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May 27, 2022

To: Nestor Covarrubias, Director Transportation and Parking Services

         Distribution

Re: **Transportation and Parking Services**
         Audit No. 08-22-0011

We have completed a review of Transportation and Parking Services as part of the 2021-22 annual audit services plan. The primary purpose of this audit was to evaluate Transportation and Parking Services (TPS) business practices, and to assess their compliance with applicable University policies. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by Transportation and Parking Services personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

Distribution

Housing, Dining & Auxiliary Enterprises

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UC SANTA BARBARA
Audit & Advisory Services

Audit Report

Transportation and Parking Services

May 27, 2022

Performed by:

Antonio Mañas-Melendez, Associate Director
Anne-Sophie Gatellier, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-22-0011

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of this audit was to evaluate Transportation and Parking Services (TPS) business practices, and to assess their compliance with applicable University policies in the following areas:

- Cash management
- Payroll deductions
- Reconciliations, particularly for credit card transactions
- Vehicle rentals
- Reporting and monitoring

CONCLUSION

Based on the results of the work performed within the scope of the audit, we found that:

- Overall, the cash management process is secured. However, it could be improved through procedures updates and minor process changes.

- The payroll deduction process is adequately monitored, including several control steps. However, this process is not documented in a procedure.

- Reconciliation processes are mostly adequately performed and documented. However, reconciliations between the General Ledger (GL) and the bank statements have not been performed for a few months for mobile permits[1] and permit retail sales[2].

- Overall, the recharge process for assigned vehicles is adequately managed. However, the current applicable rate package has not been formally approved since 2018, and was in the process of being updated during the audit.

- TPS has a set of adequate review processes, covering voided citations, refunds, and privilege accounts. However, we identified some areas of improvement, in terms of documentation and access management.

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[1] Mobile permits are permits purchased through the application ParkMobile. This payment method was initiated last year.

[2] Permit Retail Sales are permit sales performed at the front desk.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. CASH MANAGEMENT

OBSERVATION

Overall, the cash management process complies with university policies, and is aligned with sound business practices. However, it could be improved through procedures updates and minor process changes.

Procedures and Guidelines

Cash management activities are partially covered by local procedures. We assessed the cash management process by reviewing two cash management procedures and a cashier training document:

- The Front Counter and Permit Sales procedure describes daily activities such as permit sales, citation payments, and refunds. The reconciliation procedure describes all cash-related reconciliations.

- The training document describes cash handling, including dual custody, in compliance with the University of California (UC) Policy BUS-49: *Policy for Cash and Cash Equivalents Received* (UC Policy BUS-49).

However,

- Responsibilities are not specifically assigned, in particular, for key specific activities such as deposits, refunds, or daily reconciliations. This does not allow for accountability for a task and assurance that the appropriate individuals are performing these tasks. As an example, we confirmed that cash is retrieved from the safe and counted by two individuals. Although dual custody is mentioned in the training, this does not specify the activities performed by each of the two individuals.

- The local reconciliation policy has not been updated since 2013, and is still mentioning the previous name of the system[3]. Nor is the cashier procedure dated. Formally dating the procedures would facilitate the review process, and make it clear for the reader whether they are likely to be up-to-date or not.

Reports

We reviewed the eight transactions processed in October 2021, and confirmed that a cash collection report was available, the transaction was identified in the system, and was signed by a reviewer different from the preparer. We also verified that the daily cash drawer reconciliation report included the transaction. In all cases, both reports were available, and consistent with the system.

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[3] Enterprise Management System - EMS has been replaced by Iris T2 Digital. The system is still the same, but some configurations may have changed.

Dual Custody

In addition, all cash collections from October 2021 were performed by both a cashier and a witness, and the process was documented in a manual log.

We reviewed the drop safe log for October 2021 and verified that cash collection was performed in dual-custody, in compliance with UC Policy BUS-49. The cashier and the witness were two different individuals for all collections performed over this month, which was documented by signatures.

Safe Combination

We reviewed the safe combination change log to verify that the combination had been changed on a yearly basis or whenever an employee with access to the combination was terminated, in compliance with UC Policy BUS-49. During the review, the Operation Manager identified that the combination had not been changed in more than a year and requested a combination change. The previous change documented in the log was from 2016. Since then, one employee with access to the combination had been terminated. We were informed that the combination had been changed, but it was not documented.

