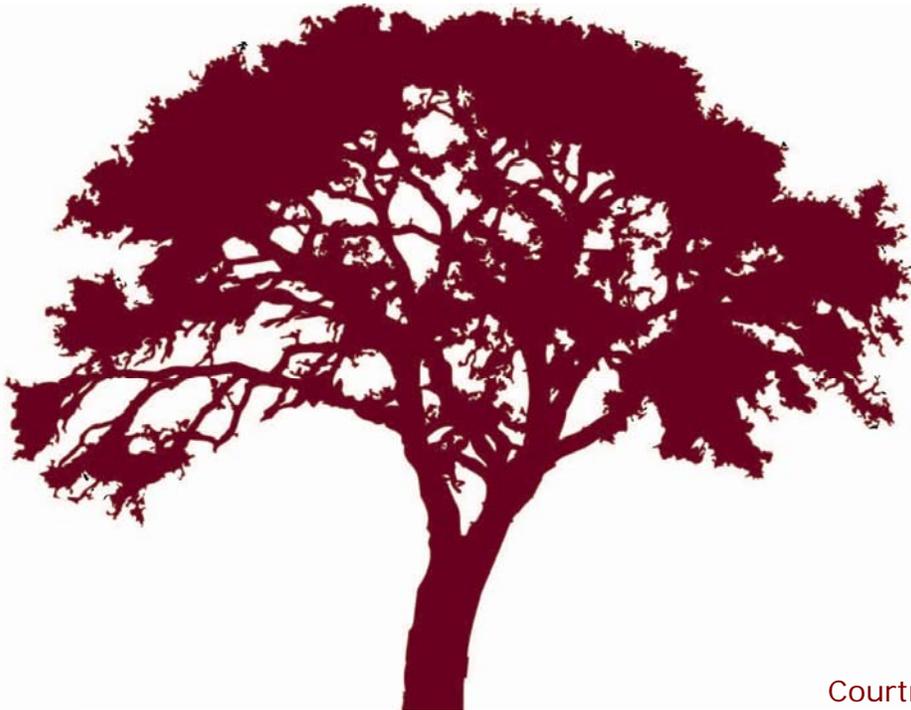


City of Oakland Office of the City Auditor

November 22, 2011

Audit Recommendation Follow-Up Report Residential Permit Parking Performance Audit Series

15 out of 24 audit recommendations closed by Parking Management
Prompt corrective action needed on remaining 9 open recommendations



City Auditor
Courtney A. Ruby, CPA, CFE

Recommendation Follow-Up



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November 22, 2011

OFFICE OF THE MAYOR
HONORABLE CITY COUNCIL
OFFICE OF THE CITY ADMINISTRATOR
OAKLAND, CALIFORNIA

**RE: AUDIT RECOMMENDATION FOLLOW-UP REPORT FOR RESIDENTIAL PERMIT
PARKING PERFORMANCE AUDIT SERIES**

Dear Mayor Quan, President Reid, Members of the City Council, City Administrator Santana, and Citizens of Oakland:

Attached is the audit recommendation follow-up report to the Residential Permit Parking Performance (RPP) Audit Series that was issued in June 2010 by the Office of the City Auditor (Office).

The Office's follow-up on the RPP Audit Series recommendations found that the City Administration and the City Auditor's Office closed 15 of 24 recommendations. The prompt implementation of a majority of the audit series' recommendations has improved tracking of staff time spent on RPP services; formalized procedures to develop written agreements with third parties that pay for RPP permits; recuperated over \$12,000 in uncollected revenues; integrated notification to residents of outstanding citations as part of the RPP permit renewal process; and finalized the procedure for online renewal of RPP permits. The collaborative effort undertaken to implement the majority of the RPP Audit Series recommendations resulted from a positive and constructive approach - one that the City has now employed in several audit recommendation follow-up processes. Implementation of three of the RPP Audit Series recommendations is under review as part of the Parking Citation Management Performance Audit currently underway.

