



**NOTICE OF A MEETING
OF THE FRESNO CITY COUNCIL
FINANCE AND AUDIT COMMITTEE**

Council President Steve Brandau
Councilmember Garry Bredefeld
Councilmember Nelson Esparza

Date: March 11, 2019
Time: 2:00pm
Location: Fresno City Hall, Council Chambers
Re: Parking Audit Findings

The City of Fresno Finance and Audit Committee met at 2:05 P.M. in the Council Chambers, City Hall.

**In attendance: Council President Brandau, Council Vice Chair Esparza
Councilmember Bredefeld, City Attorney Sloan, City Manager Quan, Assistant City
Manager Sumpter and Assistant City Clerk Parra.**

The purpose of the meeting of the City of Fresno Council Finance and Audit Committee is to meet and consider the following:

1. Introductions
2. Parking Audit Findings
3. Public Comment
4. Adjourn

Council President Brandau introduced members of the committee and discussed how the meeting will convene and what the goals are for the committee and recommendations for the parking audit findings. Council President Brandau stated that there is an item that will be going before Council on March 14, 2019 to discuss

the parking audit findings.

City Manager Quan and Finance Controller Lima gave a presentation to members on the parking audit.

Finance Controller Lima spoke regarding the five findings of the internal audit from July 1, 2016 to March 31, 2018:

- 1. Parking services did not have standard operation procedures for monitoring parking facility usage by entities that had agreements with the City of Fresno.**
- 2. Parking services was unable to perform proper financial oversight of parking revenue.**
- 3. Parking services did not collect as much revenue as they could have collected during the review period.**
- 4. Management level approval was not needed to dismiss or reduce parking citations.**
- 5. Adequate internal controls were not in place for the parking meter collection process.**

Finance Controller Lima stated the internal audit staff estimated \$242,845 of revenue was lost during the 21 months of the transitional review evaluation period and a follow up audit will be conducted in six months to determine if the findings are being addressed.

Council President Brandau asked staff to go into details of each of the findings and talk about the information that was discovered in the audit, what lead up to the issue and what the solution was that was implanted. Finance Controller Lima addressed the findings one by one.

- 1. Parking services did not have standard operation procedures for monitoring parking facility usage by entities that had agreements with the City of Fresno:**

Finance Controller Lima stated there were over 757 permits issued to the County of Fresno and the contract only allowed for 600. He discussed Club One and stated there was contract language that was not being monitored and the language was not clear. City Manager Quan asked Parking Manager Gaffery to speak to Club One about the stall issues and why there were stalls being utilized and what has been done to correct that and move forward.

Parking Manager Gaffery addressed the solution for the County of Fresno permits. Council President Brandau asked how the County of Fresno got over 157 extra access cards. Parking Manager Gaffery responded.

Councilmember Bredefeld asked staff how the parking division would know if an employee was separated from the County of Fresno and if the County of Fresno has reached their limit of parking permits in the future. Parking Manager Gaffery replied to the steps that are being taken to correct the previous problem.

Council President Brandau asked staff to clarify the Club One stalls per day, the contract and the charge for the use of the stalls and parking. Parking Manager Gaffery responded that the language for the contract was not clear and there now is a clearer and consistent contract with Club One and the City of Fresno is moving forward with SBplus for a project plan and pricing for replacement of the hardware in garage 8. Parking Manager Gaffery stated that the County of Fresno has paid \$185,000 to the City of Fresno and \$74,000 is still being discussed. He also stated that they implemented a system that is tracking and reconciling when payments come in, applying late fees to clients and keeping the contracts current and up to date. Council President Brandau asked staff if Club One has paid the City of Fresno \$98,000 in which they owe. Parking Manager Gaffery stated the contract is being looked over and discussed but that the \$98,000 has not been collected.

Councilmember Bredefeld asked City Manager Quan how she proposes to deal with Club One regarding generating revenue with the 100 parking stalls. City Manager Quan stated there is a new accounting system and the renewal of the agreement language will fix the problems. She also mentions that the City of Fresno gets about \$1Million dollars in table tax revenue from Club One every year.

