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August 11, 2006

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Ladies and Gentlemen:

SUBJECT: San Antonio Parking Division Audit

We are pleased to send you the report and Management responses for an audit of the San Antonio Parking Division. This audit began in January 2006 and concluded with an exit conference with Asset Management and Parking Division Management in June 2006.

Parking Division Management and Staff should be commended for their cooperation and assistance during this audit. Parking Division's Corrective Action Plan indicates acceptance of six of the seven report recommendations, and partial acceptance of the other.

The Internal Audit Department appreciates the opportunity to have performed this review and is available to discuss this material with you individually at your convenience.

Respectfully submitted,

Mark S. Swann

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Interim City Auditor

cc: Leticia Vacek, City Clerk
Kenneth Appedole, Parking Division Manager

CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

San Antonio Parking Division Audit

Project No. AU06-003

Issue Date: August 11, 2006

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EXECUTIVE SUMMARY

Overview

A review of Parking Division has been completed. The objective of this audit was to determine if internal controls related to off-street parking operations (i.e. garages and lots) were adequate to ensure that parking funds were properly collected, processed, and accounted for in an efficient manner.

This report includes background information to assist the reader in understanding the parking environment. The body of the report consists of observations and recommendations and is divided into two sections, Operations and Back Office to facilitate the functional assignment of potential action plans.

Results In Brief

The Parking Division has made many control enhancements since the summer of 2000 when the City received resignations or fired 19 employees over a scandal involving the theft of cash from event parking operations. The current Parking Manager has made great strides correcting deficiencies associated with event parking operations and hiring productive employees in a multi-faceted 24 x 7 business. However, this audit identified additional opportunities to modernize, increase revenue, enhance controls, and minimize opportunities for fraud as described below.

Recommendations are summarized as follows:

The Parking Division Manager should implement a modern parking system that effectively employs technology to improve parking management, accountability, and customer service. The selected system should facilitate all parking facilities to the extent feasible, be able to electronically capture all parking transactions at the source (i.e. fee computer), and facilitate the generation and processing of thousands of records on a daily basis. (Recommendation 1, Page 6)

The Parking Division Manager should procure and install a modern DVD or DVR based surveillance system with remote monitoring capabilities. The Parking Superintendent should be able to monitor all attendant activity real-time from a remote location such as the Parking Operations office. Additionally, for better surveillance, the system should superimpose all register transaction data onto the corresponding video image allowing management to verify cashier activity. (Recommendation 2, Page 7)

The Parking Division Manager should implement a field audit plan that ensures that all parking attendants are audited at least several times a year on a random basis. Additionally, audits should be performed at all parking facilities with emphasis on those that generate more revenue and those that are less controlled (i.e. flat-rate/event-only facilities which don't use spitter tickets). (Recommendation 3, Page 8)

The Parking Division Manager should develop formal written procedures and systems for billing and safeguarding MAG cards. A new monthly-parking account receivable/billing system should be implemented with appropriate security, performance, and reliability features. (Recommendation 4, Page 10)

The Parking Division Manager should develop formal written procedures to address the proper, timely, and consistent handling, disposition, billing, accounting, and receiving of payments for all validation transactions. The Parking Division Manager should automate the validation function to eliminate the need for paper spitter (dispenser) tickets as the basis for billings. (Recommendation 5, Page 13)

The Parking Division Manager should develop and implement a quality control function. This function should be responsible for identifying and developing policies and procedures for all major Fiscal and Parking Operations functions. (Recommendation 6, Page 14)

INTRODUCTION

Background

The Parking Division, previously under the Public Works Department, became a function of the Asset Management Department on October 1, 2005. The Parking Division is currently managed by in individual who joined the City in the summer of 2000 just as 19 employees, mostly parking attendants, were being fired or allowed to resign as a result of an investigation of a wide-spread theft of cash receipts. Among the new manager's primary goals were to rebuild the operations group, and "plug the holes" associated with the parking attendant function.

With just over 100 employees, the Parking Division is responsible for managing 2,100 parking meters, 3,307 garage spaces in five parking garages, and 3,544 lot spaces in twenty surface lots in the downtown area. The Parking Division is also responsible for maintaining parking meters, enforcing parking regulations, and managing retail office space in the garages.

For the fiscal year ended September 2005, the City's parking facilities generated about $10.2 million in revenue after sales tax. About $1.3 million of this total, or about 13 per cent of the total, was generated by parking meters while the remaining $8.9 million was generated by off-street facilities.

The off-street facilities consist of parking garages and surface lots. Three-fourths of the $8.9 million in 2005 revenue was produced by just five parking facilities as shown in Exhibit A below. Major off-street revenue streams are produced by hourly parkers, monthly contract parkers, events, leases (e.g. with the Hilton, Watermark, and Marriott hotels), and validations (e.g. from Schilo's, NIX Medical Center).

Exhibit A – Parking Facility Revenue – Fiscal Year 2005

	Facility	Spaces	FY 2005 Revenue Net of Sales Tax	FY 2005 Cumulative Revenue	Individual Facility % of Total	Cumulative % of Total
1	**Houston St. Garage**	**910**	**$2,274,716**	**$2,274,716**	**25.53%**	**25.53%**
2	**Riverbend Garage**	**800**	**$2,083,282**	**$4,357,998**	**23.38%**	**48.91%**
3	**Marina Garage**	**465**	**$998,671**	**$5,356,669**	**11.21%**	**60.12%**
4	**St. Mary's Garage**	**704**	**$726,120**	**$6,082,789**	**8.15%**	**68.27%**
5	**Municipal Courts**	**155**	**$607,084**	**$6,689,873**	**6.81%**	**75.08%**
6	Market Square Lot	177	$510,374	$7,200,247	5.73%	80.81%
7	IH-35 Lots	413	$493,302	$7,693,549	5.54%	86.35%
8	HemisFair Garage*	735	$476,451	$8,170,000	5.35%	91.69%
9	Dolorosa Lot	173	$237,430	$8,407,430	2.66%	94.36%
10	Library Garage	428	$182,705	$8,590,135	2.05%	96.41%
11	Houston/Nolan Lot	290	$131,064	$8,721,199	1.47%	97.88%
12	Continental Lot	89	$76,747	$8,797,946	0.86%	98.74%
13	Durango South Lot	350	$44,669	$8,842,615	0.50%	99.24%
14	Cattleman's Lot*	223	$40,988	$8,883,603	0.46%	99.70%
15	ITC Lot	244	$12,523	$8,896,126	0.14%	99.84%
16	Center Street Lot	148	$6,209	$8,902,335	0.07%	99.91%
17	Frio Street Lot	77	$2,940	$8,905,275	0.03%	99.95%
18	Sutton Lot	283	$2,610	$8,907,885	0.03%	99.98%
19	Jones Lots	133	$1,616	$8,909,501	0.02%	99.99%
20	Crockett Lot	232	$554	$8,910,055	0.01%	100.00%
	Total	7,029	**$8,910,055**		100.00%	

* No longer operated by the City

Objectives

The objectives of this audit were to determine if:

- internal controls related to cash were adequate to ensure that all parking revenue was deposited to City accounts in a complete and efficient manner,
- monthly parking fees and validations were billed appropriately and collected timely, and
- parking information technology was used effectively.