The remaining nine open recommendations focus on the City Administration requesting policy direction from the City Council and/or City Administrator guidance on which costs to include in the RPP cost analysis (e.g., enforcement costs) and what cost recovery level should be achieved; determining whether or not RPP citation revenue should be considered

as offsetting the RPP Program costs in addition to RPP permit revenue; seeking Council approval for charging permit costs to Area B residents; formalizing an RPP staffing plan; and providing all supporting documentation for RPP Program costs.

Audits are an objective assessment of whether or not public resources are responsibly and effectively managed to achieve intended results. The impact of an audit's recommendations is achieved when the City Administration ensures prompt and proper implementation to achieve operational efficiencies, increased accountability, and proper safeguarding of City assets. Therefore, it is critical that the City Administration act upon its responsibility to Oakland residents by the timely implementation of the remaining open audit recommendations.

It is only when the City's leadership prioritizes the timely implementation of audit recommendations that the City delivers on our promise to the public - to serve as effective stewards of the City's assets and continue to be deserving of their trust.

Respectfully submitted,

A handwritten signature in cursive script, reading "Courtney A. Ruby". The signature is written in black ink and is positioned above the typed name.

COURTNEY A. RUBY, CPA, CFE
City Auditor

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Overview

The impact of an audit's recommendations is achieved when the City Administration ensures prompt and proper implementation. Corrective action taken by the City Administration on audit findings is essential to improving the effectiveness and efficiency of Oakland's operations.

Follow-Up Process

The purpose of the follow-up process is to assess the status of full implementation of audit recommendations and to then close the recommendations. If a recommendation is not closed or fully implemented, it is considered open. Open recommendations are comprised of unresolved, partially resolved, and resolved recommendations.

Follow-up reports, released on a quarterly basis, may combine more than one audit or focus on groups of recommendations from larger audits. During audit recommendation follow-up, the Office of the City Auditor (City Auditor's Office) assesses if corrective action has occurred through documentation review, interviews or on-site visits.

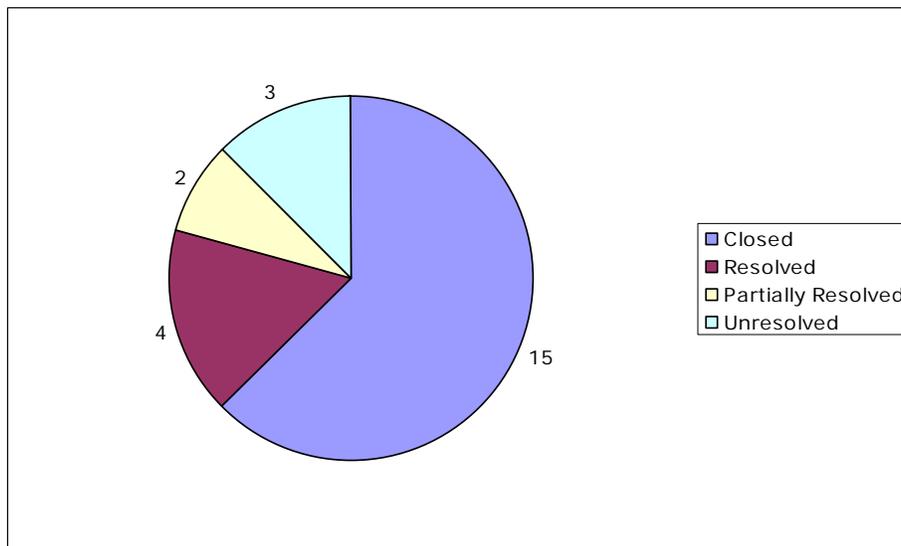
For any recommendation that is not fully implemented, the Office undertakes a collaborative process with the auditee to identify any potential barriers to full implementation. The Office then works with the auditee to identify corrective actions that can be successfully implemented. Once an auditee's corrective action has been assessed, a determination on the implementation status of the recommendations is made. The table below shows the four implementation status categories.

Recommendation Implementation Status	
Unresolved	No agreement on the recommendation or the proposed corrective action. Implementation of recommended corrective action is specified in this Report.
Partially Resolved	Partial agreement on the recommendation or the proposed corrective action. Implementation of the proposed corrective action is clarified in this Report.
Resolved	Agreement on the recommendation and the proposed corrective action. At the time of the audit recommendation follow-up, implementation of the proposed corrective action has not occurred.
Closed	Agreed upon corrective action complete. The corrective action is reviewed during the audit recommendation follow-up by the Office of the City Auditor and found to be fully implemented.

