

**Metro**  
**Metropolitan Exposition -**  
**Recreation Commission**

***Parking Revenue:***  
***Better Controls Are Needed***

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**September 1999**

A Report by the Office of the Auditor



**METRO**

1999-10442-AUD

**Alexis Dow, CPA**  
**Metro Auditor**

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METRO

## Office of the Auditor

September 17, 1999

To the Metropolitan Exposition-Recreation Commission and Metro Council:

The accompanying report details our review of parking revenue controls at the Oregon Convention Center and the Portland Metropolitan Exposition Center. Parking revenues at the two centers now total approximately \$1.8 million a year.

Controls over parking receipts are not adequate to keep parking attendants or their supervisors from stealing or to detect theft, if it is happening. Parking operations at both centers lack the equipment and basic procedures that would reduce the risk of theft. Parking contractors are not conducting onsite observations and audits required by their contracts, and managers are not enforcing these agreements. Controls improve once parking revenues actually enter the system, but some problems exist in this part of the process as well. We also found that some employees are allowed to park without charge in one of the Convention Center lots.

Our recommendations are listed on page 2 of this report. Most make sense to implement immediately. However, planned expansion at the Convention Center will soon eliminate the existing main parking lot and replace it with a multi-story facility. The Metropolitan Exposition-Recreation Commission (MERC) needs to use the findings of this review to plan for better revenue control in the new facility.

We reviewed a draft of this report with the Metropolitan Exposition-Recreation Commission Chair, Ben Middleton. The last section of this report presents his written response.

We sincerely appreciate the cooperation and assistance provided by MERC staff as we conducted this review.

Very truly yours,

A handwritten signature in black ink, appearing to read "Alexis Dow". The signature is fluid and cursive, written over a light grey circular watermark of the Oregon state seal.

Alexis Dow, CPA  
Metro Auditor

Auditor: Jim McMullin

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## Executive Summary

The Metropolitan Exposition-Recreation Commission (MERC) faces serious problems with collection of parking fees at the Portland Metropolitan Exposition Center and the Oregon Convention Center. Controls over these collections are not adequate to keep parking attendants or their supervisors from stealing or to detect theft, if it is happening.

Parking revenues at the two centers now total nearly \$1.8 million a year. Controls over collections are a joint responsibility between MERC and private contractors that run the parking operations. MERC has an obligation to oversee the contractors and makes decisions about how to equip parking operations. For example, a system with automatic ticket dispensers and exit gates helps prevent workers from letting vehicles go through uncounted and pocketing the parking fees.

Parking operations at the two centers lack this kind of equipment and basic procedures that reduce the risk of theft. These weaknesses are compounded by lack of oversight from Convention Center and Expo Center managers. For example, no one reviews the Convention Center parking contractor's activities or tries to reconcile parking fees collected with the contractor's paperwork. At both facilities, parking contractors are not conducting on-site observations and audits required by their contracts, and managers are not enforcing these agreements.

Controls improve once parking revenues actually enter the system, though some problems exist in this part of the process as well. At the Convention Center, cash receipts need to be picked up from attendants more often and alternative arrangements need to be made so that receipts are not taken off-site to prepare deposits. At the Expo Center, a separate safe is needed for parking receipts. Operations at both centers can improve the timeliness of bank deposits, mainly through better coordination with armored car schedules.

Most improvements make sense to put in place immediately. However, planned expansion at the Convention Center will soon eliminate the existing main parking lot and replace it with a new multi-story facility. MERC needs to use the findings of this review to plan for better revenue control in the new facility.

Finally, we found that some employees are allowed to park in one of the Convention Center's lots without paying. Charging these employees would be more consistent with Metro policies and would reduce the annual loss on the lot.

## Summary of Recommendations

We make the following recommendations, in summary form, to address the management and internal control problems we identified at the Expo Center and the Convention Center parking facilities.

MERC should establish a management system at the Convention Center to supervise and monitor its parking contractor to ensure that parking revenues are properly controlled. The system should include:

- designating a Convention Center employee to supervise and monitor parking operations on a daily basis
- establishing proper ways to document each parking transaction
- making appropriate reconciliations of deposits to supporting documentation
- assuring that contractor documents are complete, accurate and legible
- having a MERC person read vehicle counters at appropriate times and report the readings to the Convention Center's parking supervisor.

In addition, MERC should:

- establish an auditable way to document vehicles which are exempt from paying at the Expo Center and the Convention Center
- require every vehicle to have either a ticket or pass displayed on their dashboard
- place signs at every entrance directing each patron to display their ticket or pass on their dashboard and print this statement on all tickets and passes
- require parking contractors to make and document the lot audits and attendant surveillances required by their contracts
- provide City Center Parking an office within the Convention Center to count parking receipts, prepare deposits and provide a base for other supervisory duties
- require City Center Parking to prepare deposits the day of an event and place them in the MERC drop safe that day
- establish armored car services at the Expo Center for Monday, Thursday and Saturday.

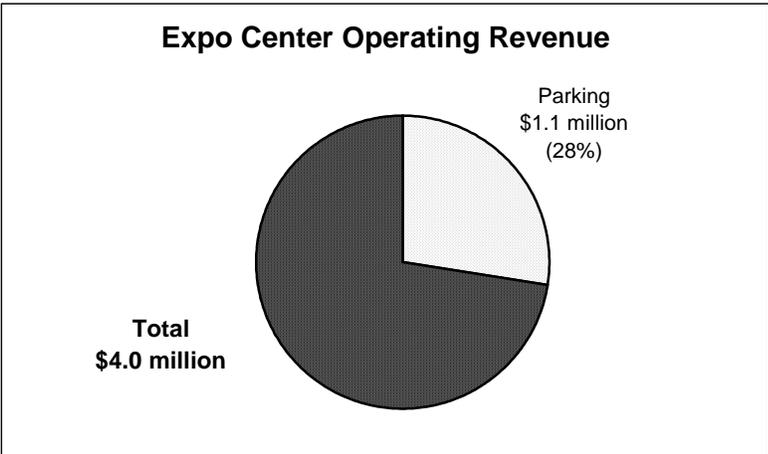
To enhance revenue and be more consistent with Metro policy, MERC should:

- charge employees a market-based monthly fee to park in its leased lot
- hire a consultant to help develop appropriate revenue controls for the new Convention Center parking facility and to evaluate the need for more sophisticated controls at the Expo Center.