Scope

The scope of this audit included parking operations and transactions for the period October 1, 2004 through April 12, 2006. This audit did not include reviewing on-street parking operations (meters), public safety, parking enforcement processes, expenditures, profitability, or rate structures.

Criteria

This audit was based City Administrative Directives, Parking Division Operating Instructions (PDOIs), and accounting and technology related internal controls. Additionally, we considered established standards for cash handling and revenue controls, sound administrative practices, and parking operations best practices.

Methodology

The audit methodology consisted of collecting information and documentation, conducting interviews with Parking Division Management and Staff, observing facilities and processes, performing selected tests and other procedures, and analyzing and evaluating the results of the tests.

During this audit, sampling techniques were used to select transactions for detailed testing. These techniques include statistical and judgmental sampling.

The review was performed in compliance with generally accepted government auditing standards issued by the U.S. Government Accountability Office.

Government Auditing Standards require a peer review of an audit practice at least once every three years by reviewers independent of the organization. The City's Internal Audit Department had a peer review in July 2001 and another one in August 2005.

Conclusion

The audit identified opportunities to modernize and implement or enhance internal controls as noted below.

- The City is currently using ageing paper ticket based parking systems that consist of disparate components. These systems aren't interconnected and aren't capable of generating electronic transaction data and associated reports required for the City's complex parking environment. The use of these ageing systems requires a back-office of nine employees who must recount all cash and checks as well as recount and categorize four to five thousand spitter and event tickets on a daily basis. These manual processes are prone to error and create opportunities for fraud.

- The City utilizes old technology to monitor 10 of its parking booths. The current surveillance technology has several problems including poor media durability and picture quality making any potential investigation difficult. Additionally, surveillance images currently don't show transaction data and can't be viewed remotely resulting in imprecise event-searching and time consuming investigations.

- Analysis showed that 16 of 63 attendants were not "field-audited" during fiscal year 2005 and another eight had only been audited once. Also, it was noted that there is some predictability in the location, target, and timing of field audits which may have mitigated their effectiveness.

- We made a number of observations associated with the monthly billing/magnetic card function. The monthly billing system is comprised of a number of offline desktop databases which weren't developed with sufficient data integrity and functionality features. The databases don't keep historical data nor can they automatically produce billings. We also found that controls over magnetic card usage were insufficient including those for activation, deactivation, inventorying, billing, collection, late fees, deposit accounting, and segregation of duties.

- The validation process lacks sufficient controls to ensure that all validation businesses are billed with accurate rates, in a timely manner, with proper accounting, and according to City agreements. Also, validation billing has not been automated and it suffers from a lack of segregation of duties.

- Quality control issues were found including a lack of policies and procedures for Fiscal Office functions, parking transactions not accounted for, insufficient mechanisms to obtain accurate vehicle counts, and fee computer programming errors.

- Seven individuals outside of the Parking Division had unnecessary access, and one Parking Division employee had excessive security rights to the TPDS system.

Risk Assessment Capability

Based on an Enterprise Risk Assessment Capability Matrix it was determined that the maturity level of Parking Division's **Technology Capabilities** were at the *Ad-Hoc* to *Repeatable* stages as systems and technology are generally stand-alone and not interfaced to meet the needs of the organization. A more detailed description of the capability stages has been included as **Attachment A**. Most entities achieve the managed stage while fewer achieve the optimized stage for mature processes.

Using the Enterprise Risk Assessment Capability Matrix for **Process Capabilities,** processes were at the *Repeatable* to *Defined* stages since some procedures are well documented but others are not documented (or not regularly updated) to reflect changing business needs.

Using the Enterprise Risk Assessment Capability Matrix for **People Capabilities**, the personnel at the Parking Division were at the *Repeatable* to *Defined* stages since there are experienced personnel in most areas, but job responsibilities are not fully (explicitly) defined for all areas.

DETAILED OBSERVATIONS AND RECOMMENDATIONS

Operations

1. Ageing Parking Systems

Condition

The City is currently using ageing paper ticket based parking systems that consist of disparate components manufactured by Federal and Amano. The systems utilize parking components that malfunction often including spitter machines, fee computers, fee printers, vehicle (gate) counters, magnetic-card readers, et cetera. These ageing systems require the City to carry a larger inventory of spare parts than would otherwise be necessary and require parking attendants and technicians to perform additional time consuming procedures when equipment malfunctions.

The City's parking systems basically rely on paper "spitter" and "event" tickets and consist of what amounts to stand-alone cash registers to generate parking transactions at various facilities. These registers are not interconnected and don't have the capability to generate electronic transaction data and associated reports required for the City's more complex parking environment. If tickets get lost, misplaced, or are not accounted for properly, the transaction is lost and the City looses revenue.

Data from Federal/Amano vehicle-counter mechanisms and fee registers sometimes isn't reliable and is not effectively integrated into parking register functionality and back-office procedures. This vehicle-counter functionality and corresponding data integration is paramount to accurately accounting for all vehicles that enter and exit the City's parking facilities.

The City's parking facilities currently are not equipped to accept forms of payment other than cash or checks rendering them less-than-friendly for local folks and tourists alike who normally don't carry check books or large amounts of cash.

Current parking processes require a back-office of nine employees who must recount all cash and checks, and recount and categorize four to five thousand spitter and event tickets on a daily basis, 365 days a year. This business model relies heavily on manual processes that are prone to error and subject to fraudulent activity.

Since the parking facility registers are not connected and no electronic transactions are produced, back-office employees must re-enter all cash/check receipts and ticket data into a mainframe based application Parking Division System (TPDS) in order for the data to ultimately be ported to SAP. The re-keying process is inefficient and results in errors, which Internal Audit found during testing. Furthermore, while the TPDS application adequately captures standard rate transactions, it doesn't facilitate non-standard transactions very well such as validations and non-revenue tickets (e.g. handicap, grace, employee, and no-pays). For example, TPDS doesn't have the capability to report the amount of revenue forfeited due to handicap, employee, and no-pay parking. Nor does TPDS have the ability to report the number or amount of validations that should be billed monthly to any particular validator with whom the City has an agreement. These figures currently have to be tallied manually by physically counting spitter tickets.