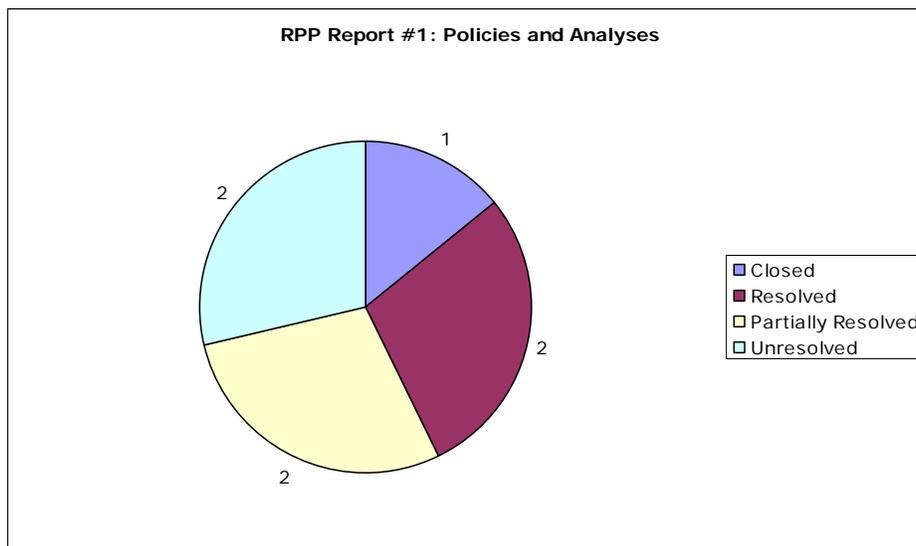
Summary of Results

This report focuses on the implementation status of audit recommendations for the June 2010 Residential Permit Parking (RPP) Performance Audit Series. The RPP Performance Audit Series includes the following reports 1) Policies and Analyses: RPP Performance Audit; 2) Revenue and Costs: RPP Performance Audit; and 3) Management Systems: RPP Performance Audit. Overall, the follow-up review found that in total 15 of the 24 recommendations from the audit report were closed, as shown in the exhibit below.