# Introduction and Background

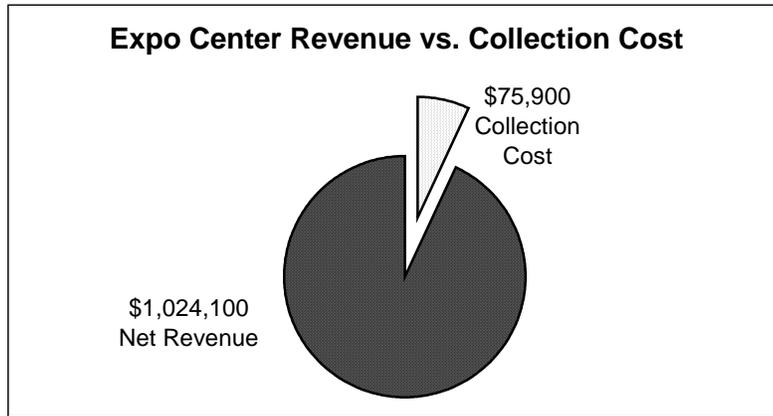
**The Facilities** The Metropolitan Exposition-Recreation Commission (MERC), a unit of Metro, manages the regional convention, trade and performing arts facilities, including the Portland Metropolitan Exposition Center (the Expo Center) and the Oregon Convention Center. Parking operations at these two facilities generate revenues of nearly \$1.8 million a year. These parking operations are run by private contractors. The manager of each facility is responsible for overseeing its respective contractor.

*The Expo Center* The Expo Center has five exhibition halls for trade shows and public exhibitions and one large parking lot with about 3,000 parking spaces and two gated entrances. The lot's main entrance has three entry lanes, each with a booth from which attendants collect parking fees from patrons. The other entrance has one entry lane and one booth.



In FY 1999, parking revenues totaled about \$1.1 million, about one-fourth of the Expo Center's \$4.0 million of operating revenues.

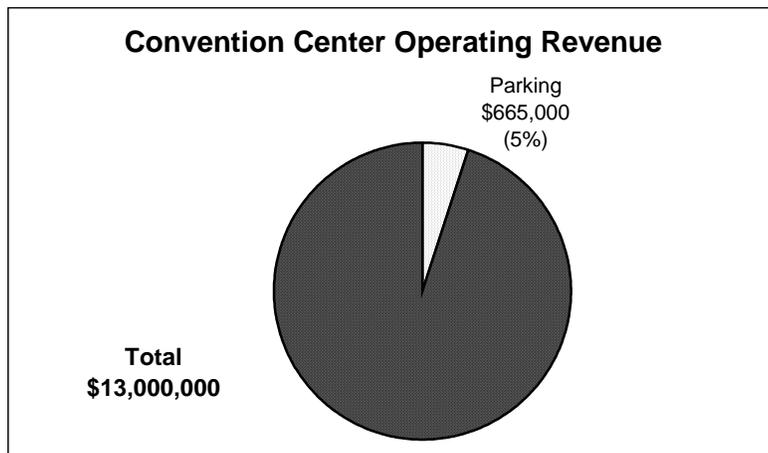
The Expo Center's parking lot is operated by Ace Parking Management, Inc., a large West Coast parking business based in San Diego that also manages the parking operations of the Portland International Airport. MERC's contract with Ace Parking began July 1, 1998, and ends June 30, 2001. The firm received \$75,900 to operate the Expo Center's parking facilities in FY 1999.



*The Oregon Convention Center*

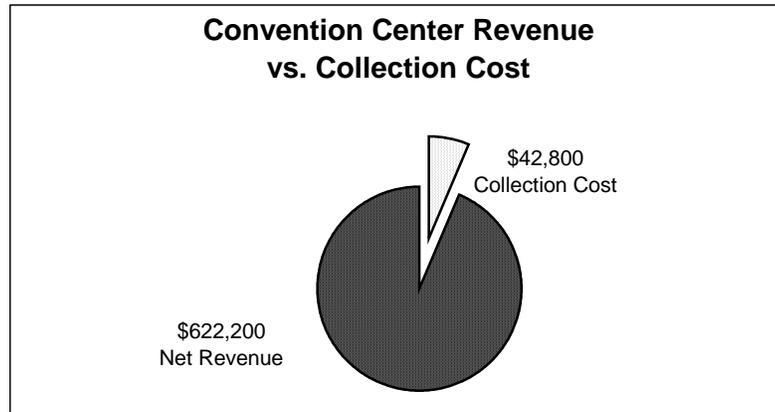
The Convention Center opened in September 1990 and is the primary Portland facility used by conventions and trade shows. Its parking facilities consist of three paved lots--a main lot with 850 spaces, an overflow lot with 98 spaces and a third lot with 166 spaces, located under the I-5 Freeway and leased from the State of Oregon.

Planned expansions to the Convention Center will replace the main lot with a building that includes two levels of parking with space for about 1,250 vehicles. In FY 1999 the Convention Center generated revenues of about \$13.0 million, including parking revenue of \$665,000.



Since its opening in 1990, the Convention Center's parking operations have been contracted to City Center Parking, a locally owned parking firm that operates over 100 lots in the Portland area. In April 1999 MERC extended the firm's contract through

June 30, 2000. The firm received \$42,800 to operate the Convention Center's parking facilities in FY 1999.



**Objectives, Scope and Methodology**

The objective of our review was to evaluate and test the internal controls over cash collected by parking lot contractors at the Expo Center and Convention Center to ensure that cash is:

- adequately safeguarded to prevent loss through theft or mishandling
- accurately recorded and reported in MERC and Metro financial records.

This work was part of our annual audit plan to evaluate and test controls over cash collection activities identified in our October 1998 report, *Survey of Controls over Cash Receipts at Remote Locations*. Good internal controls are essential for an organization to achieve full accountability for its resources. They also facilitate achieving management objectives by serving as checks and balances against undesired actions. To ensure that internal controls remain effective, they need to be evaluated periodically. To provide a basis for auditors and others to use in making these evaluations, certain standards are generally recognized and used to evaluate programs and activities. The standards used in this audit are contained in Appendix I.

To accomplish our objective we:

- reviewed Metro policies relating to parking operations
- reviewed the MERC, Expo Center and Convention Center Business Plans

- interviewed MERC, Expo Center and Convention Center officials to determine their policies, procedures and practices for managing and monitoring their parking operations
- reviewed contracts MERC has with its parking contractors
- interviewed contractor personnel, reviewed their documentation and deposit preparation practices and observed actual parking practices
- observed how cash is safeguarded until it is deposited
- traced a selected sample of deposits through contractor records, bank statements and Metro accounting records
- identified and obtained audit reports relating to cash controls and parking operations from other governmental jurisdictions to determine typical parking lot management issues
- discussed revenue controls with two parking consultants
- considered relevant internal control standards.

Our audit was made in accordance with generally accepted government auditing standards. Fieldwork was conducted from April through August 1999.

## Controls for Preventing Theft Are Not Adequate

**Overview** One aspect of internal controls involves ensuring that all parking revenue is accounted for—that is, making sure that revenue cannot be stolen as it is being received by parking attendants or supervisors. The controls at the Expo Center and the Convention Center are not adequate to do so. Equally significant, the general breakdown in controls makes it impossible to detect the extent to which theft might be occurring. While we cannot say with certainty that revenue is being lost, parking contractor officials acknowledge that there is a high risk that theft is occurring.

