APPENDIX A

Memorandum

Finance & Treasury Services
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November 6, 2023

To: Steven Nushis, Director Accounting Services, Exhibition Place

cc: Don Boyle, Chief Executive Officer, Exhibition Place
Hardat Persaud, CFO and Corporate Secretary, Exhibition Place

From: Gifford Chu, Acting Director, Internal Audit

Re: **Parking Revenue Review – Exhibition Place**

Attached is the final report pertaining to our Parking Revenue review. The report outlines our findings and recommendations and includes your responses to address each recommendation.

Please extend our thanks to your staff for their assistance and cooperation throughout the review.

If you have any questions, please contact Rhea Rasquinha at 416-392-8353

Gifford Chu
Acting Director, Internal Audit

Enclosures

Internal Audit Report: Parking Revenue Review

Exhibition Place

November 6, 2023

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Background

The Board of Governors of Exhibition Place (the "Board") operates, manages and maintains Exhibition Place on behalf of the City of Toronto through a Relationship Framework Agreement. The City is entitled to any operating surplus resulting from the Board's activities and is responsible for any deficit the Board incurs.

In a report to Exhibition Place's Finance & Audit Committee, dated July 31, 2016, entitled *Proposed Three-Year Key Business/Operational Audit Review Cycle*, the Chief Executive Officer of Exhibition Place proposed implementing a continuous review process of key business processes in support of its financial goal to effectively monitor costs and revenues. Exhibition Place requested Internal Audit to include in its 2023 work plan a review of its Parking Revenue processes.

In the 2023 Operating Budget, Exhibition Place Parking Access revenue was estimated to be $7.30 million. This includes public parking for Exhibition Place events, BMO Field sporting events, and general public use. There are approximately 500,000 vehicles parking on the grounds on an annual basis.

Exhibition Place parking revenue is comprised of self-collected income and income collected via the Toronto Parking Authority (TPA).

The majority of parking revenue is collected by TPA, under the following streams: Pay and Display, Mobile Pay, Garage Arm, and Fee computer (operated by Exhibition Place parking attendant staff). In 2022, this accounted for 73% of total Parking Revenues. The remaining 27% is collected by Exhibition Place directly, primarily through the Point of Sale (POS) Credit Card Machines and Exhibitor Parking. See below for a breakdown of revenue amounts collected in 2022:

<table>
<tr><th>Revenue Stream</th><th>Revenue received</th><th>Percentage</th><th></th></tr>
<tr><td>Pay & Display/Mobile</td><td>$588,562.49</td><td>8%</td><td rowspan="3">TPA total 73%</td></tr>
<tr><td>Garage (In-Lane Self Serve)</td><td>$1,781,906.16</td><td>25%</td></tr>
<tr><td>POS Fee Computer</td><td>$2,755,044.17</td><td>39%</td></tr>
<tr><td>POS Handheld and Other, including Exhibitor Services</td><td>$1,942,724.20</td><td>27%</td><td>Exhibition Place 27%</td></tr>
<tr><td>Total Revenues</td><td>$7,068,237.02</td><td>100%</td><td></td></tr>
</table>

Objectives

The objectives of this review were to assess whether:

- Adequate processes and controls are in place to ensure that all sources of Parking Revenues are received/collected and recorded accurately and completely; and
- Any opportunities for improvement to existing processes and controls exist.

The review included a review of processes and controls with respect to the following parking revenue streams:

- Pay and Display, and Mobile app processes, including the settlement of revenues as per the agreement with Toronto Parking Authority;
- Parking Attendants; and
- Exhibitor Parking

Methodology

The review consisted of:

- Reviewing current operations manuals, procedures and TPA agreement;
- Performing walkthroughs of the various Parking Revenue Stream processes;
- Interviewing staff to obtain an understanding of current processes and controls in place;
- Sample testing of parking revenue from receipt to recording (tracing and vouching procedures);
- Other procedures as considered necessary.

Findings and Recommendations

No major issues were noted in our review. Overall, parking revenues were received and recorded accurately and completely.

Our review did, however, identify opportunities to further strengthen controls related to revenue collection and reporting efficiencies.