2. Parking services was unable to perform proper financial oversight of parking revenue.

Finance Controller Lima stated that the City's Financial system was not being booked properly because it was not being distinguished and made it difficult to determine if the entities are meeting their requirements or making a profit or breaking even. Since then changes have been made to the accounting practices and the transactions are clearly identified.

Council President Brandau asked if the accounting practices were so antiquated that we didn't know parking was making money in general or was it the parking lots that could not be determined. Finance Controller Lima stated the problem was with the parking lots and the procedures. Since then the issues have been resolved. Council President Brandau asked City Manager Quan to keep Council informed when there is a problem in the future.

Councilmember Bredefeld asked staff if they have rectified the problem. Parking Manager Gaffery responded.

3. Parking services did not collect as much revenue as they could have collected during the review period.

Finance Controller Lima stated the lack of monitoring the contracts and the inability to track revenue. He stated there was an estimated loss of \$242,000 over the 21 month review period. Since then, procedures have been modified and the department is tracking the revenue correctly.

Council President Brandau asked staff what the fix was for finding 3. Parking Manager Gaffery responded rental contracts are being tracked more closely; they are not allowing contracts to lapse. He stated the clients are being notified and ensuring the contracts are paying their correct amounts.

4. Management level approval was not needed to dismiss or reduce parking citations.

Finance Controller Lima stated citations were being reduced or waved and did not need manager level approval. Council President Brandau asked how many citations were signed off without the Manager's approval. Finance Controller Lima stated there were about 5271 during the 21 month period. Parking Manager Gaffery said the problem has been resolved. Citations cannot be waived or reduced without the Parking Manager's approval. With the exception of those who submitted an appeal.

Councilmember Bredefeld asked staff who is going to have the authority to dismiss the citations. Parking Manager Gaffery said there will be three people, the Department Director, Parking Supervisor, and the Parking Manager.

5. Adequate internal controls were not in place for the parking meter collection process.

Finance Controller Lima spoke regarding the parking meters and stated they are big revenue sources. He said the collection method had huge risks in the collection process. He said the lock boxes were not secured. Parking Manager Gaffery discussed the solutions to the new process and procedures that are now in place. He stated the bank now counts the coins and deposits based on the banks count.

Councilmember Esparza asked several questions regarding the new procedures and process of the collections of the meters and asked about the monthly revenue since the new system has been in place. He asked how much revenue has been collected from the meters. Parking Manager Gaffery stated in December \$146,000 was collected and in January \$143,000 had been collected. Councilmember Esparza asked what accounts for the fluctuation in the revenues. Parking Manager Gaffery responded.

Council President Brandau asked staff to discuss the number of personnel, and if they have the right amount of training and staffing in the field. Parking Manager Gaffery responded.

Councilmember Esparza asked staff when staff was made aware of the audit and when the producers were implemented. Parking Manager Gaffery responded.

Councilmember Esparza asked the auditor several questions regarding her qualifications, background in her education and the purpose of the audit. He asked is the staff held any meeting prior to the audit. He also asked about the dismissals of the citations. Principal Internal Auditor Agrawal responded.

Council President Brandau asked City Manager Quan several questions regarding Club One and the sale of the spiral garage. City Manager Quan replied.

Council President Brandau thanked the Administration and Finance Department for the Audit and asked to meet with the City Manager's office and Parking Manager Gaffery to go over the Audit issues before going back to Council for review.

Councilmember Esparza thanked the Administration and Finance Department and asked Principal Internal Auditor Agrawal about the other five (5) audits. Principal Internal Auditor Agrawal responded.

Councilmember Bredefeld thanked the Administration and Finance Department and asked more questions regarding the payroll audit. Councilmember Bredefeld expressed his concerns with the City Council not having all of the information regarding the sale of the spiral garage before Council approved the sale. Assistant City Manager Sumpter responded.

Council President Brandau asked City Manager Quan if two Auditors are enough for the City of Fresno. City Manager Quan responded.

Councilmember Esparza asked if it is standard practice to have in house Auditors or is it common to be contracted out. He requested more information regarding the Police Department and Public Works Department audit before going to Council for approval. Assistant City Manager Sumpter responded.

Upon call, there was no public comment.

The Finance and Audit Committee adjourned at 3:48 P.M.