**Parking Industry Is Prone to Theft** The parking industry has a high potential for theft of revenue. Attendants handle a great deal of cash and often work for near minimum wage—a situation ripe for theft and a condition of major concern in the parking industry.

Controlling this risk depends on adequately documenting every transaction, thereby providing a way to audit receipts without having to rely on attendants' honesty. To control parking revenue, auditable documentation is needed on the number of vehicles paying, the number of vehicles not paying (exempt),<sup>1</sup> and the total number of vehicles entering the lot. The number of paying vehicles plus the number of exempt vehicles should equal the total vehicles, and the number paying times the entry fee should equal the cash on hand. Each day, someone independent of the contractor should ensure that these numbers reconcile.

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<sup>1</sup> At the Expo Center and the Convention Center, exempt vehicles include security, emergency, and delivery vehicles; exhibitors with passes; and “turnarounds” (persons who enter mistakenly).

Systems like those at the Expo Center and the Convention Center are particularly at risk because they lack certain equipment that helps keep elements of this count as accurate as possible. More specifically, they lack the following:

- automatic dispensers for delivering tickets to parking patrons. Tickets document the number of people who pay to park, and automatic dispensers make it more difficult to alter the actual count.
- lift gates with counters to document the total number of vehicles entering and leaving the lot. The Expo Center and Convention Center lots use loop counters, which are buried electrical wires that cause a counter to trip when metal passes by. Loop counters provide less reliable results and may be off in the count by as much as five percent.

In the parking industry, parking lots without lift gates and automatic ticket dispensers are referred to as “uncontrolled” because heavy reliance is placed on the honesty of parking attendants to document each transaction. Both the Expo Center and the Convention Center are uncontrolled lots, placing an even higher importance on the adequacy of internal controls.

**Systems Are Vulnerable at Both Locations**

We looked for the presence of an effective internal control system at both locations. More specifically, we looked at 12 separate controls related to control of receipts, supervision and monitoring, and detecting theft (see table below). At the Convention Center, none of these controls are adequately in place. At the Expo Center, some controls are adequate, but still not enough to sufficiently protect against theft.

<b>SUMMARY OF EXPO CENTER AND CONVENTION CENTER CONTROLS</b>		
	<u>Expo Center</u>	<u>Convention Center</u>
<b>Controls Over Receipts</b>		
Payers documented? (tickets)	Yes	No
Exempt adequately documented?	No	No
Total count adequately documented?	No	No
Attendant duties segregated?	Yes	No
<b>Supervision/Monitoring</b>		
Person designated to supervise?	Yes	No
Tickets issued to contractor?	Yes	No
Deposit reconciled to tickets/passes?	Yes	No
Tickets, passes, exempt reconciled to total vehicle count?	No	No
MERC person reads counters?	Yes	No <sup>1</sup>
Contractor documentation reviewed?	Yes	No
<b>Theft Detection</b>		
Lot audits?	No	No
Attendant surveillance?	No	No

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<sup>1</sup> MERC's Department of Special Services (Security) reads the Convention Center counters. However, the readings cannot be used to verify the total vehicle count reported by the contractor because they are not made when attendants begin and end their shifts.

*Exposure to Loss Is Greater at the Convention Center*

Controls over receipts at the Convention Center's parking operations are totally inadequate. More specifically:

- Tickets are not used. As a result, there is no documentation to show how many vehicles paid.
- Exempt vehicles leave nothing to prove their exemption. Attendants simply put a hash mark or a license plate number on a log sheet.
- The system relies on loop counters for total vehicle counts. These counters are inherently inaccurate and easily manipulated.
- Documents prepared by attendants are often incomplete. For example, when a turnaround occurs, the parking company's policy calls for documenting the make of vehicle and the reason for the turnaround. Attendants do not do this. In addition, data on the documents they prepare is often difficult or impossible to read.
- Attendants must share a cash box, making it impossible to determine how much each attendant collected.
- From the time receipts are collected until deposits are prepared, the on-site supervisor is the only one who controls receipts and the paperwork that documents them. The absence of a segregation of duties increases vulnerability to theft.

City Center Parking's management acknowledges that receipts are highly vulnerable to theft. For example, they said attendants can easily steal by collecting a parking fee and then logging a hash mark or license plate number as though the vehicle were exempt.

Supervisory and monitoring controls are also inadequate. In fact, the contractor operates virtually independent of MERC and Convention Center oversight. The Convention Center does not have a basic system to supervise and monitor its parking contractor, and the few procedures in place are not followed or are too sporadic to be effective. For example:

- The Convention Center's Manager told us that MERC security staff are to read the vehicle counters twice each day and send their counter readings to MERC's fiscal officer for reconciliation with parking revenue. We found, however, that the readings are often made only once a day, are not made to coincide with the beginning or ending of attendant shifts and are simply filed in the security office.

- Contractor employees, not MERC or Convention Center staff, read the vehicle counters at the beginning and end of each shift. An attendant or supervisor can easily log a false count and keep the corresponding parking fees.
- Convention Center staff do not compare the hours attendants are scheduled to work to the actual hours billed. The event coordinator who schedules the attendants told us that the Convention Center’s manager asked him to review the labor hours charged for about a three-month period about three years ago, but that was the last time he reviewed the billings.

*Expo Center’s Controls Are Better but Still Insufficient*

Compared to the Convention Center, the Expo Center has a better system to manage and control the collection of its parking revenues. For example, most transactions are documented, and a designated Expo Center person interacts daily with the contractor to supervise and monitor the collection of revenues. However, several controls need to be improved to minimize the opportunity for theft. Specifically:

- Develop a better way to document the number of exempt vehicles entering the parking lot. Currently, attendants put a hash mark on their log sheet to document that an exempt vehicle has entered the lot. This practice relies completely on the attendant and provides no auditable documentation to prove that a vehicle was in fact exempt from paying.
- Improve accuracy of vehicle counts. Besides being inherently inaccurate, loop counters are sometimes tripped by cross traffic or by vehicles inappropriately leaving through the main gate.
- Expand reconciliations performed by the Expo Center’s Administrative Secretary (the person designated to supervise and monitor the contractor’s activities) to include exempt vehicles and the total vehicle count. At the time of our fieldwork, the Administrative Secretary was only reconciling tickets and passes sold to the amount of cash collected. He was not comparing the number of tickets, passes and exempt vehicles to the total count shown by the vehicle counters. This will help detect possible skimming.

*At Both Locations, Audits and Surveillance Are Not in Place*

To help detect theft, two other internal controls need to be in place—audits of the lots and periodic surveillance of attendants. Both contractors agreed to perform these observations and audits under the terms of their contracts, but they are not doing so. Expo

Center and Convention Center managers have not enforced the requirements.

