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May 27, 2015

The Honorable Toni Preckwinkle, President
And Board of Cook County Commissioners
118 N. Clark Street, Room 537
Chicago, Illinois 60602

Dear President Preckwinkle and Board of Commissioners:

We have conducted an audit of the Cook County Juvenile Temporary Detention Center Parking Management Services Contract #11-53-164. We conducted our examination in accordance with Government Auditing Standards where applicable as prescribed by the [Cook County Auditor Ordinance](#).

Our objectives for this examination were designed to evaluate the Contractor's compliance with the Parking Management Services Contractual Agreement as well as the County's monitoring of the terms of the Contractual Agreement.

Please refer to the following audit report for the results of the audit. The audit report contains four audit findings. The [Executive Summary](#) provides an overview of the audit with the main finding areas.

We express our appreciation for the assistance the Facilities Management staff extended to Ms. Afaf Qayyum during the course of our audit. We have discussed our findings with the Facilities Management staff and would be pleased to discuss our recommendations in greater detail in order to assist Facilities Management with their implementation of our recommendations.

Respectfully Submitted,

Shelly A. Banks, CPA
Cook County Auditor

cc: Bilqis Jacobs-El, Director Facilities Management



COOK COUNTY GOVERNMENT
OFFICE OF THE COUNTY AUDITOR

Juvenile Temporary Detention Center Parking Management Services Contract

Internal Audit Report

Report Date:
May 2015

Issued By:
Shelly A. Banks, County Auditor

Audit Conducted By:
Afaf Qayyum, Field Auditor
Nancy Campanella, Audit Supervisor

EXECUTIVE SUMMARY

We have examined the accounting records of the Juvenile Temporary Detention Center Parking Facility (“Facility”), as managed by Imperial Parking, LLC (“Contractor”), for the contract period ending December 19, 2014.

The scope and objectives of the Juvenile Temporary Detention Center Parking Management Services Contract audit were designed to evaluate the Contractor’s compliance with the Parking Management Services Contractual Agreement as well as the County’s monitoring of the terms of the Contractual Agreement.

The following findings are noted in the report with our recommendations:

- Facilities Management does not have in place effective contract monitoring policies to ensure the Contractor’s compliance with contract terms and conditions.
- Facilities Management is not verifying that the financial activity reported by the Contractor is supported and that revenue received by the County is accurate and remitted timely.
- A current accurate parking access card listing of employees is not maintained by either the Facility or the Contractor.
- The Health employee payroll deduction reports generated by Bureau of Technology (BOT) for the three months tested could not be reconciled to the Contractor’s records.

The findings noted were presented to the Department of Facilities Management. Please refer to the Findings section for more detail on the findings with the management responses, corrective action plans and estimated completion dates.

BACKGROUND

The Facility is a 2,338 space off-street self-park multi-level public parking complex and a 42 space surface lot located at 1100 South Hamilton Avenue in Chicago.

Management of the Facility was contracted to Imperial Parking U.S., LLC (“Contractor”) on December 20, 2011 for the three year period ending December 19, 2014. On November 19, 2014, the contract was extended through June 19, 2015. The monthly management fee of \$56,243.17 is paid in fixed monthly increments. In order to satisfy the minority owned business requirement, \$23,703.68 or approximately 42% of the contract is paid to Digby’s Detective & Security Agency, Inc. (“Sub-Contractor”) to provide security to the Facility.

The Contractor is responsible for financial control of the collection and remittance of revenue, retaining qualified personnel, providing various reports, and effective security enforcement using security surveillance and roving patrols. The Facilities Management Department (“County”) is responsible for monitoring the contract and maintaining the electrical components, elevator and providing janitorial and landscaping services for the garage. Maintenance responsibilities for the Contractor are limited to the maintenance of access and security equipment, overhead doors and gate, as well as janitorial services for the front office.

According to the contract, County employees are able to obtain monthly parking access cards by making payment by either cash or personal check. In addition, the County allows employees to have the monthly parking fee directly deducted from their payroll.

The County is responsible for transmitting a list of the participating employees to the Contractor. The Contractor is responsible for supplying, controlling, selling, and accounting for all monthly permits. The County has designated the Construction Manager (Manager) to oversee the daily operations of the Facility and review the deliverables of the contract for compliance. Deliverables include receiving monthly financial and damage reports, paying invoices, and monitoring the premises.