Total RPP Recommendations Implementation Status

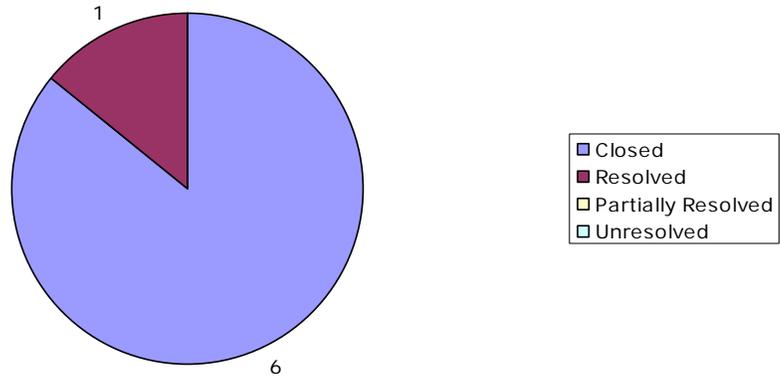


RPP Recommendations Implementation Status By Report

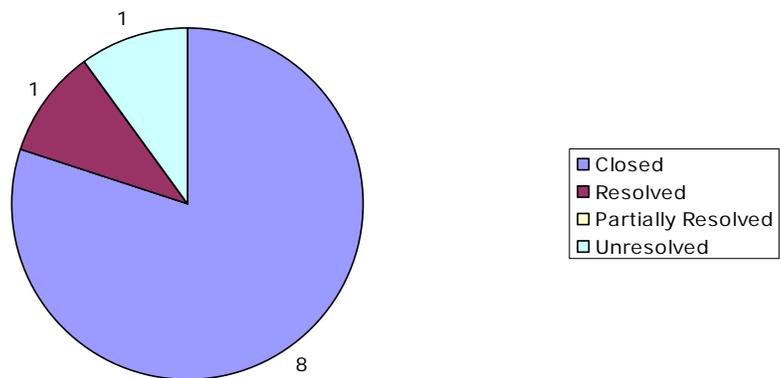


RPP Recommendations Implementation Status By Report

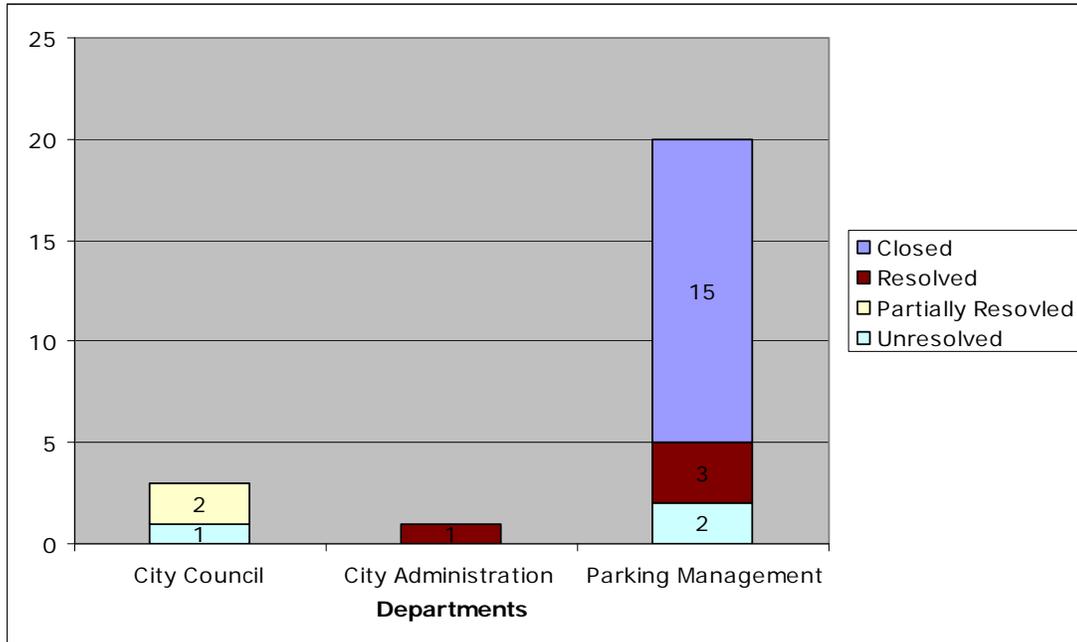
RPP Report #2: Revenue and Costs



RPP Report #3: Management Systems



Implementation Status of All RPP Recommendations by Responsible Entity



RPP Overview

The RPP Performance Audit Series was issued on June 23, 2010. The objectives of the audit were as follows:

Report #1: Policies and Analyses- To analyze and evaluate the appropriateness of the RPP fees.

Report #2: Revenue and Costs- To analyze the efficiency and effectiveness of the RPP Program including Parking Management's oversight of:

- Relationships with third party entities that pay for RPP permits
- RPP areas which have permits subsidized by the City

Report #3: Management Systems- To analyze and evaluate:

- The efficiency of the RPP Program operations
- The effectiveness of the RPP Program

Implementation Status of Recommendations

Parking Management provided sufficient documentation to the City Auditor's Office to close 15 of the 24 recommendations from the June 2010 RPP Performance Audit Series. Not all of the recommendations were fully implemented, but sufficient documentation was provided that explained the reasoning why the recommendation had not been implemented to date.

Open RPP Recommendations

Open recommendations are unresolved, partially resolved or resolved recommendations, where corrective action has not yet been fully agreed upon or implemented by the City Administration at the time of the Office of the City Auditor's follow-up. Steps to close recommendations along with updated deadlines are provided to assist the City Administration in implementing the corrective action. Future audit follow-up by the Office of the City Auditor will continue to review the implementation of recommendations.