Other related parking system observations include the following:

- **Malfunctioning Equipment**: Three out of fourteen sample selections for September 2005 (all for the Houston St. garage) showed that the fee computer ticket printer was not working. When this occurs, exit time and rate can't be printed on the ticket and attendants are required to print out and attach register receipts to each ticket for documentation purposes.
- **Unaccounted Vehicles**: In a sample of 37 shifts over a 10-day period in January 2006 for the Houston St. (Mid City) facility, eight differences were noted between the fee computer tape car-count and the car-count entered into the TPDS system. These eight differences summed to an absolute value of 170. In a separate test, Audit found that a reconciliation of vehicles to actual transactions was not consistently being performed. In a sample of eight shifts covering seven facilities, the number of vehicles counted at the exit gate was 222 higher than the number of

transactions entered into TPDS. The ramification is that not all vehicles (parking transactions) are being accounted for and that TPDS vehicle data is not reliable.

- **Missing Tickets**: A review of spitter tickets for a 14 day sample showed that tickets were missing for 11 of those days compared to those reported on the Daily Activity Reports or fee tapes. These included grace, validation, handicap, employee, and exception tickets.
- **No Parking Systems at Some Facilities**: Since there is no ticket spitter/fee computer system at some City parking facilities including the high-volume Marina Garage and Municipal Courts lot, attendants must manually fill out entry/exit information on "exception" ticket stock for grace tickets. Thus, there is no independent verification of entry/exit times for grace customers which creates fraud opportunities.
- **Inefficient Parking Systems:** With the exception of the St. Mary and Houston St. facilities, parking attendants have to enter the customer's exit-time into the register (fee computer) which is inefficient, prone to error, and subject to fraud.

Risk

Parking Operations must perform more frequent maintenance and maintain a larger inventory of parts than would otherwise be necessary. Parking Management cannot view real-time parking activity, generate daily results, or produce reports for fraud or long-term planning. Rather, the Parking Division has to manually perform many daily functions including balancing, banking, accounting for thousands of spitter and event tickets, and re-keying all parking transactions into a second system (i.e. TPDS).

Recommendation

The Parking Manager should research modern parking systems on the market today and implement one that effectively employs technology to improve parking management, accountability, and customer service. The selected system should facilitate all City parking garages and lots to the extent feasible and should have the following features if possible:

- Ability to capture all parking transactions at the source (i.e. fee computer) and generate transaction data in a central relational database that preferably can feed data directly into SAP.
- Robust enough to facilitate the generation and processing of tens of thousands of records on a daily basis with feeds from every installed City parking facility.
- Versatile in its ability to produce standard and ad hoc accounting and analytical reports.
- Seamless integration of all modern parking facility components including magnetic card readers, ticket spitters, loop counters, fee computers, gate arms, pay-stations, et cetera.
- Touch-screen fee computers to minimize keying errors. These fee computers should be able to facilitate all types of City parking transactions including non-revenue (e.g. handicap, Veteran, Purple Heart), grace, no-pay, monthly, lease, validation, VIP, et cetera.
- Ability to accept credit, debit, and pre-paid card forms of payment in addition to cash and checks.
- Pay-station and message boards with Spanish language capabilities.
- Reliable fault-tolerant and backup mechanisms.
- Functionality for superimposing fee register transaction data onto surveillance media.
- Secure devices (e.g. fee registers, vehicle counters) that require a password and physical key.
- High-quality ticket printers and fee computer validators.
- Support for license plate recognition (LPR) 'bolt-on' functionality.

2. Ageing Surveillance Technology

Condition

The City currently utilizes an aging surveillance system to monitor 11 parking booths in 10 facilities. Cameras are mounted in the booth ceilings and are hardwired to VCRs (video cassette recorders) near each booth. The VHS (video home system) tapes for each VCR are replaced every three days for all locations except St. Mary's Garage. St. Mary's has a newer digital system with a hard-drive that over-writes itself about every 10 days; i.e. it records about 10 days of activity. The VCRs record images 24 x 7 except when the video tapes are being changed out. The tapes are saved until the end of the month in a locked Parking Operations cabinet. At the beginning of the month, the tapes are re-used (i.e. written over with new parking activity).

Camera angles for some of the parking facilities make it difficult to see exactly what the cashier is doing. At Riverbend, the camera is angled so that the customer can be seen but part of the fee register and attendant are obscured. At the Houston St. garage, the camera is mounted in the booth's ceiling and is pointed straight down making it easy for the attendant to obscure his/her hand and arm movements by bending over just in front of the camera. Pan-tilt-zoom cameras may be more appropriate for this environment.

The current process of using VCR technology requires the Parking Superintendent to have to drive to 10 facilities every three days to change tapes. This process is very time consuming and not an effective use of resources.

The VCR/VHS technology used by Parking is outdated and its use for surveillance image recording by the City has several problems including;

- Poor media durability; tapes are mounted in VCRs that are locked in boxes that get very hot resulting in VHS tapes degrading quickly.
- Poor picture quality versus the newer DVD (digital video disk) or DVR (digital video recorder) technologies.
- Images are taken by the camera in approximately one-second intervals giving the VHS picture a jerky motion.
- The freeze-frame function on Parking's VCR used for tape playback creates an image that flutters on the monitor making any potential investigation difficult.
- Fee register data isn't superimposed on the media images.

Risk

Current surveillance procedures may provide some benefit as a preventive control. However, theft detection may be more difficult due to limitations in the older technology being used. The current attendant monitoring system is outdated, requires excessive manual intervention/attention, and doesn't allow for remote real-time monitoring, recording, or playback. Also, event searches are time-consuming and inexact due to the surveillance system not being linked to the point-of-sale fee computers at the parking attendant booths.

Recommendation

The Parking Division Manager should procure and install a modern DVD or DVR based surveillance system with remote monitoring capabilities. The Parking Superintendent should be able to monitor all attendant activity real-time from a remote location such as the Parking Operations office. Additionally, for better surveillance, the system should superimpose all register transaction data onto the corresponding video image allowing management to verify cashier activity. Images should be captured and saved for at least a three month period. For better surveillance, pan-tilt-zoom cameras should be installed where feasible.

3. Insufficient Field Audit Coverage

Condition

Parking Operations supervisors perform on average between six and eights field audits each week. These audits are performed somewhat randomly with the exception that if an attendant is having difficulties, he/she will be audited more often.

Analysis showed that 16 of 63 attendants were not audited during fiscal year 2005 and another eight had only been audited once, while 16 others had been audited 10 or more times.