2. PAYROLL DEDUCTIONS

OBSERVATION

Overall, the payroll deduction process is adequately monitored, including several control steps. However, this process is not documented in a procedure.

The payroll deduction process has been documented in a workflow, and includes control steps assigned to several individuals, as well as documents to be used and/or reviewed at each step. However, an actual procedure, dated, assigning roles and responsibilities to positions instead of individuals, and communicated to all parties involved, would be useful to ensure awareness and accountability, especially if the individuals involved change positions.

We reviewed the three payroll deduction batches[4] performed in October 2021. We found controls were appropriately performed and documented from the initial request to the payment.

3. RECONCILIATIONS

OBSERVATION

For the most part, credit card transaction reconciliation processes are adequately performed and documented[5]. However, reconciliations of Mobile Permits[6] and Permit Retail Sales between the General Ledger (GL) and bank statements have not been performed since June

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[4] October 2021 payroll batches included one monthly payment batch, and two bi-weekly payment batches, for employees paid hourly.

[5] Our review of reconciliations was focused on credit card transactions. Credit card transactions, including online transactions, represent the main transactions, as opposed to cash and cash-equivalent transactions.

[6] Mobile Permits are permits purchased through the application ParkMobile. This payment method was initiated last year.

2021 and February 2022, respectively. Additionally, credit card reconciliation processes have not been documented in procedures.

For a sample of five credit card reconciliations[7], we verified whether the Financial Manager had reviewed and approved the reconciliations between the system and the bank statements and between the GL and the bank statements. All the reconciliations between the system and the bank statements were properly signed. However, reconciliations with the GL were not performed for Permit Retail Sales.

In addition, we reviewed the details of the documentation for four of these reconciliations to verify whether discrepancies were explained and documented. All the reconciliations between the system and the bank statement, and the bank statement and the GL, were properly performed and documented, except for Permit Retail Sales, as explained earlier.

The Financial Manager confirmed that they had not been able to perform any reconciliations with the GL for Permit Retail Sales and Mobile Permits since June 2021 and February 2022, respectively, due to differences between the granularity of the data provided by the bank to feed the GL[8] and TPS data. During the audit, TPS was working on solutions with the bank and Business and Financial Services to be able to reconcile the bank statement with the GL for Permit Retail Sales and Mobile Permits.

Finally, although credit card reconciliation processes are well known for all types of transactions, and were thoroughly explained over the interviews, these processes have not been documented in local procedures. The reconciliations being performed by several team members, with a varying level of involvement, having documented procedures would facilitate the transfer of knowledge, would a team member leave their position.

RECOMMENDATION

We recommend Transportation and Parking Services work on a solution with the bank and any additional parties to be able to reconcile the bank statement with the GL for Permit Retail Sales and Mobile Permits.

MANAGEMENT RESPONSE

Transportation and Parking Services will work in collaboration with Business and Financial Services on a solution to be able to reconcile the bank statement with the GL for Permit Retail Sales and Mobile Permits.

Audit and Advisory Services will follow up on the status of these issues by October 31, 2022.

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[7] Our sample included e.commerce, on-campus pay stations, and permit retail sales transactions over fiscal year 2020-21.

[8] For Mobile permits, the data in the GL is based on transactions, and the data in the bank statement is based on the date. Differences between the settlement and the transaction dates make it impossible to match both sources. For Retail Sales, the issue is due to a technical change that does not allow matching the GL and bank statements.

4. VEHICLE RENTALS

OBSERVATION

The recharge process for assigned vehicles is overall adequately managed. However, the current applicable rate package needs to be formally approved.

The current recharge package for vehicle rentals being used had been submitted in 2018 to the Office of Budget & Planning, and was never formally approved[9]. It is supposed to be reviewed every year, according to *University of California Santa Barbara Income and Recharge Guidelines*. TPS submitted a new package to the Office of Budget and Planning during the audit.

In addition, we selected a random sample of nine vehicle rentals out of 301 and compared monthly rates on the recharge package submitted to the Office of Budget and Planning in 2018 with the actual monthly rental amounts recharged to the departments. For all the vehicles, the rates were consistent, if we include the insurance costs that increased by $16 since the package submission[10].

We requested the usage reports for the same sample of vehicles. TPS informed us that they never requested the usage reports from the departments, which is not compliant with UC Policy BFB-BUS-46 - *Use of University Vehicles*[11].

RECOMMENDATION

We recommend Transportation and Parking Services work in collaboration with the Office of Budget and Planning to obtain the approval for the new recharge package.

