates were consistent with this benchmark.

Long term parking

Long stay rates are implemented where it does not impact the availability of short stay parking

Long stay parking, and in particular discretionary (journey to/from work) long stay parking, is not TPA's primary focus. It is, in fact, TPA's objective to discourage long term parking. TPA also generates less revenue per half hour equivalent for long stay parking than for short stay parking. Therefore, day maximum and monthly permit rates are only implemented by TPA for carparks where the number of short term parkers is less than the number of spaces in a carpark.

Benchmarks for long term parking

TPA's benchmarks for long term parking specify that:

- The day maximum should normally be not less than the average of nearby competitor rates.
- The day maximum should normally be between eight and ten times the half hourly rate (where this does not cause a conflict with the other benchmarks for half hourly and day maximum rates relative to the average of nearby competitor rates).
- The monthly rate should normally be between fifteen and twenty times the day maximum.

Clearly communicate how long term parking rates align with the benchmarks

The Annual Rate Review reports and supporting documents provided to the Board and/or its Rate Setting Committee do not always clearly communicate how long term parking rates align with the benchmarks set out in TPA's policy. For certain carparks, in 2014, TPA's day maximum rates were less than the average of nearby competitor day maximum rates. In some locations, TPA's long stay rates were more closely aligned to the lower "early bird" rates of nearby competitors. Still, for certain carparks, TPA's day maximum rates were less than the average of nearby competitor "early bird" rates. Management advised that, where this is the case, it is generally to increase lot utilization.

TPA’s rates contemplate the competitors’ early bird rates that target commuters

Management advised that TPA’s day maximum rates contemplated the “early bird” rates of nearby competitors. Competitors use the lower priced “early bird” rates to attract journey to/from work commuters who park all day. TPA’s existing parking rate policy does not differentiate between long-stay rates for people parking occasionally for things like business meetings and medical appointments (non-discretionary parkers) versus journey to / from work commuters where “early bird” rates may apply (discretionary parkers).

Benchmarks for long stay parking rates should be reviewed

If the intent is for TPA’s day maximum rate to be aligned to the “early bird” rates of its competitors, where appropriate, the parking rate policy should be clarified accordingly. Otherwise, TPA’s rate structure may have the appearance of being inconsistent with the policy.

Benchmark for setting the day maximum at a certain multiple of the half hourly rate is rarely met

In all but five of TPA’s controlled facilities, the day maximum rates were less than the benchmark of eight to ten times the half hourly rate. There are certain carparks where aligning TPA’s day maximum rates with this benchmark will result in rates that are significantly higher than those of its competitors. This would impact utilization of TPA parking facilities and therefore profitability. However, where this is not the case, TPA should document the reasons for variances from the benchmark.

Document considerations that impact parking rates

Management advised that factors, such as utilization of TPA parking facilities and features of competing parking facilities, that are considered when setting parking rates are discussed with the Board’s Rate Setting Committee. However, these consideration factors and discussions are not specifically documented in Board reports or meeting minutes.

To clearly communicate how long term parking rates align with the benchmarks set out in TPA’s policy, additional information can be provided to the Board and/or its Rate Setting Committee to reflect the factors which impact decisions to vary TPA rates from the benchmarks.

Recommendations:

- 1. The Board of Directors request the Chief Executive Officer to clarify the rate setting benchmarks for long stay parking as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”. More specifically, consideration be given to clarifying or updating benchmarks for:**
 - a. Multipliers for day maximum rates**
 - b. Day maximum rates that may be applicable for long stay discretionary (“early bird”) use and long stay non-discretionary use.**
- 2. The Board of Directors request the Chief Executive Officer to clearly communicate how long term parking rates align with the parking rate benchmarks (as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”) and document the factors which may impact the alignment of Toronto Parking Authority parking rates with the benchmarks.**

B. EXPAND USE OF AUTOMATION TO ENHANCE OPERATIONAL EFFICIENCY AND EFFECTIVENESS

6.3 million cars were processed through TPA’s off-street parking revenue control system in 2014

In 2014, TPA collected over \$50.9 million in revenue from over 6.3 million cars parked at its off-street controlled facilities. An automated parking revenue control system processed these parking transactions and events.