Also, it was noted that 24 percent of the audits were performed at the Marina garage which only generates 11 percent of the parking revenue. Only one percent of the field audits were performed at the St. Mary's Garage which provides eight percent of the revenue. A day-of-the-week analysis revealed that 25 percent of the audits were performed on a Sunday and only eight percent on a Monday or a Tuesday.

Risk

If “random” field audits are predictable and/or only performed on certain attendants, their effectiveness as a control and fraud deterrent is greatly diminished.

Recommendation

The Parking Division Manager should implement a field audit plan that ensures that all parking attendants are audited at least several times a year on a random basis. Additionally, audits should be performed at all parking facilities with emphasis on those that generate more revenue and those that are less controlled (i.e. flat-rate/event-only facilities which don’t use spitter tickets).

Back-Office

4. Inadequate Controls over Monthly Parking Processes

Condition

The Parking Division offers regular and resident-rate monthly parking options at each garage. Upon payment of a deposit and first month's fees, individual monthly customers are issued magnetic cards that allow them access to specified garages. Every Senior Office Assistant (SOA) is assigned a specific parking facility for purposes of billing monthly parkers. Consequently, each SOA developed a Microsoft Access database to serve as the account receivable (A/R) and billing system for his/her assigned parking facility. The following observations were made relating to the MAG card and monthly billing/collection process:

- **Inadequate Billing Systems**: The Access billing databases were not developed using an IT approved systems development life cycle approach that specifies requirements for security, performance, reliability, compatibility, et cetera. Consequently, the databases lack the functionality required by modern billing systems and sound internal controls. For example, no history of billing/collection data is kept on any of the databases; rather, database billing fields are overwritten every month with current data. Also, the databases are kept on desktop hard drives at the Parking Division which are not backed up and thus susceptible to loss. Furthermore, the databases applications don't provide security and 'roles' which would accommodate a proper segregation of duties (see below).
- **No Segregation of Duties**: There is a lack of segregation of duties in that the SOA who maintains custody of MAG card records for his/her assigned facility also bills card holders, receives payments, posts the payments, and maintains custody of un-issued physical MAG cards. The SOA also is responsible for setting up new monthly parkers, activating and deactivating the MAG cards, and keying out delinquent parkers. In this environment, an SOA could pocket a customer's check and credit the corresponding customer account with no checks or balances to reveal the theft.
- **Free MAG Cards Issued Without Agreements**: There are 147 "free" cards assigned to entities who lease City property, certain River Walk businesses, and others. No fees are charged for these cards and their use isn't documented or supported by a written agreement. The free cards mentioned here do not include an additional 162 cards issued to VIPs (current and former City council members, executive staff, department directors, county/state officials, and Parking Division employees).
- **Deposits and Postings of Payment Not Always Performed Timely**: Payments are not always deposited and posted on a timely basis. It was noted that payments for 256 monthly parkers (employed by one major local business) totaling $17,920, had been received in the mail on September 23, 2005 at the Parking Division office, but had not been posted and deposited until October 20, 2005, almost four weeks later.
- **Unidentified MAG Card Usage**: There are no procedures for determining if MAG cards in use are being billed or are otherwise legitimate. Over 200 unidentified MAG card holders used City parking facilities between April 1 and April 12, 2006 as shown in Exhibit B below. The holders of these cards had not been identified and very few had been entered into the billing databases. Those cards that had been entered into the billing databases were listed as "non-active." Assuming standard parking rates applied to these card users, the City is loosing an estimated $14,496 per month.

Exhibit B – Unidentified MAG Card Use

Garage	Houston St.	Library	Marina	Riverbend	St. Mary's	Total
Number of Unidentified MAG Cards Used to Access Garages in April 2006	35	14	22	103	32	206
Estimated Unrealized Monthly Revenue from Unidentified MAG Card Users	$2,695	$420	$1,210	$7,931	$2,240	$14,496

- **Late Fees Not Being Charged**: Individual monthly customers are supposed to remit parking fees by the second day of the month, e.g. April fees are due by April 2nd. If payment is not received by these dates, SOAs are supposed to deactivate, or "key-out", the customer's magnetic card. The customer's MAG card can be keyed-in upon payment of past fees due and a $7 "key-in" fee. As of April 12, 2006, over $130K was owed to the City for unpaid monthly parking fees. This amount includes unpaid fees for April 2006 and prior months for both individual parkers and hotel leases. Late-paying monthly parkers are rarely keyed-out or charged the stipulated $7 late (key-in) fee; a practice which encourages late payments.
- **No Federal System MAG Card Audit Trail**: The Federal system application that is used to activate and de-activate MAG cards does not require users to logon. Thus, no electronic audit trail is generated of who activates and deactivates specific MAG cards.
- **No MAG Card Log**: No log is kept to document the disposition of MAG cards. There is no audit trail documenting when a card is issued or returned
- **Improperly Activated MAG Cards**: There are approximately 1,800 MAG cards that have been activated in the Federal System yet are unassigned. These cards either have not been entered into the billing databases, or if they have, no billings are being generated.
- **MAG Card Access Not Restricted**: Although maintained in the Fiscal office, physical access to MAG cards is not sufficiently restricted. Anyone with access to Parking's Fiscal office has access to MAG cards.
- **Lack of Written Procedures**: There are no formal written procedures for the Fiscal Office in general, including billing for monthly parkers and MAG card related processes.
- **Improper Accounting for MAG Card Deposits**: The Fiscal Office accounts for customer deposits for MAG cards as revenue rather than as a liability when collected. According to generally accepted accounting principles (GAAP), deposits should be classified as a liability rather than revenue.

Risk

Business functions lacking controls such as a proper segregation of duties, restrictions on data access, application controls, reconciliations, and an accounting of assets are at risk of errors, data loss, business interruption, and defalcations.

Recommendations

The Parking Division Manager should develop formal written procedures for monthly parking billing and collections. Additionally, procedures and systems for billing and safeguarding MAG cards should be implemented. More specifically, the following controls should be implemented:

- A single account receivable/billing system should be procured that can facilitate all parking facilities. The new system should be implemented with appropriate security, performance capabilities, and reliability mechanisms. The system should keep historical billing data and provide user "roles" that allow for a proper segregation of duties. Also, the system should have sufficient fault-tolerance capabilities and be backed up regularly.
- SOA duties should be structured so that responsibility for the physical security of assets such as cash and MAG cards is separated from related monthly billing record keeping.
- The users of all "free" MAG cards should be documented in the billing databases. Also, the propriety of free card usage should be reviewed and contracts written to support MAG cards given to validation businesses or customers who lease City parking facilities.
- Procedures should be developed to facilitate the timely deposit of payments for monthly parking.
- A periodic reconciliation of MAG cards in use to MAG cards for which billings are generated should be performed. Discrepancies should be investigated and corrections made on a timely basis. If the MAG card holder can't be identified, the MAG card should be deactivated. Additionally, all 1,800 unassigned MAG cards noted in this audit should be deactivated in the Federal System until they are assigned and issued.
- MAG cards should be deactivated for all monthly customers who are in arrears paying parking fees. Also, a policy should be defined and procedures developed for realistically applying key-in fees. Key-in fees should be charged consistently to motivate customers to remit payment in a timely manner.