MANAGEMENT RESPONSE

Transportation and Parking Services will work in collaboration with the Office of Budget and Planning to obtain the approval for the new recharge package.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

5. REPORTING AND MONITORING

OBSERVATION

TPS has a set of adequate review processes, covering voided citations, refunds, and privilege accounts. However, we identified some areas of improvement, in terms of documentation and access management.

Reporting

We reviewed a random sample of 10 biweekly citation reports, from the beginning of fiscal

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[9] The last recharge package formally approved is known to have been approved in fiscal year 2006-2007.
[10] Insurance fees increased from $45 to $61 between FY 2017-18 and FY 2020-21.
[11] For more information on this requirement, see Background section.

year 2020-21 to February 2022, and verified whether these reports had been reviewed and signed by the appropriate management. All four reports related to the second-half of each month had not been reviewed. We were informed that the system had not been sending these reports to the TPS Director. The issue was resolved during the audit.

Since TPS started operating remotely due to the pandemic[12], the TPS Director had been signing the reports using a pdf signature, which does not provide all benefits of an electronic signature solution. The director has started using DocuSign after Audit and Advisory Services informed that this is the most common electronic signature solution used on campus.

Refund Approvals

We reviewed 23 refunds performed during a period of five days and found the following:

- All refunds were fully approved by the Financial Manager and justification and receipts were available. However, two refunds were submitted by a manager, and not approved by a third person before being processed[13]. Exceptions should be documented in a procedure.

- 12 refunds out of 23 were not approved the same day. BUS-49 *Policy for Cash and Cash Equivalents Received* requires that reductions of recorded cash accountability be approved in writing no later than the end of the day. We were informed that same day approval is sometimes not possible if no managers is available.

Separation of Duties

We reviewed whether users' roles are consistent with the principle of least privilege in T2. We found two roles assigned to five cashiers and one student cashier that could have more permissions than needed to perform their day-to-day duties. The following roles allow to reduce the amount owned by a customer without supervisory approval:

- Permit Amount Change Without Override: This role sets the maximum permissible dollar amount for cashiers to change the value of a permit in the system without requiring supervisory approval. Cashiers have a dollar limit of $300 and student cashiers have a limit of $20 for permits.

- Citation Waive Amount Without Override: This role allows a cashier to eliminate a citation fine without supervisory approval. Cashiers have a dollar limit of $116 and student cashier have a limit of $0 for citations.

In addition, Management does not review the operations performed with these privileges after-the fact. We were informed that TPS would look into the system to identify a report and implement a review process. After discussing with Audit and Advisory Services, the TPS Director decided to reduce the limits[14]. We were informed that staff cashiers need to maintain this ability to manually pro-rate the permit, for customers purchasing a permit after the period has started.

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[12] March 2020.

[13] Refunds have to be approved by a manager and reviewed by the Financial Manager once processed.

[14] The Staff Cashier limit for citation waive amount without override changed to $0, and the permit amount change without override changed to $75.

In addition, we reviewed privilege accounts[15] reports for February 2022, and confirmed that the TPS Director had reviewed the report for all administrators, except an external consultant from T2[16] supplier.

Finally, TPS does not have a process to regularly review the complete list of active non-administrative user accounts and their privileges to make sure that the list is consistent with active employees and their positions. The system analyst in charge of granting the access reviews the user accounts when there is a new request, but this is not formally documented.

RECOMMENDATION

We recommend Transportation and Parking Services update departmental procedures. Procedures will be dated with the most current update. These procedures should cover activities such as:

- Deposits - The procedure should include detailed responsibilities to guarantee dual custody of cash collection.

- Daily cash and monthly credit card reconciliations - The procedure should describe the daily and monthly reconciliations performed.

- Safe combination change - The procedure should include updating the combination periodically and/or after an employee is terminated.

- Payroll deduction - The procedure should describe the controls to compare payroll deduction data between T2 and UCPath.

- Vehicle usage reports - The procedure should include the necessity to obtain usage reports from the departments, in compliance with UC Policy BFB-BUS-46 - *Use of University Vehicles*.

- Refunds - The procedure should specifically describe:
  o The approval process when a refund is submitted by a manager.
  o The approval process when a manager is not available the same day.
  o Cashier authorizations for critical T2 features, such as citation waive amount without override and permit amount change without override.