Our findings along with recommendations are outlined below.

1. Malfunctioning of fee computers

Exhibition Place has experienced ongoing issues with processing payments through fee computers – one of the methods through which parking payments are processed. Fee computers and the Garage arm system is provided by TPA, and Exhibition Place pays a monthly flat fee of approximately $4,000. When the fee computers are malfunctioning, parking attendants at Exhibition Place use point-of-sale handheld machines to collect parking fees directly from customers.

The agreement between Exhibition Place and Toronto Parking Authority, states that *'TPA shall service and repair the Equipment promptly but no later than 24 hours upon receipt of notice'*. However, fee computers have been breaking down frequently and are not serviced by TPA in a timely manner.

Our sample testing of 11 weekly show revenue reports (which break down revenues collected by fee computers and POS) indicated that approximately 60% of those revenues were collected using POS machines.

Furthermore, Exhibition Place pays the contractual monthly fee, even when the equipment is malfunctioning and cannot be used.

The Parking Operations manager is aware of this issue and has escalated this to TPA management.

Recommendation #1:

To ensure that Parking operations are operating smoothly, controls are in place, and services paid for are obtained, Exhibition Place should hold TPA accountable in meeting the service level standards outlined in the agreement.

Consideration should also be given to introducing a clause in the agreement for punitive measures, such as waiving of fees, in the event of untimely repairs.

2. Controls around use of Point-of-Sale Machines

The Point-of-Sale (POS) handheld machines are intended to be used only when the fee computers are down or malfunctioning in the above ground lots. However, as noted above, POS machines have been used regularly.

When POS machines are used, the parking arm is kept open. As a result, revenues cannot be reconciled to the number of cars entering the lot. There is a risk that cars could be entering the lot without paying.

In addition, the use of POS machines requires staff to manually consolidate the daily seller sheets which further complicates the reconciliation process.

Recommendation #2:

To ensure that parking controls are in place and to streamline the revenue recording and reconciliation process, Parking Services should:

a) **Use the fee computers whenever feasible; and**

b) **Explore other payment options to replace fee computers, such as pay and display or mobile pay**

3. Instances of non-payment are not analyzed

Fee computers have a function that allow the parking arm to be opened for scenarios such as prepaid exhibitors, lost customers, staff parking, etc.

Although this information is collected, it is not tracked or analyzed by staff. There is a risk that parking attendants may be opening the arm to allow cars to park for free, or that cash is collected and misappropriated.

Recommendation #3:

To ensure that controls around access to parking lots are operating properly, Parking Services should track and analyze the instances where the parking arm is opened without payment. Any trends or anomalies should be investigated.

4. Parking Services Manual is out of date

The Parking Services manual is out of date, with many of the processes such as cash collection by parking attendants no longer used. The manual serves as a training guide for new staff; it also ensures the retention of knowledge in the event of staff turnover.

Recommendation #4:

To ensure that staff are following proper procedures, Parking Services should update the Parking Services manual.

5. Misallocation of Show Management Revenues to Parking

Our testing of show management parking revenue identified that two out of six samples had a misallocation of other miscellaneous event revenues to parking revenue, resulting in a $4,471.50 overstatement. This GL account used is operationally used for both parking and miscellaneous revenues, but rolls up to parking revenue as a whole.

Although the overstatement of parking revenue is immaterial, our sample size is small, and it is of concern that two out of six samples had this error. Given the operational size of the Accounting Services team at Exhibition Place, we acknowledge that it is not feasible to provide a secondary review of all journal entries prior to posting.

Revenue misallocation may result in a misstatement of financial statements and impact the internal event profitability analysis.

Recommendation #5:

To ensure that revenues are accurately recorded to the proper account, Accounting should consider creating an account specifically for deferred parking revenue and another for miscellaneous revenue.

