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Report to Management

Parking Contracts – April 2002

This report to management recommends ways to strengthen the management of the County's parking contracts and highlights difficulties in the current lease payment system.

Background

Among its many properties and facilities, Multnomah County owns three parking areas that are managed by a private contractor, City Center Parking (CCP). Two of the areas are surface parking lots near the west end of the Morrison Bridge and the other is the parking garage associated with the Multnomah Building. Revenue from the two west-side lots is determined to a great extent on weekends by events on the downtown waterfront and by monthly parking fees during the work week. Receipts for the two lots totaled nearly \$550,000 for the twelve month period from November 2000 through October 2001. Total receipts for the Multnomah Building garage have been less consistent, due to changes in fees and use by monthly parkers. Given the recent garage occupancy, it is reasonable to expect annual receipts of nearly \$100,000.

The management of the two surface lots, called lots 24 and 30, is covered under a single contract that calls for CCP to provide lot attendants and security and to manage the collection of parking fees. In return, the County pays a management fee based on a percentage of parking receipts and reimburses CCP for expenses incurred in maintaining the properties. The contract covering the management of the Multnomah Building garage stipulates that CCP receive a flat management fee plus expenses in return for providing attendants, managing some parking fee collection, and providing maintenance services. The contract for lots 24 and 30 requires CCP to deposit parking receipts into a County bank account on a daily basis. The Multnomah Building garage contract differs in that CCP deposits parking receipts in its own account and then, on a monthly basis, transfers the parking fees for that month, less the management fee and expenses incurred that month, to the County.

The County Treasury and Facilities and Property Management units each play a role in the parking operation. Each time CCP employees make a deposit into the County account, they are supposed to use a pre-printed County deposit slip and notify the County Treasury unit via the Treasury telephone line. A Treasury staff member verifies the calls with deposit information from the bank via SAP and sends any deposit slips to Facilities and Property Management. Facilities staff members collect the deposit information from SAP and invoices from CCP and then send a check to CCP for the management fees. The Facilities staff members also manage parking space leases at various locations in town for County departments and State Court judges. City Center Parking manages or owns these rental spaces and the County pays for them under separate agreements.

Scope and Methodology

We performed this review at the request of the Facilities and Property Management Administrative Officer responsible for the parking accounts. In conducting this review, we focused on three issues: the reconciliation of the parking lot invoices and deposits, the unpaid balances on the month-to-month parking spaces, and the issues around control, access, and delinquent payments at the lots and the Multnomah Building Garage.

During this review, we interviewed Facilities and Property Management staff responsible for several facets of the parking operation as well as the Treasury staff member that verifies CCP deposits. We collected data on CCP deposits for a 12 month period from November 2000 through October 2001 and compared these deposits to CCP invoices for the same period. We interviewed CCP staff and worked with them to resolve differences between the invoices and deposit records. We also discussed CCP's cash handling controls. We interviewed officials from the City of Portland's General Services Bureau and the Association for Portland Progress to obtain information on how the city manages its parking contracts.

For the month-to-month space rental issue, we collected invoices, queried SAP for payment information, collected account history information from CCP, and compared the payment and account histories. Finally, we collected data on payments and access for parking in the Multnomah Building garage and discussed proposed changes in the process for collecting garage monthly parking fees. We conducted our work in accordance with the General Standards section of Government Auditing Standards.

Results

Lots 24 and 30 – Deposits and Invoices

It was not possible to reconcile the CCP invoices and the deposit records from SAP for Lots 24 and 30. There were several aspects of the invoices and deposits that contributed to this problem, including:

- daily receipts listed on the invoices did not correspond to daily deposits because CCP frequently makes multiple deposits on the same day, which results in daily receipts being split across more than one bank posting day;
- credit card fees were not separated on the daily receipt totals;
- payments for monthly parking were frequently deposited in the month prior to being listed as a receipt, because CCP monthly parking fees are due prior to parking; and
- in cases where a monthly parker paid for multiple spaces in multiple lots with a single check, the appropriate deposit was not made in the County's account until the single check could be properly apportioned.

Our initial analysis of invoices and deposits yielded a difference in CCP's favor of more than \$27,000 for the 12 month period November 2000 through October 2001. With additional information from CCP, we were able to account for all but \$100 of the difference. See Table 1 for summary of the deposit and invoice analysis.

Table 1: Recorded Deposits Compared to Invoice Receipts for Lots 24 and 30

Running Totals			
	Deposits	Invoice	Difference
Oct-01	491,555.17	518,576.78	(27,021.61)
Sep-01	453,199.62	481,517.01	(28,317.39)
Aug-01	405,495.31	443,411.94	(37,916.63)
Jul-01	380,316.91	399,354.75	(19,037.84)
Jun-01	334,874.18	358,034.79	(23,160.61)
May-01	298,240.63	309,055.53	(10,814.90)
Apr-01	252,006.77	261,462.07	(9,455.30)
Mar-01	211,525.78	213,848.49	(2,322.71)
Feb-01	169,286.17	174,229.72	(4,943.55)
Jan-01	130,771.22	137,765.03	(6,993.81)
Dec-00	88,458.13	93,368.12	(4,909.99)
Nov-00	45,727.11	46,710.72	(983.61)

The primary contributors to the difference were: credit card fees that are included in the receipt totals, but not in deposits; the timing of monthly fee deposits; and deposits that were not included in the original SAP data from Facilities. During their research, CCP also discovered that \$9,265.75 had been deposited in Metro's account by mistake. Table 2 shows a summary of CCP's research.