B.1. Increase Use of Technology and Automate Procedures

Administrative processes to record and reconcile revenues, collections, and deposits are labour intensive

Controls over the completeness of collections and deposits, as well as the recording of revenues generated are adequate. However, the controls are manual in nature and the administrative processes are labour intensive. Finance staff time is focused on data entry and daily reconciliation of cash collections and credit card transaction settlement rather than on monitoring of exception transactions.

Until mid-2015, there was no direct interface between TPA's parking revenue control system and its accounting system. Only recently was an interface implemented to facilitate the reconciliations of the settlement of credit card transactions.

Efficiencies can be gained through increased use of technology

Administrative processes can be updated to reflect efficiencies that can be gained through increased use of technology. By automating system interfaces and reconciliations staff can focus on financial analysis and monitoring controls. However, implementing direct interfaces between systems may be difficult without first addressing the compatibility of technology. It is management's intent that the legacy accounting system be replaced in the near future.

Recommendation:

- 3. The Board of Directors request the Chief Executive Officer, where possible, to:**
 - a. Implement automated interfaces between the parking revenue control system and the accounting system.**
 - b. Automate the recording and reconciliation of revenue generating transactions, collections, and deposits.**

B.2. Analyze System Data to Enhance Exception Monitoring

Manually monitoring individual transactions limits TPA's ability to identify trends

Supervisors of the attended operations manually review each exception transaction processed by attendants. However, trends that are indicative of potential areas of risk may not be as easily identified and monitored solely through the manual review of individual transactions.

Data can be analyzed to identify potential areas of risk and abnormal trends

The parking revenue control system captures a significant volume of transactional and other data. Analyzing available data can help to strengthen internal control procedures.

The data can be used to identify potential areas of risk for further investigation by monitoring exception transactions related to:

- Voided transactions
- No charge, validations, and rebates
- Lost or unreadable tickets
- Manually entered fee calculations
- Manual gate openings
- System outages and service breakdowns

System reports can be used for exception monitoring

Data analysis tools can be used to aggregate and analyze data for continuous controls or exception monitoring purposes. System generated transaction reports, exception reports, and activity reports can also be used to monitor exceptions.

Recommendation:

- 4. The Board of Directors request the Chief Executive Officer to use system functionality, where possible, and analyze collected data to augment monitoring of exception transactions and events.**

C. UPDATE POLICIES AND PROCEDURES

C.1. Update the Standard Operating Procedures

Standard operating procedures should be kept up-to-date with current practices

Although TPA periodically reviews its policies and procedures, standard operating procedures were not fully up-to-date or consistent with current practices. New staff are given the procedures manual to read and they are assigned to job shadow the most experienced attendant. Regular updating of the procedures manual provides the opportunity to formally reinforce the consistent performance of procedures.

Management advised that the standard operating procedures for parking attendants were recently updated and the revised expectations were communicated to supervisory staff and implemented in December 2015.

Procedures should be documented to reinforce certain expected duties performed by supervisors

Additionally, procedures should be documented to address the responsibilities of supervisors with respect to:

- Distribution, deposit, reconciliation, and recording of the main float and change fund floats (district, garage, full-time attendant, overnight, cashier) as well as safeguarding of float funds
- Cash handling, bank deposit verification, daily and monthly reconciliations as well as safeguarding assets
- Exception monitoring procedures

The finance department's standard operating procedures are dated and do not fully address recording and reconciliation processes of collections and deposits. Documenting current practices for processing revenues from monthly permits, attended operations, pay-on-foot stations, and Fast Track cards may help TPA identify process efficiencies by eliminating duplicated tasks and activities.

A structured and ongoing program of surprise audits should be implemented

Once updated, a structured and ongoing program of reviews or surprise audits should be implemented to monitor adherence to the standard operating procedures. Such reviews should verify consistency of current practices with policies and procedures. Where instances of noncompliance are identified, appropriate action should be taken.

Recommendations:

- 5. The Board of Directors request the Chief Executive Officer to periodically review and update standard operating procedures for off-street operations to ensure they reflect current practices and expected controls.**
- 6. The Board of Directors request the Chief Executive Officer to implement a structured program of reviews and surprise audits to monitor adherence to the standard operating procedures.**

C.2. Improve Controls Over Monthly Parking Passes

Improve controls to prevent and detect unauthorized use of monthly parking passes

During our audit, we identified a “spare” monthly pass card that was being used by a customer. There was no record of the assignment of the card in TPA’s accounting system. Upon notification by the Auditor General’s staff, management immediately investigated and partially recovered on \$1,200 owing for over four months of use.