As part of its contract at the Expo Center, Ace Parking stated the following:

“Control of revenue is where Ace Parking has and will be of great assistance to you [MERC]. Eliminating employee pilferage, enforcing security precautions, ensuring the correct handling of transactions and having well-trained employees are areas to which we pay strict attention. When you have an employee making \$6 or \$7 per hour and handling cash, the temptation to manipulate that cash is very strong. . . .

“To preclude any attendant from accepting a parking fee without issuing a ticket, we periodically do one of the following:

- A. Position a person in an inconspicuous area, so as to visibly see that a ticket is being given for money received.
- B. Hire “secret parkers” to go into the lot during show hours.

Physically check vehicles in the lot for displayed tickets...”

As part of its contract at the Convention Center, City Center Parking said it would make on-site audits. The contract stated that City Center Parking would use its team of auditors to perform on-site audits because “there is no greater deterrent to an employees [*sic*] skimming than frequent on-site audits.”

Despite these contractual requirements to audit, neither Ace Parking nor City Center Parking is making such audits.

- Ace Parking’s Resident Manager, who is stationed at the Portland airport and responsible for the Expo Center’s parking operations, told us that Ace does not make lot audits or observe their attendants at the Expo Center. He said that because some patrons will not put the ticket on their dashboard, inspecting dashboards is not an effective way to determine whether attendants are issuing tickets. He did acknowledge that this practice would have a deterrent effect on attendants who might be inclined to keep a fee without issuing a ticket.

- City Center Parking’s Vice President in charge of auditing told us that lot audits and attendant surveillances are not being done at the Convention Center because it is impossible to audit given the lack of control over exempt vehicles.

Each of these contractors has a point and we agree that exempt vehicles need to be better documented. However, lot audits can still be made in spite of a few patrons not putting tickets on their dash. Surveillance of attendants is also essential.

**MERC Has Not Followed Up Prior Recommendations for Better Monitoring of Contractors**

Our audit is not the first to point out such problems. Two prior audits, both done by an outside consulting firm (KPMG Peat Marwick), recommended in 1990 and 1992 that MERC better monitor its contractors involved in collecting cash, including parking fees. The 1992 report specifically recommended testing the accuracy of City Center Parking’s parking reports. It stated, “MERC has apparently not performed independent tests of the accuracy of parking activities since 1985. We believe that periodic verification of the concessionaire’s reported data is essential to assure that MERC is receiving the revenue to which it is entitled.”

MERC agreed with the recommendations but has not followed them. Although MERC agreed to test the accuracy of City Center Parking’s parking reports and audit vehicle counts, these tests and audits are not being done at either the Expo Center or the Convention Center.

**Alternatives Are Available to Better Control Revenue**

Controlled parking lots have features that make attendant stealing more difficult. The use of lift gates and ticket dispensers coupled with computer equipment to track the number and type of incoming vehicles makes it difficult for attendants to steal receipts. In addition, these systems can be used in conjunction with disposable passes with magnetic strips that can be programmed to be valid for specific days and times. Such passes can eliminate the problem of documenting many exempt vehicles.

Furthermore, these systems can be set up so that patrons pay on the way out and possibly pay on an hourly basis. This approach can conceivably increase revenue. In addition, Ace Parking’s Resident Manager told us that lift gates do not have to slow up

vehicles entering a lot because studies have shown that it only takes six seconds for a vehicle to enter and obtain a ticket.

The larger the lot, the more cost-effective it is to install revenue control equipment. One consultant told us that for about \$15,000, a treadle counter and loop system can be installed and connected to a computer that will do a lot of accounting and auditing. The treadle counter is a rubber coated wire that is placed on the road to count vehicles. It can be used to provide an independent check on the loop counter.

### **Conclusions and Recommendations**

MERC needs to view parking lot operations as an integral part of operating the Expo Center and Convention Center. Between the two facilities, parking operations are nearly a \$2 million dollar a year business that needs to be managed and supervised in a professional way. This level of business requires establishing effective internal controls over revenues and requires management commitment, planning and follow through.

Considering the addition of a new exhibit hall at the Expo Center and the expansion of the Convention Center and its parking lot, now is the appropriate time to determine the types of controls needed over parking receipts at both locations. The existing uncontrolled approaches have had the advantage of low cost to operate, but the disadvantage of high risk of theft without detection. The future operations at the Expo Center and the Convention Center will require more sophisticated approaches to handle backlogs of traffic consistent with adequate revenue control. These are complex issues that require experienced professionals to help design cost effective solutions.

Accordingly, we recommend that MERC hire a consultant to help develop appropriate revenue controls for the new Convention Center parking facility and to evaluate the need for more sophisticated controls at the Expo Center. The consultant's evaluation should consider lift gates, ticket dispensers, computerized tracking and accounting systems, and ways to account for exempt vehicles, such as the use of disposable passes.

In addition, we recommend that MERC:

- Establish a management system at the Convention Center to supervise and monitor its parking contractor to ensure that parking revenues are properly controlled. The system should include training a Convention Center person to supervise and monitor parking operations on a daily basis and establishing proper ways to document each transaction. The supervisor should reconcile parking receipts to tickets, passes, exempts and vehicles counts daily and assure that contractor documents are complete, accurate and legible. In addition, MERC or Convention Center persons should read vehicles counters at the beginning and end of each contractor shift and report the readings to the Convention Center's parking supervisor.
- Improve the accuracy of vehicle counts at both facilities by installing treadle counters to provide an independent check on the loop counters.
- Establish an auditable way to document exempt vehicles at the Expo Center and the Convention Center. To this end, everyone entering a lot should surrender something to demonstrate that they are exempt. For example, turnarounds and others could sign a log and those with passes could leave a perforated tear-off coupon.
- Require every vehicle to have either a ticket or pass displayed on their dashboard to demonstrate that they have paid or are exempt.
- Place signs at every entrance directing each patron to put their ticket or pass on their dashboard and print tickets and passes with this statement.
- Require parking contractors to make and document the lot audits and surveillances required by their contracts. These audits depend on having well trained persons making them, so MERC should evaluate the contractor capabilities to make the audits and assure that contractor supervisors are trained to recognize ways attendants can skim revenue.

In addition, we recommend that:

- Event Coordinators who schedule attendants periodically compare the actual labor hours billed by contractors to the hours scheduled.
- The Expo Center's Administrative Assistant reconcile daily receipts to the vehicle counters in addition to his reconciliation of receipts to tickets and passes.

## **Controls to Safeguard and Account for Parking Revenue**

**Overview** A second aspect of internal controls involves ensuring that once parking revenues enter the system, they are properly safeguarded and deposited. This involves collecting cash from attendants, transporting it to where deposits are prepared, safeguarding the cash until armored car services pick it up, and making deposits in a timely manner. Procedures for collecting and transporting cash are adequate at the Expo Center, but not at the Convention Center. Both locations have adequate safes to keep revenue, but the Expo Center should have a separate safe for parking receipts rather than placing its receipts in the food concessionaire's safe. At both locations, the timeliness of deposits can be improved.