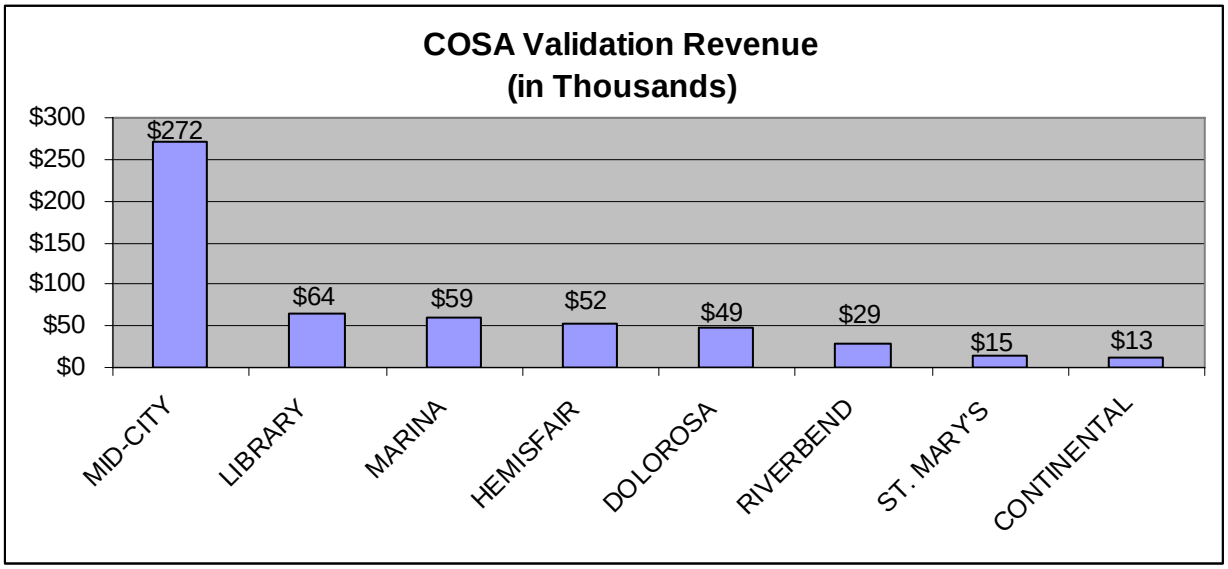
- Access to the Federal MAG card computer and application should be restricted to a single individual who would be responsible for all card activation and deactivation.
- A formal inventory of un-issued and available-for-issue MAG cards should be maintained. A log should be kept showing when a card is issued and to whom. Also, access to the inventory of MAG cards should be restricted to one person.
- A liability account should be created to reflect all MAG card deposits. When a deposit is taken from a customer, the liability account should be credited. Conversely, the account should be debited when a deposit is refunded.

5. Lack of Controls over Validation Processing

Condition

Parking validations provide a significant revenue stream for the City. Validation revenue was generated by eight facilities (see Exhibit C below) and amounted to just under $554K in fiscal year 2005. The Parking Division has agreements with 77 downtown businesses to offer parking validations. Generally these businesses offer their customers one-hour, two-hour, or full-day validations. Each business has a unique validation stamp that is applied directly to the face of the spitter ticket. SOAs extract validated spitter tickets from parking attendant bags, enter the quantity into TPDS, and then give the tickets to the SOA responsible for billing the associated validation business. Prior to the middle of the month, SOAs are supposed to bill all validation businesses for validations received during the prior month. SOAs are also responsible for applying payments received and posting them to the TPDS system for their assigned validation businesses and parking facility.

Exhibit C – Validation Revenue – Fiscal Year 2005



For the most part, the Parking Division's validation function is a manual process. To minimize loss of revenue, the process requires strict and consistent adherence to established procedures, proper handling of paper spitter tickets, accurate billing, and the timely collections. During our testing we found the following exceptions to these underpinnings:

- **Unbilled Validations**: July 2005 validations for the Riverbend garage had never been billed. The total unbilled amount for these validations was $2,370.
- **Validation Billing Isn't Automated**: Validation billing is not automated. Although SOAs have been verbally directed to produce invoices prior to the 15th of the month, we found that many invoices had not been sent until after the 15th of the month. The lack of automation in this process can result in inaccurate billings and late payments from validation businesses.
- **No Segregation of Duties**: The SOA who maintains custody of validated tickets from various validation businesses (for his/her assigned facility) also bills validation businesses, receives their payments, and posts the payments to TPDS. Currently, there is no mechanism in place to ensure that payments for validations are properly accounted for. Similar to the monthly MAG card billing environment mentioned above, an SOA could pocket a validation business payment and credit the corresponding account with no controls to detect the theft.
- **Undercharged USO Validation Customers**: The USO validation agreement is for a one-hour validation. The listing of validations used by parking attendants states that the USO has a full validation. Consequently, customers with one-hour validations were not being charged additional fees for time parked in excess of one hour. The amount under-charged parking customers for August 2005 alone amounted to $360; or potentially a $4,300 annual loss.