In the 2014 Annual Rate Review, TPA had approved a quota for 2,534 monthly permits at controlled facilities. At the time, 2,061 monthly permits were being sold each month. The price for permits ranged from \$70 to \$350 per month, depending on the carpark. TPA should strengthen controls to prevent and detect unauthorized use of monthly parking passes.

Controls over permit issuance, renewal, cancellation, invoicing and payment, safeguarding of inventory, and reconciliation can be enhanced to include:

- A sequential logging of monthly parking passes which provides an accurate and up-to-date audit trail of the chain of custody from receipt to issuance.
- Periodic audits or inventory counts of the stock of monthly parking pass cards.
- Adequate physical security of the stock of monthly parking passes.
- Periodic reconciliations of monthly passes that have been activated for use in the parking revenue control system against receipt of payments in the accounting system. Any monthly parking passes that have been used, where up-to-date payments have not been received, should be investigated in a timely manner.

Recommendation:

- 7. The Board of Directors request the Chief Executive Officer to implement appropriate controls over the safeguarding, issuance, and usage of monthly parking passes. Consideration be given to automating processes, controls and/or exception monitoring of the issuance and usage of monthly parking passes, where possible.**

C.3. Controls Over Cash and Coinage on Hand Can Be Enhanced

TPA has implemented certain key controls over daily cash handling

TPA has implemented certain key controls over daily cash handling by supervisors and attendants and various float funds including:

- Physical counts of the cash and coinage on hand
- Daily reconciliations performed by attendants and supervisors
- Head office (finance department) reconciliations of deposits by attendants and supervisors.

The external auditors test certain controls in respect of off-street parking revenues

As part of their audit of the financial statements TPA's external auditors, PricewaterhouseCoopers LLP (PwC), test internal controls surrounding cash collections and reconciliations in respect of off-street parking revenues. In 2013 and 2014, PwC tested a sample of these daily reconciliations and ensured they were completely and accurately recorded in the general ledger. They did not note any exceptions. PwC performs these tests annually; therefore, we have not separately tested the operating effectiveness of these controls.

Controls can be strengthened

During our audit we observed areas where controls can be strengthened:

- The extent of the cash and coinage on hand exceeds TPA's regular operational requirements
- The balances of certain change fund floats are not kept up-to-date in the accounting records
- Physical safeguarding of coinage and cash can be enhanced
- Float reconciliation procedures are performed in an inconsistent manner from supervisor to supervisor
- Float replenishment requests submitted to head office need to be tracked
- Surprise counts of coinage and cash on hand by Internal Audit and/or independent finance staff are not regularly performed

There are also certain intermediary steps resulting from the secure transport of cash and coinage which impact the timeliness of the collection, deposit, and delivery of funds. Management has accepted the time lags created by these intermediary steps to increase physical security. However, there may be opportunities to reduce certain of these intermediary steps to improve efficiencies without compromising security.

Recommendations:

- 8. The Board of Directors request the Chief Executive Officer to periodically review change fund floats and ensure:
 - a. Change fund floats reflect operational needs and any adjustments to float requirements are approved by appropriate management in both Operations and Finance.**
 - b. Approved changes are recorded immediately in financial systems.****
- 9. The Board of Directors request the Chief Executive Officer to develop and implement formal reconciliation procedures which address the responsibilities of supervisors, the Manager of Attended Facilities, and finance staff for managing and safeguarding the various change fund floats.**
- 10. The Board of Directors request the Chief Executive Officer conduct a periodic review of the physical security of cash/coinage handling and implement any necessary enhancements.**
- 11. The Board of Directors request the Chief Executive Officer to ensure that internal audit or independent finance staff conduct counts of cash and coinage on hand on a surprise basis. Such counts be reconciled with the general ledger or another independent financial record to ensure cash overages or shortages are detected and investigated on a timely basis. Results should be retained as evidence of review.**

D. REVIEW THE ROLE AND MANDATE OF THE INTERNAL AUDIT FUNCTION

Internal Audit performs reviews and investigations as required by management

The Internal Audit function currently reports to the Chief Financial Officer and performs ad-hoc reviews and investigations, as required by management. There is no clear mandate nor formal risk based audit work plan setting out financial, operational, and/or compliance audits or reviews that will be conducted during the year. Results of audits are not reported formally to the Board.