AUDIT SCOPE AND OBJECTIVES

Our audit was designed to evaluate the Contractor's compliance with the Parking Management Services Contractual Agreement as well as the County's monitoring of the terms of the Contractual Agreement.

Specific objectives were to:

- Determine that the Contractor is adhering to the policies and procedures of the contract as it pertains to daily collections, deposits, safeguarding and remittance of revenue to the County in a timely manner.
- Determine if the parking revenue received seems reasonable and consistent.
- Determine that procedures and controls are in place when accounting for monthly parking permit fees and card inventory.
- Verify that deposit and incident reports are submitted monthly to the County.
- Verify that there is proper oversight of the Contractor.

FINDINGS

Finding #1:

Facilities Management does not have in place effective contract monitoring policies to ensure the Contractor's compliance with contract terms and conditions. Due to the lack of oversight, key documentation was not available or was incomplete during audit review.

- Specification 5 of the contract states that all documentation relative to the operation shall be routinely available for audit and inspection. The following documentation requested from the Contractor by our Office was either not provided or was incomplete:
 - Evidence of continuous audit control of revenue, cash deposits, parking tickets, overages/shortages, and permit sales.
 - Monthly parker records that correlate number of access cards with revenue generated.
 - Daily parker records that correlate tickets issued with the number and length of time cars present.
 - Monthly reports summarizing income and expenses of the Facility.
 - Consolidated monthly statement outlining a year-to-date comparison of previous years' activity.
 - Annual audit of financial statements for the Facility.

Recommendation:

We recommend that Facilities Management strengthen controls over its contract monitoring activities. The following are some recommended improvements to strengthen the process and controls:

- Develop and implement written policies and procedures with the proper controls and safeguards to effectively monitor the Contract and ensure Contractor's compliance with Contract terms and conditions.
- Require Contractor to submit the audited financial statements for the Facility.

- Obtain missing or outdated contract documentation.
- Conduct periodic documented reviews of the Contractor to verify compliance with the submittal of all source documentation and all reporting requirements per the terms of the Contract.
- Establish key responsibilities for individuals to monitor the Contract and sign off on compliance.

Management Response

A request for proposal (RFP) was posted by Procurement accepting bids from April 15, 2015 through May 1, 2015. This new RFP incorporated what would eliminate the reporting deficiencies noted in the audit under the current contract, which will then result in the new contract mandating well-defined reporting and verifiable checks and balances. With the approval of the new contract, policies and procedures will be established to monitor the Contractor for compliance with Contract terms and conditions.

Estimated Completion Date

July 2015

Finding #2:

The financial activity reported by the Contractor is not being verified to ensure it is supported and that revenue received by the County and management fees remitted to the Contractor are accurate and timely.

The lack of verification resulted in late payments to the Contractor and the potential loss of revenue.

We noted the following discrepancies:

- Specification 4 of the contract states that the Contractor is to submit payment of revenue received on a weekly basis; however, we noted that the September 2013 monthly remittance in the amount of \$80,267.91 was not received. The revenue was remitted to the County in April 2014 after the discrepancy was brought to the County's attention by our office.
- The County did not remit payment to the Contractor for the November and December 2013 management fees until March 2014.

The lack of oversight also resulted in the following control deficiencies during our sample testing:

- Employee monthly parking checks received could not be traced from intake to the bank statements.
- A monthly reconciliation completed by the Contractor was not completed until requested by our Office.
- The monthly revenue reported on invoices received could not be verified for accuracy.
- The profit and loss statement did not include a break down by revenue source or detail the credit card fees that were netted against the gross revenue.
- Daily cashier reports lacked the data to trace the pre-numbered tickets issued to those reports.
- Monthly Facility credit card reports which detail the amount of credit card revenue generated from the Facility are not reconciled to the bank statements. In the three months tested, we were unable to trace \$2,072.00 in credit card revenue to the corresponding bank statements.

Recommendation:

We recommend that Facilities Management establish a formal documented monthly reconciliation process to monitor remittances to and from the County verifying all revenue is received and payments to the Contractor are remitted in a timely manner.