RPP Report #1: Policies and Analyses

Recommendation #1

Partially Resolved

Review and revise the RPP Program Ordinance and Resolution No.77924 (Adopting a Policy on Charges for the City of Oakland's Services), to determine specifically for the RPP Program the: a) types of costs that are to be included in the cost analysis; b) level of cost should be recovered for specific government programs and services; c) cases when less than full cost recovery would be appropriate; and d) frequency for a cost-of-service study.

In Parking Management's response to the audit, it agreed that the

	<p>City's policies do not clearly define the level of cost recovery for City programs in general (including the RPP program). The response stated that the City Administrator's Office would address this issue and develop a financial policy (through formal City Council Ordinance) to clearly identify which costs should be included in the cost analysis for any fee-based City program or service. The recommendation follow-up found that Parking Management did not provide any documentation to show that the item has been brought forward to City Council.</p> <p>Parking Management should:</p> <ul style="list-style-type: none"> • Meet with the City Administrator to discuss implementation of the remaining parts of the recommendation • Respond to the City Auditor's Office with a plan of action by January 31, 2012
<p>Recommendation #2 Resolved</p>	<p>Review and revise Administrative Instruction #19 and the Master Fee Schedule to reflect City Council's policy direction on determining specifically for the RPP Program: a) what types of costs are to be included in the cost analysis; b) what level of cost should be recovered for specific government programs and services; c) when less than full cost recovery would be appropriate; and d) frequency for a cost-of-service study.</p> <p>In Parking Management's response to the audit, it agreed to review and revise Administrative Instruction #19 and the Master Fee Schedule. The City Administrator's Office agreed to make the revisions to reflect a new City Council Ordinance regarding cost recovery, instead of revising the RPP Ordinance and Resolution No. 77924. The Office of the City Auditor agreed with the City Administrator's Office's plan to work with City Council to develop a new Council Ordinance provided the RPP Ordinance and Resolution No. 77924 refer to the new policy for guidance and the new policy identifies for any fee-based program the: a) types of costs that are to be included in the cost analysis; b) level of cost that should be recovered for specific government programs and services; c) cases when less than full cost recovery would be appropriate; and d) frequency for a cost-of-service study.</p> <p>The recommendation follow-up found that the City Council amended Ordinance No. 12946, which required that all City programs be fully cost covering and that an annual cost-of service study should be conducted for all programs.</p> <p>Parking Management provided the RPP Rate Structure Analysis document, but did not provide any documentation to show that the types of costs that are to be included in the cost analysis have been</p>

	<p>presented to City Council.</p> <p>Parking Management should:</p> <ul style="list-style-type: none"> • Meet with the City Administrator to discuss implementation of the remaining parts of the recommendation • Respond to the City Auditor's Office with a plan of action by January 31, 2012
<p>Recommendation #3</p> <p>Partially Resolved</p>	<p>Develop a cost analysis model that includes all direct and indirect costs to operate the RPP Program, including enforcement, benefits, and overhead. All costs should be itemized to assist the City Council in determining the extent to which the RPP Program will achieve full cost recovery.</p> <p>In Parking Management's response to the audit, it agreed with including indirect costs such as benefits and overhead costs, but disagreed with including enforcement costs in the RPP Program Cost Analysis. The City Auditor's Office stated that all costs should be itemized to assist the City Council in making a policy decision on which costs should be included prior to determining the appropriate level of cost recovery for the RPP Program. Additionally, with the new ACS parking management system (CARRS), Parking Management should have the appropriate mechanisms available to track RPP Program enforcement costs.</p> <p>The recommendation follow-up found that the RPP Rate Structure Analysis produced by Parking Management did include indirect labor costs and direct labor enforcement costs. However, Parking Management did not provide any documentation to show that indirect enforcement costs have been brought forward to City Council for consideration. Parking Management also did not provide any documentation to show that ACS can now provide management reports that track indirect enforcement costs.</p> <p>Parking Management should:</p> <ul style="list-style-type: none"> • Meet with the City Administrator to discuss implementation of the remaining parts of the recommendation • Respond to the City Auditor's Office with a plan of action by January 31, 2012 <p>The ability for the ACS system to track various parking costs and produce management reports is being reviewed as part of the Parking Citation Management Performance Audit currently underway.</p>
<p>Recommendation #5</p> <p>Resolved</p>	<p>Maintain all relevant documentation to support any of the costs presented in its RPP Program analysis.</p> <p>Parking Management provided Oracle documentation showing payments made to vendor for permit supplies. Parking Management</p>

