

CITY OF OAKLAND



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HONORABLE IGNACIO DE LA FUENTE, PRESIDENT,
AND MEMBERS OF THE CITY COUNCIL

ATTN: Public Works Committee
Finance and Management Committee

**RE: REVIEW OF THE MANAGEMENT AND OPERATING AGREEMENT
BETWEEN THE CITY OF OAKLAND AND BAY AREA PARKING
COMPANY**

BACKGROUND

The Bay Area Parking Company (BAP) is the contractor responsible for managing and operating the following City owned parking facilities.

1. Franklin Parking Plaza
2. Telegraph Parking Plaza
3. 18th and Telegraph Lot
4. Hall of Justice Lot (Willie Manuel Courthouse Lot)
5. 1200 Harrison Garage
6. 12th and Jefferson Lot
7. 250 Frank H. Ogawa Plaza (Dalziel Building)

On July 1, 1993, the City entered into a two year management and operating agreement (Agreement) with BAP to manage, operate, and provide cleaning, maintenance and security services for specified City parking facilities. This two-year Agreement included two one-year extensions ending on June 30, 1997. Since July 1, 1997, this Agreement has been in effect on a month-to-month basis as allowed for in the Agreement provisions.

The City's Public Works Agency – Transportation Services Division monitors the garage operations and administers the Agreement for the City.

For the year ended June 30, 2001, parking facility revenues and expenditures were:

Revenues	\$2,121,135
Expenditures	<u>885,764</u>
Excess of revenues over expenditures	<u>\$1,235,371</u>

See Exhibit 1 for details of revenues and expenditures for the period July 1, 1998 to June 30, 2001.

OBJECTIVES AND SCOPE

The objectives and scope of our review were to determine if:

1. There is compliance with general Agreement provisions,
2. Revenues are accounted for and reported in compliance with Agreement provisions.
3. Expenditures are accounted for and reported in compliance with Agreement provisions.

Our review covered the period from July 1, 1998 to June 30, 2001.

FINDINGS AND RECOMMENDATIONS

GENERAL AGREEMENT PROVISIONS

Our review noted that the Bay Area Parking Company (BAP) is generally in compliance with the general Agreement provisions. However, our review discloses the following findings.

Parking Facility Operating Hours – Documentation Failure

Our review found that four out of six staffed parking facilities have actual operating hours different than the operating hours written in the Agreement or in memos. Typically, operating hours were changed due to business requirements such as the need to open earlier to accommodate monthly parking clients, or to close earlier because of a minimal number or no clients in the evening. Changes in the operating hours were based on verbal communication between BAP and City staff. There was no written documentation to substantiate changes to the original Agreement.

Recommendation

All changes to the original Agreement should be documented in writing so that BAP and the City have a written document to support Agreement changes.

Management and Operating Agreement Status – Month-to-Month Basis

As stated in the Background section in this report, the Agreement has been in effect on a month-to-month basis since July 1, 1997. This month-to-month basis is allowed for in the Agreement provisions. This month-to-month operating basis could be disruptive to parking facility operations if the City or BAP were to terminate the Agreement.

Recommendation

The City and BAP should give consideration to negotiating and implementing a long-term management and operating agreement. A long-term agreement would provide stability and continuity in the management of City parking facilities. Any new agreement should comply with the City's Administrative Instruction Number 150, Professional or Specialized Service Contracts.

REVENUE ACCOUNTING AND REPORTING PROVISIONS

Our review noted that BAP is generally in compliance with the revenue accounting and reporting provisions in the Agreement. However, our review discloses the following findings.

Late Implementation of Parking Fee Changes – City Cost \$5,975

Parking fees are authorized by the City Council and published in the City's Master Fee Schedule. The City Council approved parking fee increases effective July 1, 1999; but, the increases were not implemented until September 1, 1999. This two month delay in implementing the increased rates resulted in lost City revenue exceeding \$5,975. The delay in implementing the increased rates was due to administrative delays in City departments, and the need for BAP to have lead time prior to the implementation date in order to advise patrons, update ticket machines, update registers, order and install computer chips, and order and post signs.

Recommendation

The City's Public Works Agency - Transportation Services Division should work with other City departments and BAP to improve the timing and notification procedures for implementing timely parking fee changes.

Over and Short Reporting – City Cost \$350

Our review found that BAP was not in compliance with the written Agreement provisions. Overages and shortages were offset each other in the Monthly Management Report (MMR) prepared by BAP and approved by the City. Changes in the over and short reporting were based on verbal agreements between BAP and City staff. Also, City staff gave monthly written approval for this change by authorizing payment on the Monthly Management Report prepared by BAP. The offset of overages and shortages resulted in a \$350 decrease in revenue deposits into the City's account from July 1, 1998 to June 30, 2001.