We also tested the MERC and Metro financial controls over parking deposits and found they adequately assure that deposits are accurately recorded and accounted for in MERC and Metro records.

**The Expo Center  
Has Reasonable  
Procedures to  
Safeguard  
Revenue**

We found Ace Parking is using reasonable procedures to safeguard receipts at the Expo Center. For example:

- The company's on-site supervisor picks up cash several times daily from attendants. The cash is carried in canvas zippered bags and taken to Ace's on-site office where it is counted and recorded on interim forms that make it easier to prepare the deposit at the end of the day.
- The cash is stored in a locked office that is accessible only through another locked door. No attendants are allowed in this office at any time.
- Deposits are always prepared at the end of each event day. Completed deposits are usually walked to the food concessionaire's office where they are kept in a safe until picked up by an armored car service. Concessionaire staff sign a form acknowledging receipt of the deposit. If concessionaire staff have already left for the day, the deposit is kept in a locked safe in Ace's office and given to the concessionaire the next day.

The one area in need of improvement involves the use of the concessionaire's safe. The manager of food concessions expressed concern about being responsible for Ace's deposits should any be lost or altered. Accordingly, the Expo Center's manager is planning to install a drop safe in the Expo Center office to receive parking deposits. We support this plan. Keeping parking receipt deposits in the food concessionaire's safe introduces unnecessary risk of loss and manipulation.

**Convention Center  
Procedures to  
Safeguard  
Revenue Need to  
be Improved**

At the Convention Center, the procedures used by City Center Parking are not as strong. Here are the specific problems we found:

- The supervisor picks up cash from attendants only once a day, at the end of the shift. Doing so makes it easier for attendants to manipulate receipts to their advantage and requires more time at the end of the day to prepare a deposit.
- The supervisor puts the money in a paper bag and drives with it about a half mile to the Rose Garden where City Center Parking has an office. After a deposit is prepared, the supervisor again drives the half-mile to the Convention Center

where he puts the deposit into a MERC drop safe. A parking company official said the company uses its Rose Garden Office to count and prepare deposits because the space once provided at the Convention Center presented problems with alarms, keys and after-hour access. However, the practice of transporting Convention Center parking receipts off-site increases the carrier's vulnerability to being robbed or to losing receipts.

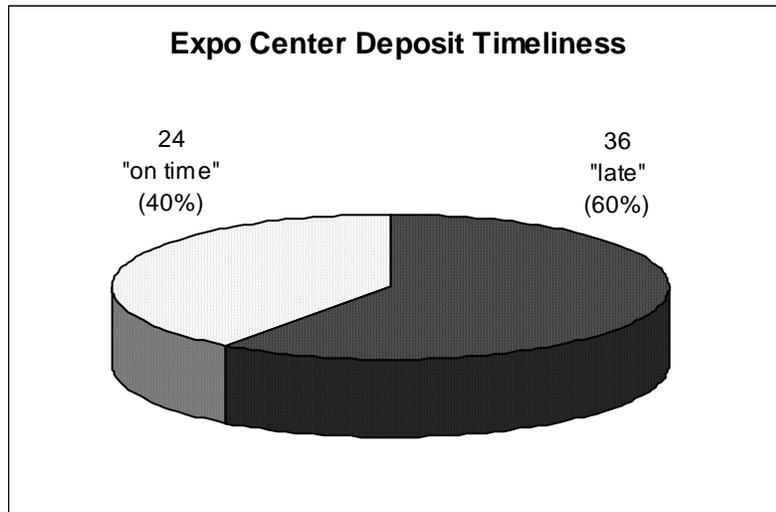
**Deposits Can Be  
More Timely at  
Both Locations**

Timely deposits are a basic internal control over cash receipts. Depositing receipts promptly minimizes the time available for manipulation and possible theft. We found that Metro does not have a policy regarding the timeliness of deposits. Accordingly, we evaluated the time taken to make deposits to determine whether the time frame can be shortened. We found that deposits can be made more timely if they are prepared the day receipts are collected and are better coordinated with armored car services.

- At the Expo Center, we analyzed the 60 deposits made from January 1 through March 31, 1999, and found that 36 were made between 1 and 6 days later than they needed to be.<sup>2</sup>

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<sup>2</sup> We based our calculation on the assumption that deposits could be picked up on Mondays, Thursdays and Saturdays. We believe scheduling pickups for three days a week is reasonable because, according to MERC's Acting Director of Fiscal Operations, the cost for this service is only \$15 per pickup.

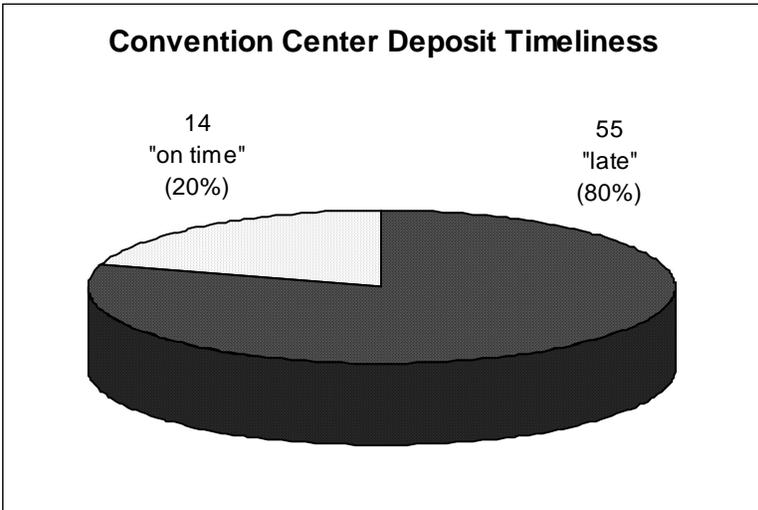


Even though the Expo Center's contractor prepares deposits daily (working late at night if necessary to get them completed), the deposits often are not picked up for several days. We found that neither MERC nor the Expo Center officials knew when armored car services were scheduled to pick up deposits at the Expo Center and that actual pickups are fewer than believed. In practice, deposits at the Expo Center are routinely picked up only once a week.

- At the Convention Center, we analyzed the 69 deposits made from January 1 through March 31, 1999, and found that 55 were made from 2 to 7 days later than they needed to be.<sup>3</sup>

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<sup>3</sup>This analysis assumed that City Center Parking would prepare deposits the day cash is collected and put the deposit in the MERC drop safe that night for the next scheduled armored car pickup.