	<p>did not provide supporting documentation for enforcement vehicle costs.</p> <p>Parking Management should provide supporting documentation for RPP enforcement vehicle costs reported in the RPP Rate Structure document, to the City Auditor's Office by January 31, 2012.</p>
<p>Recommendation #6</p> <p>Unresolved</p>	<p>Develop a revenue analysis model that shows revenue from RPP Program permit sales and RPP Program citations. All revenues should be itemized to assist the City Council in determining the revenue streams to be used to cover the costs of the RPP Program.</p> <p>In Parking Management's response to the audit, it did not agree with this recommendation. Parking Management stated that the revenue generated by enforcement staff exceeds the cost of enforcement. The RPP Program audit focused on enforcement revenue from the RPP Program, not the total amount of enforcement revenue for the City. During the audit, Parking Management stated that it could not receive accurate management reports on the RPP Program citation revenue from the third-party contractor at the time of the audit. With the new ACS system, Parking Management should have access to accurate management reports for RPP Program enforcement revenue in the future. Just as Parking Management would be expected to provide the revenue from Parking services such as garage parking versus parking meters, it should be able to provide revenue on types of enforcement such as RPP enforcement versus expired parking meters. As stated in the recommendation, all revenues should be itemized to assist the City Council in making an informed policy decision on how best to balance the costs passed on to the permit holders and permit violators.</p> <p>The recommendation follow-up found that Parking Management did not provide any documentation to show that enforcement revenue was brought forth to City Council for a policy decision.</p> <p>Parking Management also did not provide documentation to show that ACS can provide enforcement revenue management reports.</p> <p>Parking Management should:</p> <ul style="list-style-type: none"> • Meet with the City Administrator to discuss implementation of the recommendation • Respond to the City Auditor's Office with a plan of action by January 31, 2012 <p>The ability for the ACS system to track various parking revenues and produce management reports is part of the Parking Citation Management Performance Audit currently underway.</p>

<p>Recommendation #7</p> <p>Unresolved</p>	<p>Set a fee that (1) clearly identifies which cost components and revenue streams of the RPP Program are included in the RPP Program by Parking Management and (2) achieves an annually specified level of RPP Program cost recovery and/or level of program subsidy by the City.</p> <p>In Parking Management’s response to the audit, it stated that the recommendation to set a fee that achieves both criteria has already been achieved with the fee change for RPP Renewal permits from \$20 to \$35, which was approved by City Council on November 10, 2009. However, the audit found that because City Council had not been presented with a complete and accurate RPP Program cost and revenue analysis, the recommendation had not been addressed.</p> <p>The recommendation follow-up found that Parking Management did not provide any documentation to show that RPP Program cost components and revenue streams had been brought forward to City Council for a policy decision.</p> <p>Parking Management should:</p> <ul style="list-style-type: none"> • Meet with the City Administrator to discuss implementation of the recommendation • Respond to the City Auditor's Office with a plan of action by January 31, 2012
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RPP Report #2: Revenue and Costs

<p>Recommendation #7</p> <p>Resolved</p>	<p>Clearly document any decision and reasoning for charging Area B residents for RPP Permits. Either begin waiving the fee for Area B residents again or amend Resolution No. 68112 accordingly, with clear rationale documented to ensure full transparency.</p> <p>In Parking Management’s response to the audit, it stated that it would submit a Resolution to Council to charge Area B residents the current \$35 annual RPP program fee. However, the recommendation follow-up found that no staff request was submitted to the City Council.</p> <p>Parking Management should discuss a plan/ timeline to implement this recommendation with the City Administrator. A copy of the plan/timeline should be provided to the City Auditor's Office by January 31, 2012.</p>
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RPP Report #3: Management Systems

Recommendation #7

Unresolved

Develop a strategic staffing plan for the RPP Program, which considers the staffing impact from reducing documentation requirements, implementing an online renewal system, and staggering the permit expiration dates.