Approved by:

Gifford Chu
Acting Director, Internal Audit

Rhea Rasquinha

Rhea Rasquinha
Senior Internal Auditor, Internal Audit

Jennifer Lee

Jennifer Lee
Senior Internal Auditor, Internal Audit

APPENDIX A: Management Action Plan

Title of Report

Recommendation	Management Response and Action Plan	Responsibility	Timeline for Implementation
Recommendation #1: **To ensure that Parking operations are operating smoothly, controls are in place, and services paid for are obtained, Exhibition Place should hold TPA accountable in meeting the service level standards outlined in the agreement.** **Consideration should also be given to introducing a clause in the agreement for punitive measures, such as waiving of fees, in the event of untimely repairs.**	Management has raised concerns of equipment malfunction to the Toronto Parking Authority (TPA) Vice President and is working with TPA on specific service level agreement expectations on an extension agreement. On a monthly basis, Transportation Services will communicate to TPA instances of equipment breakdown and fixes including dates and times to ensure that TPA is maintaining service level standards per the agreement. To ensure accurate measurement of the SLS all issues will be reported through TPA's Systems Operations Control Centre time-stamped and tracked via TPA's CRM tool to ensure standards are met. Additionally, Exhibition Place has alternative collection methods in place for these instances that enable staff to carry through daily operations. Transportation staff are trained on rapid deployment of other POS systems to maintain guest processing and ensure exceptional customer service is maintained.	Director, Security & Transportation	Tentative New Agreement – TBD October 2023
Recommendation #2: **To ensure that parking controls are in place and to streamline the revenue recording and reconciliation process, Parking Services should:** **a) Use the fee computers whenever feasible; and**	a) Staff uses fee computers and will only use handheld POS machines as required. Transportation Services is working with TPA on improving service times and reliability of equipment. Management has determined that to prevent delays for larger events, at times staff require the gate arm to remain up, and alternative POS	Director, Security & Transportation	Implemented

Recommendation	Management Response and Action Plan	Responsibility	Timeline for Implementation
b) Explore other payment options to replace fee computers, such as pay and display or mobile pay	systems to be used to reduce wait times to a manageable level. b) Management is exploring other options such as gateless parking by leveraging Mobile Pay further and gradually replacing fee computers. Exhibition Place recently conducted test pilots where Mobile Pay was the only accepted payment method at TFC games in lots 851 and 852. In 2024, Transportation Services, plans to expand the test pilot to include Argos games, and, in 2025 onwards, adopt mobile pay entirely. As well as Exhibition Place testing the greater use of Mobile Pay to move away from fee computers, the TPA will also be implementing two more payment processing options for customer parking at Ex-Place as part of the new agreement: Pay-by-Plate Machines and Third-party payment processing. Having three independent payment processing options provides redundancy across the entire network as customer will always have a form of payment available to them. The new agreement will also include updated signage giving more awareness to mobile pay options which will limit reconciliation issues from manual processing.		2024: Mobile Pay Test Pilot at Argos Games 2025: Mobile at all other events Pay-by-Plate Machines & Third-Party Payment Process (available after 2024 Q1)
Recommendation #3: **To ensure that controls around access to parking lots are**	Management recognizes that the inherent risk of cars being allowed to park for free is minimal, as this is controlled. Given risk being low, tracking being a		N/A

Recommendation	Management Response and Action Plan	Responsibility	Timeline for Implementation
operating properly, Parking Services should track and analyze the instances where the parking arm is opened without payment. Any trends or anomalies should be investigated.	manual effort and for the specific instances, it is not feasible. Management is exploring other options such as gateless parking by leveraging Mobile Pay further and gradually replacing fee computers. Exhibition Place is currently conducting test pilots.		
Recommendation #4: **To ensure that staff are following proper procedures, Parking Services should update the Parking Services manual.**	Management acknowledges the importance of staff following proper procedures and will update the Transportation Services Manual to reflect current processes. The manual will be updated annually by the end of January each following year.	Director, Security & Transportation	January 2024 Annually as part of year end process.
Recommendation #5: **To ensure that revenues are accurately recorded to the right account, consideration should be made for creating one account solely for deferred parking revenue to avoid using the incorrect account.**	Management agrees that a separate account specifically for deferred parking revenue would improve the accuracy of show management sales being recorded to the proper accounts. Accounting will create an account solely for deferred parking revenue going forward.	Director, Accounting Services	January 2024