Two problems contribute to the lack of timely deposits. First, although City Center Parking's contract states that deposits will be placed daily into the Convention Center vault, deposits are not usually prepared the same day cash is collected and may not be prepared for several days. Second, until recently the contractor's supervisor did not know that deposits are picked up on Monday, Wednesday and Friday mornings.

**Metro and MERC Properly Account for Parking Deposits**

Metro and MERC internal financial controls to account for parking deposits are adequate to assure that deposits are recorded and accounted for properly. Once the parking contractors prepare deposits, the MERC and Metro employees who account for the deposits and reconcile deposits to the bank statements do not handle any cash. This shows a proper segregation of duties.

For the period January 1 through March 31, 1999, we traced all deposit slips prepared by ACE Parking and City Center Parking to their daily sales documents and to Metro bank statements. Most deposits were accurately recorded in MERC and Metro accounting records. Where minor errors were made, Metro's monthly reconciliations identified the errors and proper adjustments were made.

**Conclusions and Recommendations**

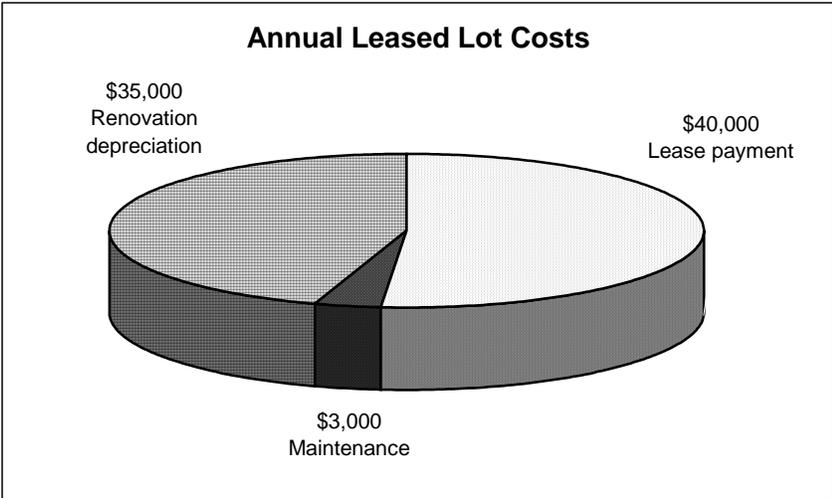
Both the Expo Center and the Convention Center can make improvements in their internal controls over the safeguarding and deposit of revenue. To bring about these improvements, we recommend that MERC do the following:

- Provide City Center Parking space within the Convention Center to count parking receipts, prepare deposits and provide a base for other supervisory duties.
- Issue a security pass to the City Center Parking supervisor so that he can have ready access to the MERC drop safe to make deposits after regular hours.
- Require City Center Parking to prepare deposits the day of an event and place them in the MERC drop safe that day.
- Establish armored car services at the Expo Center for Monday, Thursday and Saturday. The Expo Center personnel can call the armored service company to cancel pickups if they are not required for a given day.

# Employees Should Pay for Parking at the Convention Center

**Overview** Under the I-5 freeway near the Oregon Convention Center, MERC leases a parking lot from the State of Oregon which MERC employees, Convention Center exhibitors and some concessionaire employees use for parking. Exhibitors pay to park in this lot; MERC and concessionaire employees do not. Not charging these employees is inconsistent with Metro policy and inequitable in that other employees in the vicinity have to pay to park. It also represents a parking subsidy, because MERC's costs to lease and operate the lot exceed revenue by about \$50,000 annually.

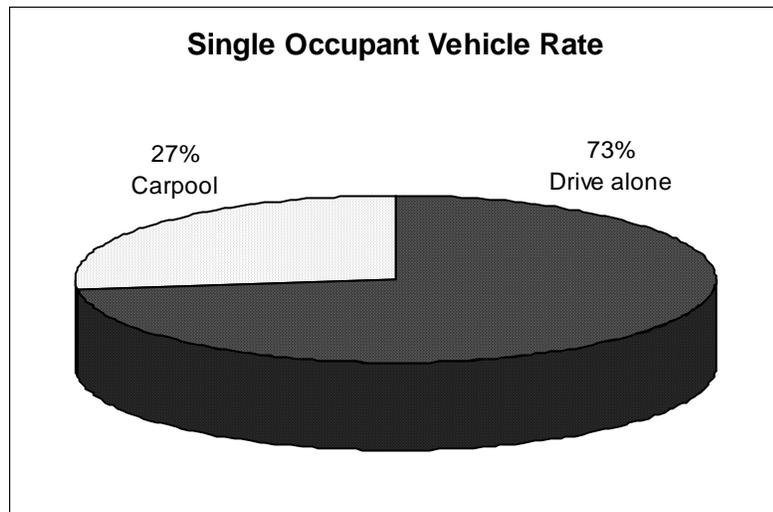
**Leased Lot Operates at a Loss** MERC leased the lot for 10 years beginning in September 1991. It currently pays about \$40,000 annually for the lease. MERC is also responsible for maintaining the lot at an estimated cost of \$3,000 annually. Furthermore, in 1992-93 MERC renovated the lot at a capital cost of about \$350,000, which depreciated over the 10-year lease period amounts to \$35,000 annually. Thus, annual costs attributable to the lot total about \$78,000.



The lot has 101 spaces for exhibitors and 65 for employees, with a fence separating the two areas. In fiscal year 1999, MERC derived about \$28,000 in income from parking fees paid by exhibitors. Compared with the estimated annual cost of \$78,000, this means that MERC is losing about \$50,000 a year to operate the lot.

**Subsidized Parking  
Not Consistent  
With Several  
Aspects of Metro  
Policy**

The Metro Council on July 1, 1999 adopted a parking policy for Metro facilities, including those managed by MERC. The policy states that “Parking lots and structures may be operated in an entrepreneurial manner that generates revenues for Metro and its facilities.” The policy also states that “Metro may assist employees in gaining access to its regional facilities in a manner that promotes alternatives to the use of single occupancy motor vehicles.”

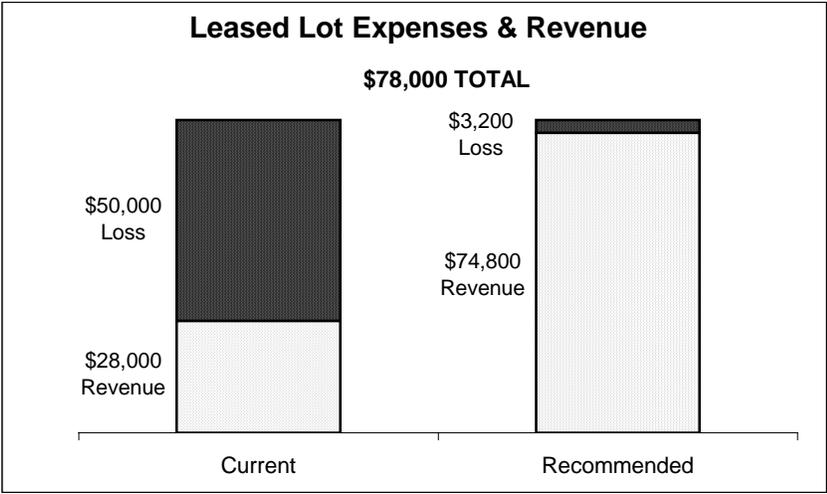


The practice of not charging MERC and concessionaire employees to park in the I-5 lot is inconsistent with this policy. It is not entrepreneurial, does not generate revenue or promote transportation alternatives, and actually subsidizes the use of single occupant motor vehicles. A recent Metro study, for example, shows that 73 percent of the employees who park in the lot drive alone.