Internal Audit staff perform certain operational duties

TPA's Internal Audit staff also perform some operational duties that includes refilling of pay station coin recyclers and retaining custody of certain keys that provide physical access to pay stations. Internal Audit staff also document and/or update standard operating policies and procedures.

Internal auditors are required to be independent

Internal auditors are required to be independent under the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. This includes not being involved in corporate operational duties.

Internal auditors may find it difficult to preserve independence and objectivity

Involvement in various aspects of operations can impair the independence and objectivity required of an internal audit function. If the intended mandate for TPA's Internal Audit function is to provide independent and objective assurance on the adequacy of internal controls, it is important that the internal auditors not have any operational accountability or perform functions that would be subject to subsequent internal audit review.

Consider implementing Standards for internal auditing

The Institute of Internal Auditors has published a *Practice Guide Assisting Small Internal Audit Activities in Implementing the Standards*. TPA may find this a useful resource as the Practice Guide provides small audit groups with examples and leading practices for implementing the International Standards for the Professional Practice of Internal Auditing.

Recommendation:

- 12. The Board of Directors request the Chief Executive Officer, in consultation with the Board's Finance and Audit Committee, to review the role and mandate for the Internal Audit function. Such review to determine whether the Internal Audit function be required to:**
- a. Preserve independence and objectivity, transferring all operational duties to other Toronto Parking Authority personnel**
 - b. Conduct audits or issue reports in accordance with or guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.**

CONCLUSION

This report presents the results of our audit of revenue operations at off-street controlled facilities. The implementation of the 12 recommendations in this report will enhance operational efficiency and effectiveness of the revenue operations.

**Management's Response to the Auditor General's Review of
Toronto Parking Authority – Phase 2: Audit of the Revenue Operations of Off-Street Controlled Facilities**