- **Non-Compliance with Validation Agreements**: Some SOAs do not bill according to validation agreements. Even though the City's agreements with validation businesses generally state that the minimum validation is for one-hour, some SOAs are billing a lower amount if a customer parks less than the full validation period. For example, if a customer parks for 1/2 hour, the validation business is only being charged for 1/2 hour instead of the minimum one-hour validation amount as per the validation agreement.
- **Late Fees Not Being Charged**: According to the City's validation agreements, validator businesses are supposed to remit payment to the City prior to the first of the month following the month they receive their billing. With the exception of the NIX agreement which has no late payment penalty provisions, the City's validation agreements specify a late charge if payment is not received on time. However, we found that late paying businesses are not being charged late fees. This practice encourages late payments.
- **No Children's Museum Contract**: At the Houston St. Garage, six Children's Museum validations were found which according to the Parking Division Manager are not billed based on a verbal agreement made by his predecessor. There is no written parking agreement to support this practice.
- **Checks Not Deposited Timely**: Checks for validation payments are not being posted and deposited on a timely basis (over one week lapses after receipt in the Parking office before some payments are posted and deposited).
- **Misclassification of Revenue**: Fees collected from customers over and above the 'validated' amount, are generally being posted in SAP as validation revenue. These fees should be accounted for as normal revenue since they are received from the parker, not the validator.
- **Mishandling of Library Validations**: A review of one shift at the Library garage revealed six "Friends of the Library" validations ($20.50 value) and eight "Volunteer" parking validations (value $30.25) found mixed in with the regular spitter tickets and were not billed
- **Mishandling of Houston St. Validations** At total of fifteen spitter tickets with both handicap notations and NIX one-hour validations ($15 value) stamped on them were found for two shifts at the Houston St. Garage. According to the Parking Division's PDIO-03-26, these spitter tickets should be treated like a validation and billed. Apparently, validated tickets which also have handicap notations on them are not being billed to validation businesses resulting in lost revenue.
- **Mishandling of Riverbend Validations** The Daily Activity Report for a Riverbend test item showed that there were 12 employee parkers. However, a review of the corresponding spitter tickets revealed that seven of these 12 "employee" spitter tickets had been stamped with a CVB validation ($42 value) which should have been billed.

Risk

The Parking Division's validation function relies heavily on manual processes. Consequently, it is prone to error for many reasons including but not limited to lack of training, heavy workloads, vague instructions, inadequate tools, employee turnover, et cetera. All of these factors result in lost revenue to the City.

Recommendations

The Parking Division Manager should develop formal written procedures for both Fiscal personnel (i.e. SOAs) and parking attendants for the processing of validations. These procedures should address the proper, timely, and consistent handling, disposition, billing, accounting, and receiving of payments for all validation transactions.

We also recommend that the Parking Division Manager ultimately automate the validation function. Automation should start at the point of sale, i.e. the attendant's fee computer, so as to eliminate the need for paper spitter tickets as the basis for billings. Most current validation issues could be automated and solved with the implementation of a modern parking system as recommended in the first observation of this report. Electronic records documenting validations should be produced by the fee computer that can easily be used to automatically generate A/R entries and billings. This would completely eliminate revenue loss due to the mishandling of spitter tickets.

6. Lack of Policies, Procedures, and Quality Controls

Condition

Internal audit reviewed spitter and event ticket processing and noted a number of quality control issues as described below.

- **Lack of Policies and Procedures**: There are no written procedures for Fiscal Office functions which include all activities performed by SOAs such as cash handling, ticket processing, TPDS data entry, and billings for validations, monthly parking, and no-pay parking customers.
- **Not Accounting for all Parking Transactions**: In our validation audit testing, a comparison of TPDS data to actual spitter tickets for a selection of 25 validators for August 2005 showed that the physical quantity of validated spitter tickets was 1,568, but the number entered into TPDS was 1,233 for a difference of 335. For 15 of these 25 validators, the physical quantity of validated tickets was greater than the quantity entered into TPDS. This is an issue of not ensuring that all physical tickets that come in the parking attendant shift bags are accounted for which could result in lost revenue.
- **Fee Computer Programming Error**: The fee computer at Riverbend was programmed incorrectly to add a 10-minute grace period to every half-hour parking increment. Therefore, customers were being under-charged for time parked that exceeded their validations. For example, a customer who parked for one hour nine minutes would normally have to pay $3 as follows: $2 for the first hour and an additional $1 for the nine minutes that exceeded the first hour. With the programming error, the customer would only have had to pay $2 since he/she would have been given a 10-minute "free" grace period. This programming error was fixed in mid-October 2005 but had been in effect since at least January 2005.
- **Event Tickets Not Consistently Logged In/Out**: In order to control the use of event tickets, Fiscal personnel are directed to "log-out" all blocks of event tickets using the designated log book prior to giving the tickets to parking attendants for use. Likewise, unused event tickets are supposed to be "logged-in" to the log book. In a sample of 25 parking-event days, we found that 14 out of 49 times (29%), event tickets had not been logged out, or had not been logged in, or had not been logged out or in. Of these 14 exceptions, five of them were for instances where event tickets had not been logged out or in. This results in the potential for attendants to sell event tickets and keep the proceeds.
- **Parking Forms Not Consistently Signed**: Twenty-one times in a sample of 93 days (or 23%), either the attendant or the supervisor didn't initial the Change Fund/Ticket Receipt Form. These notations are important in attesting for the attendant's work and supervisor's review.
- **Non-Revenue Transactions Understated**: Certain individuals are not charged for parking in City facilities including handicapped drivers, Prisoners of War, recipients of the Purple Heart or Legion of Valor, and Disabled Veterans. Fiscal personnel are directed to give the "non-revenue" tickets to the SOA designated to account for them. The designated SOA tallies these non-revenue tickets in order to produce monthly reports showing total revenue forfeited by the City. However, we found that in a sample of 10 shifts of spitter tickets for the Continental lot, 68 non-revenue tickets with a value of $306 had not been given to the designated SOA for inclusion in his report. This SOA keeps spreadsheets showing that non-revenue parking transactions averaged about $145K per year over the last two fiscal years. However, this amount may be substantially understated if procedures have not been followed to accurately account for such non-revenue tickets.

Risk

A lack of policies, procedures, and quality controls can result in misinformation, lost revenue, opportunities for fraud, and incomplete and inaccurate data.

Recommendations

The Parking Division Manager should develop and implement a quality control function. This function should be responsible for identifying and developing policies and procedures for all major Fiscal and Parking Operations functions. Checks and balances should be designed in parking procedures to ensure that all parking transactions are properly vouched, processed, and accounted for. Also, non-revenue transaction tracking could be automated and related issues solved with the implementation of a modern parking system as recommended several times in this report.

7. Parking Division System (TPDS) Access Not Reviewed

Condition

The Parking Division uses the mainframe based TPDS system to enter parking transaction data. This data is then passed through the MARR system to SAP for financial purposes. Internal Audit reviewed the logical security access to the TPDS system and noted that seven individuals outside of the Parking Division had unnecessary access, and one SOA had excessive security rights as follows:

- A Finance Administrator had all security access rights even though he currently doesn't have a business need/responsibility to perform transactions in TPDS.
- Six users who had transferred out or terminated their employment with the Parking Division still had access rights to TPDS.
- The powerful 'Security' and "Maintain Codes' security rights had been given to an SOA. These functions should be restricted to Parking Management.

Risk

Errors, fraud, misuse, and unauthorized alteration of TPDS data could result without proper logical access controls.