Furthermore, charging employees is consistent with the prevailing practice in the surrounding vicinity. Since there is virtually no free parking near the Convention Center, employees of near-by businesses must pay to park in private lots or on the street in metered parking areas. This is true of employees at Metro Regional Center, the State office building, Bonneville Power Administration, Liberty Northwest Insurance and other businesses in the immediate area. Metro employees, for example, who work two blocks from the Convention Center at Metro Regional Center pay \$60 to \$69 per month to park in the garages located there.

In addition, the Convention Center’s Business Plan for 1998 – 2001 states that a major goal of the Convention Center is to “Refine the operational structure to enhance financial stability, efficiency and entrepreneurial operations.” One of the ways the Convention Center plans to meet this goal is to increase revenues by identifying and pursuing potential revenue sources. Charging employees to park is such a revenue source.

Charging MERC and concessionaire employees \$60 per month to park would increase revenues about \$3,900 per month or \$46,800 annually. This would reduce MERC’s annual loss on the lot from \$50,000 to \$3,200.



**Conclusions and Recommendations**

Not charging employees and concessionaire staff to park in its leased lot is inconsistent with Metro policies for parking operations to be entrepreneurial, generate revenue and promote alternatives to employees using motor vehicles. The practice actually subsidizes the use of motor vehicles and is inequitable in that other employees in the immediate vicinity have to pay to park. Accordingly, we recommend that:

- MERC charge employees a market-based monthly fee to park in its leased lot.

## Appendix I – Standards Used To Evaluate Internal Controls

The following standards were adapted from a document issued by the Comptroller General of the United States to be followed by Federal Executive agencies in establishing and maintaining systems of internal control.<sup>4</sup> The standards are generally applicable to all government organizations.

- General Standards**
- Reasonable Assurance - Internal control systems are to provide reasonable assurance that the objectives of the systems will be accomplished.
  - Supportive Attitude - Managers and employees are to maintain and demonstrate a positive and supportive attitude toward internal controls at all times.
  - Competent Personnel - Managers and employees are to have personal and professional integrity and are to maintain a level of competence that allows them to accomplish their assigned duties, as well as understand the importance of developing and implementing good internal controls.
  - Control Objectives - Internal control objectives are to be identified or developed for each activity and are to be logical, applicable and reasonably complete.
  - Control Techniques - Internal control techniques are to be effective and efficient in accomplishing their internal control objectives.
- Specific Standards**
- Documentation - Internal control systems and all transactions and other significant events are to be clearly documented, and the documentation is to be readily available for examination.
  - Recording of Transactions – Transactions and other significant events are to be promptly recorded and properly classified.
  - Execution of Transactions - Transactions and other significant events are to be authorized and executed only by persons acting within the scope of their authority.

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<sup>4</sup> Standards For Internal Controls In The Federal Government, United States General Accounting Office, 1983.

- Separation of Duties - Key duties and responsibilities in authorizing, processing, recording and reviewing transactions should be separated among individuals.
- Supervision - Qualified and continuous supervision is to be provided to ensure that internal control objectives are achieved.
- Access to and Accountability for Resources - Access to resources and records is to be limited to authorized individuals, and accountability for the custody and use of resources is to be assigned and maintained. Periodic comparison shall be made of the resources with the recorded accountability to determine whether the two agree. The frequency of the comparison shall be a function of the vulnerability of the asset.

Several of these standards are particularly relevant to this report and require further explanation.

**Reasonable Assurance** – The standard of reasonable assurance recognizes that the cost of internal control should not exceed the benefit derived. Reasonable assurance means attaining a satisfactory level of confidence after considering costs, benefits, and risks.

The required determinations call for judgement to be exercised. In exercising this judgement, managers need to identify:

- risks inherent in their operations
- criteria for determining low, medium and high risks
- acceptable levels of risk under varying circumstances.

Cost refers to the financial measure of resources consumed to accomplish a particular purpose.

Benefits include, for example, increasing the probability of detecting fraud, waste, error or abuse and preventing an improper activity.

**Supportive Attitude** – This standard requires managers and employees to be attentive to internal control matters and to take steps to promote the effectiveness of controls. Management needs

to initiate and foster a positive and supportive attitude toward internal controls by consistently making them a high priority.

A supportive attitude is revealed in the way an organization protects and uses resources, including providing systematic accountability, monitoring and reporting of its activities. Good internal control requires clear lines of authority and responsibility, appropriate reporting relationships and appropriate separation of authority.

**Documentation** – This standard requires written evidence of:

- all pertinent aspects of transactions
- internal control objectives and techniques and accountability systems.

The documented evidence must be:

- available and easily accessible for examination
- complete and accurate
- able to facilitate tracing the transaction and related information from before it occurs, while it is in process, to after it is completed
- useful to managers in controlling their operations and to auditors or others involved in analyzing operations.

**Separation of Duties** – To reduce the risk of error, waste or wrongful acts and to reduce the risk of their going undetected, no one individual should control all key aspects of a transaction or event. Rather, duties and responsibilities should be assigned to a number of individuals to ensure that effective checks and balances exist.

## **Response to the Report**

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**METROPOLITAN EXPOSITION-RECREATION COMMISSION**

September 16, 1999

Alexis Dow, CPA  
Metro  
600 NE Grand Avenue  
Portland, OR 97232

**RE: MERC Response to Parking Revenue Audit**

Dear Ms. Dow:

I. Introduction

On behalf of MERC, I want to thank you and your staff for the time and effort you put into this parking audit. We appreciate suggestions which help MERC with its business and assist us in being better stewards of the Metro region's important regional facilities. I also want to thank you for allowing MERC staff the time to comment on your audit and meet with you prior to your meeting with me. This was very helpful and allowed our staff to better understand the issues raised in your audit.

II. Executive Summary of MERC Responses

We agree with the majority of your conclusions and recommendations. I have asked MERC staff to implement those recommendations on a fast track basis and report back to me on their status. Specifically, we agree that better controls are needed in our parking operations, and we will implement those controls as outlined in our Detailed Response to the Summary of Recommended Actions. In addition, the current OCC parking lot operation, as presently configured, is due to be completely eliminated as early as April 2000 due to construction, and be replaced by a new underground operation. This presents an excellent opportunity to implement the audit recommendations at the new operation.