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
1.	<p>The Board of Directors request the Chief Executive Officer to clarify the rate setting benchmarks for long stay parking as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”. More specifically, consideration be given to clarifying or updating benchmarks for:</p> <p>a. Multipliers for day maximum rates</p> <p>b. Day maximum rates that may be applicable for long stay discretionary (“early bird”) use and long stay non-discretionary use.</p>	X			<p>The TPA Board, at its meeting of December 16, 2015, adopted amendments to Policy Resolution 2-1 “Parking Rates – Off-Street Facilities” recommended by management which clarify the policy.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
2.	<p>The Board of Directors request the Chief Executive Officer to clearly communicate how long term parking rates align with the parking rate benchmarks (as set out in Toronto Parking Authority Policy Resolution 2-1 “Parking Rates – Off-Street Facilities”) and document the factors which may impact the alignment of Toronto Parking Authority parking rates with the benchmarks.</p>	X			<p>The Chief Executive Officer will ensure the Rate Committee and the Board are provided with clear, written documentation of factors which may impact the alignment of TPA parking rates with the benchmarks.</p>
3.	<p>The Board of Directors request the Chief Executive Officer, where possible, to:</p> <p>a. Implement automated interfaces between the parking revenue control system and the accounting system.</p> <p>b. Automate the recording and reconciliation of revenue generating transactions, collections, and deposits.</p>	X			<p>Management implemented an automated interface in June 2015 for credit card transactions to ensure integrity, simplify the process, and assist with reconciliation and audit initiatives. Staff will continue to explore ways to further automate interfaces, both now with the legacy accounting system and once a new system has been selected, as budgeting and resources permit.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
4.	The Board of Directors request the Chief Executive Officer to use system functionality, where possible, and analyze collected data to augment monitoring of exception transactions and events.	X			TPA staff will review current practices to determine if there are ways to more efficiently capture manual collected data to assist with audit, control and exception reporting. This review will be ongoing prior to the implementation of the new accounting system and may form a template for automated exception reporting from the new accounting system.
5.	The Board of Directors request the Chief Executive Officer to periodically review and update standard operating procedures for off-street operations to ensure they reflect current practices and expected controls.	X			Standard Operating Procedures for Attended Carpark operations were updated in December 2015 (previously reviewed in 2012). The Chief Executive Officer will ensure other relevant SOP's (ie: deposit, finance, supervisory) are reviewed and updated on a continuous basis.
6.	The Board of Directors request the Chief Executive Officer to implement a structured program of reviews and surprise audits to monitor adherence to the standard operating procedures.	X			TPA staff have now implemented a program of "surprise audits" for parking attendants to ensure compliance with the new standard operating procedures. The program commenced January 13, 2016 with two "surprise audits" with "surprise audits" planned weekly thereafter. Management intends to expand these surprise audits for other operating processes contained in Off-Street Controlled Facilities.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
7.	<p>The Board of Directors request the Chief Executive Officer to implement appropriate controls over the safeguarding, issuance, and usage of monthly parking passes. Consideration be given to automating processes, controls and/or exception monitoring of the issuance and usage of monthly parking passes, where possible.</p>	X			<p>As previously noted, the Chief Executive Officer will continue to explore ways to automate processes and use technology to enhance controls and simplify exception reporting as budgeting and resources permit. Management has changed the policy of re-using the “spare” monthly pass cards which will essentially eliminate the possibility of issuing and activating an unrecorded card.</p>
8.	<p>The Board of Directors request the Chief Executive Officer to periodically review change fund floats and ensure:</p> <p>a. Change fund floats reflect operational needs and any adjustments to float requirements are approved by appropriate management in both Operations and Finance.</p> <p>b. Approved changes are recorded immediately in financial systems.</p>	X			<p>Process changes were recently implemented to ensure that:</p> <ul style="list-style-type: none"> i. Change float amounts reflect current requirements particularly as technology and equipment change; and, ii. A review of the existing process to record change floats amounts in the financial systems to ensure timely recording of any changes. <p>The Chief Executive Officer will work closely with staff from both the Operations and Finance departments to ensure this practice continues.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
9.	The Board of Directors request the Chief Executive Officer to develop and implement formal reconciliation procedures which address the responsibilities of supervisors, the Manager of Attended Facilities, and finance staff for managing and safeguarding the various change fund floats.	X			In conjunction with Recommendations # 5 and #8 above, TPA management will develop and implement formal reconciliation procedures for various change fund floats to address staff responsibilities and ensure compliance, efficiency and timeliness.
10.	The Board of Directors request the Chief Executive Officer conduct a periodic review of the physical security of cash/coinage handling and implement any necessary enhancements.	X			TPA's management team periodically conducts physical reviews of cash/coinage handling in order to safeguard security, ensure control and optimize efficiencies. The Chief Executive Officer initiated a comprehensive business process review of this matter in 2015 and will address the Auditor General's recommendation in the context of the outcome of this project, expected by Q3, 2016.

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: <i>(Comments are required only for recommendations where there is disagreement.)</i>	Action Plan/Time Frame
11.	<p>The Board of Directors request the Chief Executive Officer to ensure that internal audit or independent finance staff conduct counts of cash and coinage on hand on a surprise basis. Such counts be reconciled with the general ledger or another independent financial record to ensure cash overages or shortages are detected and investigated on a timely basis. Results should be retained as evidence of review.</p>	X			<p>As outlined in Recommendation #6, TPA staff have already implemented a program of “surprise audits” for parking attendants to ensure compliance with the standard operating procedures. We will expand these surprise audits for other operating processes contained in Off-Street Controlled Facilities, including conducting and documenting counts of cash and coinage on hand and reconciling with the general ledger or another independent financial record.</p>

Rec No.	Recommendations	Agree (X)	Disagree (X)	Management Comments: (Comments are required only for recommendations where there is disagreement.)	Action Plan/Time Frame
12.	<p>The Board of Directors request the Chief Executive Officer, in consultation with the Board’s Finance and Audit Committee, to review the role and mandate for the Internal Audit function. Such review to determine whether the Internal Audit function be required to:</p> <p>a. Preserve independence and objectivity, transferring all operational duties to other Toronto Parking Authority personnel.</p> <p>b. Conduct audits or issue reports in accordance with or guided by the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics issued by the Institute of Internal Auditors.</p>	X			<p>TPA management has recognized the need for an independent audit team separate and distinct from the combined financial and operational department in place today. During 2015, a comprehensive organizational review of key TPA departments was conducted. This matter, among others, was identified and will be addressed through organizational restructuring planned to be in place by year-end 2016.</p>