Recommendation

The Parking Manager should review TPDS access security and make modifications as necessary on a periodic and timely basis. Security access for the Finance Administrator and the six individuals who left the Parking Division should be removed. Also, the 'Security' and 'Maintain Codes' security rights for the SOA should be removed.

ATTACHMENT A

ENTERPRISE RISK ASSESSMENT MATRIX

In performing this audit, five risk management capabilities were considered for purposes of determining key risks to the City. The capabilities include strategies, processes, people, technology, and information. Of these, technology, people and processes were deemed the most applicable to this audit. Each matrix is organized by the five recognized capability maturity/development stages. Most entities achieve a managed stage while fewer achieve an optimized stage.

Technology Capabilities

Stage	Integration	Enhancements	Security
Ad Hoc	Limited, *stand-alone* systems and technology.	System and technology *enhancements* are rarely done unless they crash or are proven to be obsolete.	Lax to nonexistent technology infrastructure throughout the company for physical and logical *security*.
Repeatable	Viable, but *non-interfacing* systems and technology.	System and technology *enhancements* consistently trail business needs.	Limited technology infrastructure, resulting in inconsistent application of physical and logical *security* across the company.
Defined	Systems and technology are adequate to meet most of the company's current business needs, but most do not *interface*.	System and technology *enhancements* are typically reactive to business changes, but are implemented timely.	A formal technology infrastructure exists company-wide, but some physical and logical *security* exposures exist in certain areas.
Managed	Systems and technology are mostly *integrated*, effectively meeting most current business needs, and should be adequate in the near-term.	System and technology *enhancements* are planned to be proactive, and are generally implemented effectively.	A sound and formal technology infrastructure exists, and physical and logical *security* is generally effective throughout the company.
Optimized	Fully *integrated* systems and technology effectively enable the business and are generally considered a competitive advantage.	Systems and technology are *continuously improved* to maintain the competitive advantage.	A strong technology infrastructure exists, with best practice physical and logical *security* procedures operating throughout the company.

Process Capabilities

Stage	Procedures	Controls and Process Improvements	Metrics
Ad Hoc	No formal *procedures* exist.	*Controls* are either non-existent, or are primarily reactionary after a "surprise" within the company.	There are no *metrics* or monitoring of performance.
Repeatable	Some standard *procedures* exist.	Detective *controls* are relied upon throughout the company.	Few performance *metrics* exist, thus there is infrequent monitoring of performance.
Defined	*Procedures* are well documented, but are not regularly updated to reflect changing business needs.	Both preventive and detective *controls* are employed throughout the company.	Some *metrics* are used, but monitoring of performance is primarily manual.
Managed	*Procedures* and *controls* are well documented and kept current.	Best practices and benchmarking are used to *improve* process in certain areas of the company.	Many *metrics* are used, with a blend of automated and manual monitoring of performance.
Optimized	*Processes* and *controls* are continuously reviewed and *improved*.	Extensive use of best practices and benchmarking throughout the company helps to continuously *improve* processes.	Comprehensive, defined performance *metrics* exist, with extensive automated monitoring of performance employed.

ATTACHMENT A (cont.'d)

ENTERPRISE RISK ASSESSMENT MATRIX

People Capabilities

Stage	Experience and Competence	Direction and Development	Authority and Accountability
Ad Hoc	*Inexperienced* personnel in most areas; no formal training programs are followed.	In most areas of the company there is little job guidance or other formal *direction*.	Vague or conflicting *authority and accountability* across business areas throughout the company.
Repeatable	*Competent* personnel in most areas; limited training; many functions tend to be under or over-resourced.	Some understanding of the basic job requirements in most areas, but still not much formal *direction* from management.	Lack of clear *authority and accountability* across business areas throughout the company.
Defined	*Experienced* personnel in most areas, but limited bench strength.	Job responsibilities and skill requirements are defined for all areas, but career *development* focus is lacking.	*Authority and accountability* are defined across the company, but not broadly or consistently understood by all affected areas.
Managed	*Strong* team in place with adequate bench strength in most areas.	A formal *development* program exists company-wide, with focus on both enhancing existing skills and developing new skills.	Clear articulation of *authority and accountability*, and consistent understanding among all affected areas.
Optimized	Formal succession planning and integrated resourcing program ensure *multiple sourcing options* for all key positions throughout the company.	Cross-training programs provide *job enrichment* opportunities for all employees and *multiple sourcing options* for all key positions.	A culture of empowerment engages employees throughout the company in exercising the *authority and accountability* they have been granted.

Source: Auditor's Risk Management Guide: Integrating Auditing and ERM by Paul J. Sobel, CPA, CIA

CITY OF SAN ANTONIO

P. O. BOX 839966
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August 8, 2006

City Auditor
San Antonio, Texas

RE: Management's Corrective Action Plan for the Audit of Asset Management Department's Parking Division

City Management, the Asset Management Department, and the Parking Division have reviewed the audit report for the Parking Division and have developed Corrective Action Plans below corresponding to report recommendations.

Recommendation					
#	Description	Audit Report Page	Accept, Partially Accept, Decline	Responsible Person's Name/Title	Completion Date
	Detail Report				
1	**The City is currently using ageing paper ticket based parking systems that consist of disparate components.** The Parking Division Manager should implement a modern parking system that effectively employs technology to improve parking management, accountability, and customer service. **Action plan:** See Attachment	6	Accept	Kenneth Appedole	2008
2	**The City utilizes old technology to monitor 10 of its parking booths.** The Parking Division Manager should procure and install a modern surveillance system with remote monitoring capabilities. **Action plan:** See Attachment	7	Partially Accept	Kenneth Appedole	2008
3	**Not all parking attendants are being audited on an annual basis.** The Parking Division Manager should implement a field audit plan that ensures that all parking attendants are audited at least several times a year on a random basis. **Action plan:** See Attachment	8	Accept	Kenneth Appedole	July 2006

4	**The billing system for monthly parking lacks sufficient data integrity and functionality. Also, controls over magnetic (MAG) cards are insufficient.** The Parking Division Manager should develop formal written procedures and systems for billing and safeguarding MAG cards. A new monthly-parking account receivable/billing system should be implemented with appropriate security, performance, and reliability features. **Action plan:** See Attachment	10	Accept	Kenneth Appedole	2007
5	**The parking validations process lacks controls to ensure that all validation businesses are billed properly.** The Parking Division Manager should automate the validation process and develop formal written procedures to address the proper, timely, and consistent handling, disposition, billing, accounting, and receiving of payments for all validation transactions. **Action plan:** See Attachment	13	Accept	Kenneth Appedole	2007
6	**Quality control issues were found including a lack of policies and procedures for Fiscal Office functions, parking transactions not accounted for, insufficient mechanisms to obtain accurate vehicle counts, and fee computer programming errors.** The Parking Division Manager should develop and implement a quality control function. This function should be responsible for identifying and developing policies and procedures for all major Fiscal and Parking Operations functions **Action plan:** See Attachment	14	Accept	Kenneth Appedole	2007
7	**Certain individuals outside of the Parking Division had unnecessary access to the TPDS system.** The Parking Manager should review TPDS access security and make modifications as necessary on a periodic and timely basis. **Action plan:** See Attachment	15	Accept	Kenneth Appedole	July 2006

We are committed to addressing the recommendations in the audit report and the plan of actions presented above.