In Parking Management's response to the audit, it stated that it addressed this recommendation by staggering the permit expiration dates and assigning two staff to work solely on the program. However, the Office of the City Auditor found that these steps did not address the recommendation, which is to develop a comprehensive staffing plan. A comprehensive staffing plan would provide an outlook for the year as it relates to staffing the program and would assign roles and responsibilities for all of the key staff who have any responsibilities related to the program. Furthermore, a staffing plan would clearly document how Parking Management determines how many full time equivalents (FTEs) are needed to run the program efficiently and effectively.

The recommendation follow-up found that Parking Management did not provide adequate analysis for the current staffing model. Parking Management only provided a brief explanation of the current staffing structure.

Parking Management should provide a copy of a detailed staffing analysis for RPP to the City Auditor's Office by January 31, 2012. The staffing analysis should explain the reasoning for the current staffing model.

Recommendation #10

Resolved

Collect outstanding citations from FY 2006-07 through FY 2008-09, while allowing residents with citation appeals to be issued their RPP permit.

Parking Management stated that the collecting of outstanding citations is an on-going process utilizing all available venues such as FTB liens, DMV registration liens and Collections through a Collection Agency.

The City Auditor's office is reviewing the collections process during the Parking Citation Management Performance audit currently underway.

Closed RPP Recommendations

Closed recommendations that have been fully implemented by City Council, City Administration and Parking Management have been assessed by the City Auditor's Office to have fully addressed the findings from the audit report.

RPP Report #1: Policies and Analyses

Recommendation #4

Begin tracking and documenting staff time spent on RPP to obtain an accurate estimate of the cost of the RPP Program.

Parking Management provided their methodology for tracking and documenting staff time spent on RPP.

RPP Report #2: Revenue and Costs

Recommendation #1

Implement procedures to ensure all third party entities have documented ordinances or agreements which define the relationship between the City and the third party entity. The document should clearly state who is to pay for the permits, justification for the payment and the approximate time period the payments will be made.

Parking Management provided revised policies and procedures for accounts receivable system related to RPP transactions with third party entities. The revised policy and procedure stated that each third party entity must have a documented ordinance and agreement that defines the relationship between the City and the third party entity.

Recommendation #2

Develop and document policies and procedures for the accounts receivable system related to RPP transactions with third party entities.

Parking Management provided policies and procedures for the accounts receivable system related to RPP transactions with third party entities.

Recommendation #3

Develop a policy and procedure to invoice all third party entities in a timely manner. Clearly identify when all invoices should be sent. Ensure that \$14,870 in FY 2008-09 invoices for third party entities identified in the audit are sent in a timely manner.

Parking Management provided policies and procedures for the accounts receivable system related to RPP transactions with third party entities before the completion of the audit. Parking Management also provided invoices for a total of \$12,012.50 in invoices to Kaiser and Head Royce

	School for FY 2008-09. The actual amount billed was lower than \$14,870 because \$14,870 was only an estimate provided by Parking Management in early 2010.
Recommendation #4	<p>Develop a procedure to track and collect all accounts receivables, including the \$49,025 in uncollected revenue identified in the audit.</p> <p>Parking Management provided policies and procedures for the accounts receivable system related to RPP transactions with third party entities to ensure that future invoices and accounts receivables were properly accounted. Parking Management stated that the \$49,025 did not appear in Parking's accounting records. Therefore, Parking Management was not able to bill for the \$49,025. As a result, Parking Management lost \$49,025 in revenue.</p>
Recommendation #5	<p>Ensure that all received revenue is accurately documented in accounts receivable records. Remedy the \$39,090 of improperly accounted for revenue identified in the audit.</p> <p>Parking Management stated that \$39,090 improperly accounted for revenue identified during the audit occurred prior to the RPP Program being fully turned over to the Parking Division. Parking Management found that Transportation Services Division did not keep accurate files and was not able to locate the files for the \$39,090. As a result, Parking Management could not take any additional action and stated that it will follow the new procedures in place going forward to ensure accurate accounts receivable records. As a result, Parking Management was unable to accurately account for the \$39,090 in revenue.</p>
Recommendation #6	<p>Develop a policy and procedure to charge the appropriate late fees for delinquent accounts, including the \$15,109 identified in the audit.</p> <p>Parking Management stated that invoicing for RPP permits is now conducted through the City's accounts receivables process with assistance from contracted services with ACS. Late fees will be charged according to the City's policies. Parking Management provided FY 2010-11 invoices that show that invoicing is now processed through the City's central accounts receivables process.</p>
RPP Report #3: Management Systems	
Recommendation #1	<p>Develop a written policy for the new RPP Program documentation requirements including verification of registration and address information periodically, such as every other year, and assigning fines or withholding permits for residents who are not compliant.</p> <p>Parking Management stated that it instituted control measures that only</p>