Facilities Management should obtain the following documentation to assist with the monthly reconciliation process:

- Monthly revenue data as reported from the Department of Revenue's iNovah system.

- A monthly check register generated from JD Edwards to verify the management fee remitted to the Contractor.
- Detailed and easy to decipher certified revenue reports from the Contractor:
 - A revenue generated report/spreadsheet on monthly parkers paying by direct deposit and checks that lists active access cards by employee with payment date, type and amount. The report should be supported by a reconciliation of the total revenue to the amount deposited in the bank statements.
 - A revenue generated report/spreadsheet on transient parkers' parking activity that lists ticket number issued, access dates/times, amount paid and payment type. The report should be supported by a reconciliation of the total revenue to the amount deposited in the bank statements and the amount in the credit card statements, including credit card transaction fees.

Management Response

The Contractor now includes notification to Facilities Management on payments to the Department of Revenue in order to monitor for timely remittances. The data currently provided by the Contractor does not allow for a monthly reconciliation to be easily performed because the information received is unclear. With the adoption of the new contract, we anticipate that the documentation provided by the Contractor will allow for a clearer financial trail, which will enable Facilities Management to monitor the activity of the Facility and perform monthly reconciliations.

Estimated Completion Date

July 2015

Finding #3:

A current accurate parking access card listing of employees and a reconciliation of employee payments to parking access cards requested was not provided by either the Facility or the Contractor, and therefore was not available for review by our staff.

In addition, our office requested an active card listing report for prior months and this was not provided. According to the Contractor, historical card listing reports cannot be accessed. Also, the Contractor could not locate any prior monthly active card reports that may have been produced. Without the proper source documentation available for our review, we could not provide reasonable assurance that payments were applied to the proper month, late payments trigger immediate deactivation of access cards, or the parking facility is not being accessed by unpaid parkers.

Recommendation

We recommend that Facilities Management require the Contractor to comply with Specification 6 of the Contract regarding Access Control System Accountability, through the electronic storage of the access data collected from the entrance and exit gates. In addition, we recommend that the Contractor be required to provide this data of all active access cards and all activity including activation and deactivation dates in a usable format to be loaded into a database for analysis and reconciliations by Facilities Management.

Management Response

Although the Contractor did not provide the information during the audit, historically, Facilities Management has noted the existence of this documentation and in the future will obtain the data from the Contractor in order to analyze and reconcile the card activity to the active card listing.

Estimated Completion Date

July 2015

Finding #5:

The Health employee payroll deduction reports generated by Bureau of Technology (BOT) for the three months tested could not be reconciled to the Contractor's records, which resulted in a billing overstatement of \$970.24.

For the July 2012 month tested, the invoice submitted for payment by the Contractor totaled \$11,075.00, the BOT generated payroll deduction report totaled \$10,850.00 and the payroll deduction report that the Contractor received from Health totaled \$12,400.00. The Health report also included non-Health employee deductions, but there was no method of identifying those employees to remove them from the report in order to support the invoice amount.

The discrepancies could be due to the inefficient billing process. The Contractor invoices Health for those employees with an automatic payroll deduction for their monthly parking access. Health then remits payment to the Contractor who in turn remits the revenue back to the County along with monthly transient parking revenue.

Recommendation

We recommend that the County reevaluate the structure of the billing process to determine if it is the optimal method for billing and collecting revenue. The current process is creating a circular and inaccurate accounting of revenue received by the Comptroller. If the billing process is not changed then the reconciliation process should be improved to segregate the Health and other County employees from the report in order to support the Contractor's invoice and to clearly track revenue associated with each entity.

Management Response

Facilities Management will contact the Comptroller's office to inquire about changing the billing process as part of the new contract requirements.

Estimated Completion Date

July 2015

Observation #1:

Specification 3 of the contract states that there should be 1 security office personnel and 1 unarmed roving security present at all times. During a visit to the Facility on March 6, 2014, our auditor discovered that only 1 security guard was on duty and there was no roving security.

We informed Facilities Management of the occurrence and recommended that they monitor the personnel in the garage and review on a monthly basis the daily staffing charts to verify that the Contract terms as they pertain to the Sub-Contractor are being met.

Facilities Management stated that they have noted full staffing a majority of the time.