The Agreement provisions state that BAP is responsible for payment to the City for all funds collected or required to be collected without cause or reason for nonpayment. Also, BAP shall make good on a daily basis any difference between the amounts deposited and the amounts due, regardless of cause. Furthermore, shortages may not be offset against overages; and, overages are to be reported as such and deposited into the City's account.

Recommendation

The City Public Works Agency – Transportation Services Division and BAP should comply with the written Agreement provisions or prepare a written amendment to the Agreement to clarify procedures and reports to be used for over and short reporting.

Returned Checks – City Cost \$767

For the fiscal year ended June 30, 2001, there was \$767 of returned checks received by the City for checks deposited by BAP into the City's account. BAP accepted these checks from clients for hourly, daily or monthly parking fees. The Agreement provisions state that BAP is responsible for payment to the City for all funds collected or required to be collected without cause or reason for nonpayment. However, BAP was not made aware of returned checks received by the City from January 1998 to June 2001. There was no written communication on returned checks from the City to BAP during this period. Also, no action was taken by the City or BAP to collect on these returned checks.

Prior to January 1998, there were procedures in place to advise BAP of returned checks and to ensure that the City received reimbursement for these returned checks. The City prepared a returned check transmittal letter to BAP. BAP reimbursed the City's account on a timely basis or the City would reduce the monthly management fee paid to BAP.

The City Public Works – Transportation Services Division transmitted returned checks received in July and August 2001 to BAP for collection in September 2001.

Recommendation

BAP should be made responsible for returned checks received from the City in September 2001 and in the future in accordance with the written Agreement. Also, BAP should improve procedures to stop acceptance of bad checks from repeat bad check clients.

The City's Public Works Agency - Transportation Services Division should work with BAP to implement a returned check procedure to ensure collection, deposit into the City's account and reporting in the Monthly Management Report.

Monthly Parking Permits - Exception

Our review found that the number of issued monthly parking permits was below the maximum number of monthly parking permits authorized by the City, while there were

individuals or businesses on the waiting list for monthly parking. The Agreement provisions state that BAP should strive to maintain the number of monthly parking permits as near the maximum number as possible. Also, the City may reduce the management fee for unfilled monthly permits.

Recommendation

The City and BAP should work together to comply with the Agreement provisions for monthly parking permits. Also, the City Public Works Agency - Transportation Services Division should monitor actual versus maximum authorized monthly parking permits in the Monthly Management Report.

EXPENDITURE ACCOUNTING AND REPORTING PROVISIONS

Our review noted that BAP is generally in compliance with the expenditure accounting and reporting provisions in the Agreement. However, our review discloses the following findings.

Cleaning Services and Fees – Documentation Failure

Our review found no written documentation to support certain aspects in the cleaning of the following parking facilities.

1. Piedmont Avenue Lot: There was no written documentation to support the cleaning rate per date increasing from \$50 to \$75 beginning in February 1999.
2. Dalziel Garage: There was no written documentation to support the start of cleaning in July 1998 at \$180 per cleaning date.
3. Diamond Lot: There was no written documentation to support the start of cleaning in September 1998 at \$50 per cleaning date.

Changes for the above cleaning services were based on verbal agreements between BAP and City staff. Also, City staff gave monthly written approval for these changes by authorizing payment on the Monthly Management Report prepared by BAP.

Recommendation

All changes to the original Agreement and subsequent written memos should be documented in writing so that BAP and the City have a written document to support cleaning service and rate changes.

Signs – Noncompliance

The City and BAP did not comply with the Agreement provisions applicable to signs. There were no prior written requests and approvals for the purchase and display of signs.

at parking facility locations. Signs were purchased and displayed based on verbal requests and approvals between the City and BAP. Also, BAP received reimbursement from the City for the cost of signs included in the Monthly Management Report. The City reimbursed BAP for signs totaling \$2,310 from July 1, 1998 to June 30, 2001.

Our interpretation of the Agreement provisions state that both the City and BAP must use written requests and approvals before signs are purchased and displayed. Also, the cost of signs is to be at Bay Area Parking's own expense.

Recommendation

The City Public Works Agency - Transportation Services Division and BAP should comply with the written Agreement provisions, or prepare a written amendment to the Agreement to clarify procedures for the purchase, display and cost responsibility of signs.

BAP should reimburse the City \$2,310 for the cost of signs included in the Monthly Management Report from July 1, 1998 to June 30, 2001.

The City and BAP are working together to clarify procedures and cost responsibilities for signs.

CONCLUSION

The Bay Area Parking Company and the City of Oakland are generally in compliance with the general, revenue and expenditure reporting provisions in the Agreement.

However, our review did find that improvements are needed in the subject areas of written documentation to support verbal agreements, timely implementation of parking fee changes, over and short reporting, returned checks, monthly parking permits and compliance with sign purchase and cost requirements.

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