	<p>allow a resident to renew their permit after a renewal letter is sent to the current address on file. A unique identification number is also included in the letter to prevent another person from renewing the permit. Parking Management provided a copy of the RPP renewal letter for verification by the City Auditor's Office. Parking Management now requires that DMV and address information only needs to be verified for a new RPP permit.</p>
<p>Recommendation #2</p>	<p>Develop a written procedure for the new RPP Program documentation requirements for Parking staff.</p> <p>Parking Management provided a copy of the Residential and Business Permit Program Procedures, which documents the revised renewal procedures. The procedures state that in order for residents to be able to renew they need to receive the renewal letter which is mailed to the registered RPP address. DMV and address information only needs to be verified for a new RPP permit.</p>
<p>Recommendation #3</p>	<p>Develop a written procedure for the new RPP Program documentation requirements for residents.</p> <p>Parking Management provided a copy of the Residential and Business Permit Program Procedures, which included templates for both a new RPP permit application and the renewal letter sent to residents. Both detail procedures for the new RPP Program documentation requirements for residents.</p>
<p>Recommendation #4</p>	<p>Utilize the DMV database to verify vehicle registration and address information as appropriate.</p> <p>The City Auditor's Office confirmed that Parking Management uses the DMV database on an as needed basis to find license plate numbers and registration information. Parking staff no longer needs to check the DMV database for new or renewal permits, unless there is a discrepancy about the new permit or permit renewal. The new permit application requires that current vehicle registration from DMV be attached to the application.</p>
<p>Recommendation #5</p>	<p>Develop a written procedure for processing online renewals for Parking staff. Allow residents to renew their permits online.</p> <p>Residents are now able to renew their permits online. Parking Management relies on the ACS vendor for all online sales data management. Parking Management provided to the City Auditor's Office an ACS online renewal training manual that Parking Management included in its policies and procedures. Parking Management also provided proof of online renewal training for Parking staff, which includes Parking staff accessing the ACS website directly from their workstations to access the ACS system.</p>

<p>Recommendation #6</p>	<p>Develop a written procedure for online renewals for residents.</p> <p>Parking Management submitted a copy of a renewal letter that detailed the instructions for online RPP permit registration and renewal. Screenshots of the online payment screen were also provided. The screenshots instruct the residents on how to complete an online payment.</p>
<p>Recommendation #8</p>	<p>Develop a procedure to notify residents of any outstanding citations in RPP permit renewal notices.</p> <p>Parking Management provided a copy of the Residential and Business Parking Permit Program Procedures which created the annual renewal letter as the mechanism to inform residents of any outstanding citations and that all delinquent parking citations must be paid or adjudicated prior to the issuance of any permit for a particular vehicle. Also Parking Management provided a copy of the renewal letter which shows that all outstanding citations must be paid before a permit can be issued. The screenshots for the online payment option also denote that outstanding citations must also be paid.</p>
<p>Recommendation #9</p>	<p>Develop clear policies and procedures to withhold new and renewal permits from residents seeking an RPP permit who have outstanding parking citations and assign appropriate roles and responsibilities to Parking staff for enforcement.</p> <p>Parking Management provided a copy of the Residential and Business Parking Permit Program Procedures which includes the policy that all delinquent parking citations must be paid or adjudicated prior to the issuance of any permit for a particular vehicle.</p>