Sincerely,

Erik J. Walsh
Assistant City Manager

Shawn P. Eddy
Interim Director

Kenneth Appedole
Parking Manager

Department of Asset Management Parking Division
Corrective Action Plan based upon the
Recommendations of the Office of the City Auditor

Item # 1

The Department of Asset Management has identified the need to purchase new revenue control equipment for the Parking Division. However, funding the purchase of such equipment has been especially challenging within the current operating fund. Recently, it was decided that Parking System Revenue Bond proceeds would not be used for the Convention Center Hotel project. Depending on the determination of the City's Bond Counsel, these funds could possibly be redirected and utilized for the purchase of equipment.

The City is also in the process of finalizing a contract with a nationally recognized firm to provide "Parking Consultant Services". Included in the scope of services is the direction to develop a plan that schedules and makes specific recommendations for capital improvements and the procurement and installation of cost effective parking control equipment. Completion of the study is tentatively scheduled for May 2007.

If funding is approved, the Parking Division will purchase a high quality brand of equipment with the latest technology that best fits the needs of City owned garages and lots. Specifications will include the ability to perform the following tasks:

- Accept all major credit, debit, and smart cards.
- Utilize tickets that have magnetic stripe encoding or bar code scanning capabilities to eliminate the majority of keystroke activity performed by the parking attendants.
- Generate reports of daily, weekly, and monthly activities for management's review.
- Ability to capture all transactions and create totals for each category to include hourly increments, business validations, non-paying customers, vehicle counts, etc.
- Capable of producing monthly reports used by Senior Office Assistants for invoicing and accounting purposes.
- Until ITSD and SAP issues can be resolved, information will still have to be transferred into TPDS. However, counting of paper tickets could be eliminated and reports from the revenue control equipment would provide the necessary data for invoicing.

Item # 2

As mentioned in the response to Item # 1, the lack of funding has also prevented the upgrade of surveillance equipment. Bond proceeds could possibly be used for this purpose as well.

Pending the availability of funds, the Parking Division proposes to upgrade to Digital Video Recording devices with expanded hard drives. This will allow for enhanced video imaging and extended recording times, thus eliminating the need to change tapes and give longer periods for archiving data. Currently, the quality of cameras in the booths is sufficient to capture the necessary images. However, additional cameras could be added at those locations where the line of sight could be obstructed or where superimposing fee computer transactions onto video images is desired.

Real time monitoring from a remote location is not considered to be a priority. There is a substantial expense, both initial and recurring, associated with this type of process. In addition, work loads for Superintendents and other management staff may not allow time to be set aside for monitoring of attendant activity. The upgraded technology of new revenue control equipment should be the major source for preventing or detecting fraud. If reports indicate an activity of a suspicious nature, archived recordings will be reviewed to verify the incident.

Item # 3

Numerous vacancies in supervisory and management positions have made it difficult to conduct a high volume of audits during weekdays and nights. However, many of those positions have now been filled in addition to the creation of an Assistant Parking Manager position. The Assistant Parking Manager has created a spreadsheet listing the names of all parking attendants and the number of audits performed at each location to track those attendants and facilities that have been audited. Monthly review of the information will assist management in taking the appropriate action to ensure each person is audited at least twice per year. The audits will continue to focus on those areas that have the least amount of controls, such as flat rate sales. Facilities that generate a high percentage of the division's total revenue may not have that many cash transactions as a high percentage of revenue is attributable to monthly customers. For instance, the St. Mary's Garage contributes 8% of the total revenue for the division, but the facility is only responsible for 2% of the division's total cash transactions.

Item # 4

Steps have already been taken to implement a new accounting system for monthly customers. A database has been created that is accessible to all Senior Office Assistants. This database is maintained on the City's servers and not on each individual's desktop computer, thus eliminating the possibility of losing vital information. It also allows for the retention of monthly historical data and will provide an aging accounts receivable list for each facility.

A segregation of duties will be initiated in the Fiscal Section. Monthly invoicing will be separate from the accounts receivable function for all Senior Office Assistants. This can be completed once all positions are filled and employees properly trained. The Accountant II will maintain an inventory of all mag cards that have not been issued. The cards will be deactivated until such time they are issued to a monthly customer. A

log will be kept to show when, and by whom, a card is removed. Also, when cards are returned to the Parking Division, they will be deactivated and entered into the log as being part of the available inventory. Only the Parking Manager, Fiscal Officer and the Accountant II will have access to these cards. The ability to activate or deactivate cards will only be given to management staff.

A process is being formulated to determine the feasibility of eliminating future mag card deposits and replacing it with a one-time nonrefundable activation fee.

The timely deposit of all types of payments will be addressed in the Fiscal Section's revised operating instructions.

Item # 5

All validation agreements will be reviewed to ensure that the Parking Attendants and Senior Office Assistants are aware of the correct amounts to be charged and invoiced.

As previously mentioned, reconciliation and invoicing duties will be separated from the accounts receivable functions. Until such time that new revenue control equipment can be purchased, paper tickets will still be the source used for invoicing. However, designating this duty to a specific individual should allow for a higher degree of accuracy.

The practice of charging for the amount of time parked as opposed to the validation limit stamped on the ticket will still continue.

The entire validation process and timely entry and deposit of checks will be addressed in the revised operating instructions for the Fiscal Section.

Item # 6

The PDOI's (Parking Division Operating Instructions) for the Operation Section were updated and amended in 2003. These will be reviewed and edited to ensure audit findings are included. The Fiscal Section's PDOI's will be written to address the issues included in the audit report and to ensure the proper policies and procedures are followed by all Senior Office Assistants. Each staffperson will be given a complete copy and be required to sign a statement of understanding.

Item # 7

Except for the Senior Office Assistants currently employed, the Fiscal Officer, and the Accountant II, all other names have been eliminated from the list of personnel that have access to the TPDS system. Only the Parking Division's Fiscal Officer and the Accountant II have access to the "Security and Maintain Codes". All other names have been deleted. When personnel terminate their employment with the Parking Division, their names will be removed from the access list.