While we concur wholeheartedly with the audit's conclusion and recommendation that better controls are needed for parking revenues and are prepared to implement those recommendations, we believe that the recommended changes in MERC's employee parking policy would be counter-productive to MERC's overall labor relations. In addition, MERC's current employee parking policy is similar to policies at other Metro owned facilities, such as the Oregon Zoo, the Metro parks and the Metro transfer stations. Nevertheless, based on your recommendation, I will ask the commission to review the employee parking issue during the coming year.

### MERC Detailed Response to Summary of Recommendations

- *Designate a Convention Center employee to supervise and monitor parking operations*

MERC Response: We agree that a Convention Center employee should supervise and monitor parking operations. We will implement this recommendation by 9/30/99.

- *Establish proper ways to document each Convention Center parking transaction*

MERC Response: We already planned to implement documentation of each parking transaction in conjunction with the new underground garage that is to be part of the OCC expansion. We will be able to institute strong control procedures with automated equipment in the new garage. We will investigate alternative methods of documenting each parking transaction at the existing lot and adopt ones suitable for our operation given the anticipated closure date of April 2000.

- *Make appropriate reconciliations of Convention Center parking deposits to supporting documentation*

MERC Response: We will institute a new level of checking the deposit against the parking numbers. Procedure to be implemented by 9/30/99. This checking will consider number of tickets issued, number of parking passes or otherwise exempt vehicles, and other reconciling items. Our newly designated parking supervisor will perform this procedure.

- *Assure that the Convention Center contractor documents are complete, accurate and legible*

MERC Response: We will contact the contractor to improve the completeness, legibility and accuracy of documents related to the operation of the MERC managed lots. Such improvements will facilitate our ability to oversee parking contractor operations. To be implemented by 9/30/99.

- *Have a MERC person read vehicle counters at appropriate times and report the reading to the Convention Center's parking supervisor*

MERC Response: We will have security do this at the beginning and end of each parking attendant's shift. This procedure will begin by 9/30/99.

- *Establish an auditable way to document vehicles that are exempt from paying at the Expo Center and the Convention Center*

MERC Response: We agree that a more accurate system of tracking exempt vehicles should be developed during the times when we are charging for parking. We will begin reviewing methods to begin these procedures at once. It is our intention to implement the procedures as soon as they are established and can be coordinated with our tenants.

- *Require every vehicle to have either a ticket or pass displayed on their dashboard*

MERC Response: We agree. We will give each incoming vehicle a numbered ticket or pass and require it to be displayed while parking in the lot.

- *Place signs at every entrance directing each patron to display their ticket or pass on their dashboard and print this statement on all tickets and passes*

MERC Response: We agree. We will do this. We will implement this procedure by 9/30/99.

- *Require parking contractors to make and document the lot audit and attendant surveillances required by their contract*

MERC Response: We agree. We will do this. We will begin implementing this contract requirement as soon as we can coordinate it with our contractors.

- *Provide City Center Parking an office within the Convention Center to count parking receipts, prepare deposits and provide a base for other supervisory duties*

MERC Response: This is not feasible in the existing building. We will provide room in the OCC expansion. Alternatively, we will have security escort the parking supervisor to a secure location to count the cash and prepare the deposit. We will implement this procedure by 9/30/99.

- *Require City Center Parking to prepare deposits the day of an event and place them in the MERC drop safe that day*

MERC Response: We agree. We will require daily deposits and will implement this procedure by 9/30/99.

- *Establish armored car services at the Expo Center for Monday, Thursday and Saturday*

MERC Response: We agree. We will coordinate the armored car pickups with other cash pickups. We will implement this service as soon as an agreement can be reached with the appropriate armored car service.

- *To enhance revenue and be more consistent with Metro policy, MERC should charge employees a market-based monthly fee to park in its leased lot*

MERC Response: We disagree with this recommendation. The only Metro facility which charges employees for parking is Metro Regional Center. All other Metro facilities do not charge for employee parking, including the Oregon Zoo, the Metro parks and Metro's transfer stations. As a result, we do not believe that MERC's parking policy is inconsistent with overall existing Metro parking philosophy and practice. This has been an OCC policy since it was opened in 1990, and we believe, may be a mandatory topic of bargaining with our unionized staff. MERC has spent a substantial amount of time and effort in recent years engaged in a process of trying to foster better relationships with its unionized staff. Seeking midterm changes, unilaterally or through re-opened negotiations, would be counter-productive at this point. Note also that MERC employees are not permitted to park in the main, for-pay lot, and parking is only permitted while employees are working. Nevertheless, in light of your comments, we will, as indicated in our general response to the Executive Summary, review the issue during the coming year with regard to MERC policy on the issue.

- *Hire a consultant to help develop appropriate revenue controls for the new Convention Center parking facility and to evaluate the need for more sophisticated controls at the Expo Center*

MERC Response: We agree that appropriate revenue controls should be developed for the new OCC underground parking facility, and that the need for more sophisticated controls at the Expo Center should be examined. We will consider the option of hiring a consultant as we move through the expansion of the OCC and further development at Expo.

### III. Conclusion

Once again, I want to thank you and your staff for the hard work you put into this project. We find the majority of your recommendations to be well taken, and we intend to implement them by the end of this month. I will report back to you at that time with the status of each of your recommendations.

Sincerely,



Ben Middleton  
MERC Chair

cc: MERC Commissioners  
MERC General Manager  
MERC Management Team



# Metro Auditor Report Evaluation Form

## Fax... Write... Call... Help Us Serve Metro Better

Our mission at the Office of the Metro Auditor is to assist and advise Metro in achieving honest, efficient management and full accountability to the public. We strive to provide Metro with accurate information, unbiased analysis and objective recommendations on how best to use public resources in support of the region's well-being.

Your feedback helps us do a better job. If you would please take a few minutes to fill out the following information for us, it will help us assess and improve our work.



**Name of Audit Report:** \_\_\_\_\_

Please rate the following elements of this report by checking the appropriate box.

	<b>Too Little</b>	<b>Just Right</b>	<b>Too Much</b>
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions for our report format: \_\_\_\_\_  
\_\_\_\_\_  
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Suggestions for future studies: \_\_\_\_\_  
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Other comments, ideas, thoughts: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Name (optional): \_\_\_\_\_

**Thanks for taking the time to help us.**

Fax: 503.797.1831  
Mail: Metro Auditor, 600 NE Grand Avenue, Portland, OR 97232-2736  
Call: Alexis Dow, CPA, Metro Auditor, 503.797.1891  
Email: [dowa@metro.dst.or.us](mailto:dowa@metro.dst.or.us)