Table 2: City Center Parking Analysis of Difference (Nov. 2000 through Oct. 2001)

Difference reported by the County	\$27,021.61
May gross adjustment to match CCP report	0.74
Adjustment for credit card fees	(2,766.20)
October 2000 deposits in transit that cleared in November	569.25
October 2001 deposits in transit	(161.76)
Posting variances and daily over/(short)	493.86
November 2000 monthly parking receipts deposited in October 2000	(20,360.00)
November 2001 monthly parking receipts deposited in October 2001	13,600.00
Monthly parking deposits not originally recorded (now found) by the County	(5,070.00)
Deposits found on County deposit slips not recorded by the County	(3,961.75)
Deposits found on Metro deposit slips	(9,265.75)
Variance yet to be reconciled	100.00

The process the County uses to record deposits broke down on several occasions during the time period we studied. During this time, CCP made 35 deposits into the County account that the County did not identify as being from CCP – because the County did not collect a deposit slip and CCP did not appear to notify the County of the deposit via a call to the Treasury line. Also, during this same time period, CCP made 29 deposits totaling \$9,265.75 into Metro’s account without notifying the County. Without routine access to the deposit slips, the County depends on CCP’s calls to the Treasury line to give them a notice of a deposit. When CCP does not make the call or it is missed, the deposit goes unclaimed and it is up to Treasury staff to research its source. Through this sort of research, some (but not all) of these deposits were eventually identified and the appropriate adjustments were made in SAP.

Month-to-Month Parking Space Rental

The Facilities and Property Management Division also manages the month-to-month rental of about 50 parking spaces in various downtown Portland locations for County departments and the State Court judges. None of these spaces are in Lot 24 or 30. In all but one case, the invoices for these parking accounts showed past due balances of more than \$1,000. Table 3 shows the month-to-month accounts, the number of spaces, the monthly fee, and the past due balance as of December 27, 2001.

Table 3: County Month-to-Month Parking Accounts

Description	Location	Spaces	Rental Fee	Past Due
Sheriff’s Office	SW 10 th and Main	5	\$ 715.00	\$1,396.94
State Court Judges	Auditorium	30	4,710.00	6,235.92
Aging Service	Garage	6	882.00	1,211.12
	Auditorium			
Multnomah County	Garage	1	150.00	0.26
	Smart Park			
Multnomah County	Farwest/Key Bank	12	2,008.00	7,065.67
Total		54	8,465.00	15,909.91

The staff members managing these accounts could not identify the origin of these unpaid balances and were understandably reluctant to pay them off without first assuring themselves that they were accurate. While these balances remained unpaid, however, finance charges accrue at an annual rate of 18 percent. A total of about \$1,700 in finance charges have accrued on these accounts since August 2000.

Using an aging analysis of the accounts provided by CCP, we identified the origin of the past due balances on the accounts. The past due balances and finance charges resulted from a number of factors including: incorrect payment amounts (where payments did not keep pace with invoice price increases); missed payments; and late payments. According to Facilities staff, payment protocols set by the Finance Division contributed to some of these problems. For example, the direction (now rescinded) to use the recurring payment function in SAP for monthly lease payments made it difficult to change the amount of these payments from one month to the next.

It appears that the cause of late payments may also be structural. Facilities staff told us that a Finance Division Accounts Payable direction suggests a minimum of 14 days from the time an invoice is received before the check goes out.

However, Accounts Payable management states it is possible in the most optimum situation for a 5 day turn around. The payments for the month-to-month spaces are generally due 10 days after the invoice date, making it impossible for the County to follow the direction and pay on time. County payments to CCP were received around 30 days after the invoice date. Finance charges accumulate with the late payments. For example, by paying the bills 15 days late the County accumulates about \$800 in finance charges each year.

Monthly Parking Delinquencies and Multnomah Building Garage Access

The arrangement between CCP and the County for the Multnomah Building garage is quite different than that covering the management of Lots 24 and 30. Control of access to the Multnomah Building garage and the management of the monthly parking fees were split between the County (access) and CCP (fees). Also, CCP deposited all the daily and monthly parking fees in their *own* account and paid the County the revenue (net of the management fee and expenses) each month.

Because CCP did not control access to the garage for monthly parkers, the garage attendant could not prevent delinquent parkers from continuing to use the building. City Center Parking included a list of delinquent Multnomah Building garage parkers with the monthly invoice. In one delinquency report we reviewed, the top ten delinquent individuals were shown owing a total of nearly \$1,400. The contract is silent on who is responsible for collecting from delinquent parkers, but CCP relied on the County to manage the collection of delinquent payments. The County had the means – pay garnishment – to collect the delinquencies, but did not employ a rigorous system of monitoring and enforcement. With the County taking over the monthly parking fee collection responsibilities through a payroll deduction system, this issue should be resolved.

Returned checks were an issue for the County with monthly parkers at Lots 24 and 30. At these lots, CCP controls the access to the lots and bills monthly parkers. However, because monthly parking fees are deposited in the County account, the County is forced to deal with “bounced” checks and the associated fees. While the County contends that collecting on these “bounced” checks is CCP’s responsibility as the manager of the lots, the contract is silent on the issue. As it currently stands, there is no incentive for CCP to pursue this matter: CCP bills on the basis of tickets sold (not net of bad checks) and the County faces the penalty in terms of insufficient fund fees.

Other Information

We toured the two downtown lots. I also discussed the rental value of downtown parking areas with the Director of the City of Portland’s General Services Bureau – the department that manages the City’s parking operations – to gain an understanding of the variables that go into determining a parking lot’s value. Lot 30, with most of its spaces taken by County vehicles, derives almost all of its revenue from after hours/weekend parking. Given its close proximity to the Morrison Bridge lot and the associated monthly and daily parking fees, it is possible to estimate the fair market value of the lot’s spaces fairly precisely. Table 4 below lists the number of personal and County vehicle spaces currently being used in Lots 24 and 30 and an estimate of the amount of revenue these spaces would generate if offered to the general public at the market rate. It is important to note that the opportunity cost shown is the maximum amount possible – that assumes that the spaces are rented out and the cars that previously occupied the spaces are either eliminated or parked somewhere else at no cost.

Table 4: Parking Space Allocation at Lots 24 and 30

	County	Personal	Total
Disability Services	1		1
Public Guardian	1		1
DCJ	9	1	10
Health	10	37.5	47.5
DCFS		10	10
	21	48.5	69.5
Opportunity Cost/month @ \$170/month/space	\$ 3,570.00	\$ 8,245.00	\$11,815.00

Recommendations

The current system of accounting for parking revenues and fees is not satisfactory. Even when the system works as well as it can, with all deposits correctly identified, it is impossible to reconcile the invoices and deposit records. Assuming the County continues to own the lots and use them for parking, the County has three options for improvement.

- Rewrite the contracts to specify reporting in such a way to make reconciliation possible, while still maintaining some elements of performance contracting (i.e. a fee based on receipts). The CCP analysis that explains the difference between the invoice and deposit record totals may be used as a “road map” to creating a system that allows for monthly or periodic reconciliation. This approach requires the highest level of County involvement in contract management and also puts the County at risk in terms of the amount of revenue the lots generate – the County would benefit from high receipts and be harmed by lower receipts. The re-written contract should also specify roles and responsibilities regarding returned checks.
- Rent out the parking business on the lots completely. This option eliminates much of the administrative cost associated with managing the contracts. This type of arrangement shifts the financial risk to the contractor. The County would be insulated from unexpectedly low parking receipts, but would not benefit from unexpectedly high receipts.
- Join with the City of Portland in soliciting proposals for the management of downtown parking lots and garages. This option falls somewhere in-between the first two in terms of management resources required and financial risk, with the fee paid to manage the contracts reducing the County’s revenue. But, by combining the County’s parking operations with the much larger City operations, the management fee should be as small as possible.

We have identified the origin of the past due balances and any unpaid balances should be settled with CCP. To the extent that the cause of the late and incorrect payments was structural, Facilities staff either must negotiate a more flexible payment policy with the Finance Division or a different payment schedule with CCP to ensure that payments are not late and no additional finance charges accrue.



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MEMORANDUM

To: Suzanne Flynn
From: Colleen A. Bowles, F & PM Administrative Services Officer
Date: April 2, 2002
Re: City Center Parking Audit

Thank you for your careful review and audit of our current contracting agreements and business processes regarding City Center Parking.

My intention for initiating the audit was to correct poor internal controls and business processes both within Facilities and Property Management and our client, City Center Parking.

As your audit indicated, there are problems inherent within the current contracts. During the audit, we evaluated and examined the existing contracts and per your recommendations, are now revising for new solicitation in September, 2002.

The audit also suggests a more careful review and agreement of both parties to agree on a system of regular reconciliation of invoices and deposit records. This recommendation has also been implemented and we are working towards building and fostering a better partnership with City Center Parking in regards to both our revenue and expense account status.

I believe that most of these recommendations clarify the current issues. In addition and upon the recommendation and advice of Cecilia Johnson, Business and Community Services Director, Facilities and Property Management will initiate a study to examine the viability and cost factors associated with outsourcing the management of all County parking facilities.

Thank you for your thoroughness and work on behalf of Facilities and Property Management, as well as, the County, and its taxpayers.