- Transaction amount changes - The procedure should include the review of operations performed with critical privileges, such as *Permit Amount Change Without Override* and *Citation Waive Amount Without Override*.

- T2 user-accounts review - The procedure should include the review of T2 non-administrative user-accounts and privileges on a regular basis.

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[15] Privilege account reports show the activity that users with an administrative role perform in the system.
[16] T2 is the system TPS uses to manage, among other services, long-term permits, short-term permits, and permit dispensers. For more information, see Background section.

MANAGEMENT RESPONSE

Transportation and Parking Services will update departmental procedures. Procedures will be dated with the most current update. These procedures will cover activities such as:

- Deposits - The procedure should include detailed responsibilities to guarantee dual custody of cash collection.

- Daily cash and monthly credit card reconciliations - The procedure should describe the daily and monthly reconciliations performed.

- Safe combination change - The procedure should include updating the combination periodically and/or after an employee is terminated.

- Payroll deduction - The procedure should describe the controls to compare payroll deduction data between T2 and UCPath.

- Vehicle usage reports - The procedure should include the necessity to obtain usage reports from the departments, in compliance with UC Policy BFB-BUS-46 - Use of University Vehicles.

- Refunds - The procedure should specifically describe:
  o The approval process when a refund is submitted by a manager.
  o The approval process when a manager is not available the same day.
  o Cashier authorizations for critical T2 features, such as citation waive amount without override and permit amount change without override.

- Transaction amount changes - The procedure should include the review of operations performed with critical privileges, such as *Permit Amount Change Without Override* and *Citation Waive Amount Without Override*.

- T2 user-accounts review - The procedure should include the review of T2 non-administrative user-accounts and privileges on a regular basis.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2022.

GENERAL INFORMATION

BACKGROUND

Transportation and Parking Services

Transportation & Parking Services provides parking, fleet services, transportation alternatives, and electric vehicle services to the campus community. The department is comprised of six distinct operating units:

- Parking Operations - Permit sales, structure and lot operations, and maintenance
- Guest Services - Parking management of campus events and department visitors
- Citations & Enforcement - Enforcement of vehicle code, campus parking policies, and traffic control

- Adjudication – Evaluation and final determination of citation appeals
- Transportation Services - Vehicle fleet management
- Transportation Alternatives Program (TAP) - Incentives and programs to encourage alternative modes of transportation to, from, and around campus

Parking permit fees, fines from parking citations, recharges to campus departments, as well as an annual campus subsidy appropriation are used to cover department operating expenses and make annual debt service payments for certain campus parking structures.

Vehicle Rentals[17]

Transportation Services provides vehicles to meet the transportation needs of University departments. Transportation Services provides short-term and long-term (assigned) rentals. Vehicles include sedans, multi-passenger vans, box trucks and Suburbans. Rental rates depend on the type of vehicle and length of rental.

TPS Computer Systems (T2) [18]

T2 is the system TPS uses to manage, among other services, long-term permits, short-term permits, and permit dispensers. It provides reports on a variety of operations, and allows to manage users locally. The T2 Permit Management and Enforcement (PE) solution is powered by T2 Flex®, an industry configurable parking operations software.

The parking stations solution is powered by Iris™ software. Iris allows to manage pay stations and all integrated systems that support them, such as enforcement, mobile payments, License-Plate Recognition (LPR), accounting solutions, and more.

Income Sources

Between fiscal year 2019-20 and fiscal year 2021-22[19], the main sources of income have been Parking Operations (between 46% and 67% of total income), and Transportation Services (between 23% and 39%). Expenses are mainly from the same categories, followed by Enforcement and Citations.

The only category that results in a positive net income is Parking Operations, except in fiscal year 2021-22, when Transportation Services has resulted in a positive net income as of November 2021. As of November 2021, TPS net operating income was $ 1,482,354. Table 1 shows the income from fiscal year 2019-20 to 2021-22.

University of California Policy BFB-BUS-46 - Use of University Vehicles[20]

This policy establishes the basic guidelines governing the use of University vehicles, for all campuses. Among other topics, it provides guidelines regarding the official use of vehicles, requirements related to authorized drivers, citations, and establishes procedures on fleet operations, vehicle use, and alternative transportation program. It also provides a list of reports to be issued. As an example, the policy requires departments with assigned vehicles

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[17] TPS website.
[18] T2 website.
[19] Data for fiscal year 2021-2022 is based on actual income from July to 2021.
[20] Source: University of California Policy BFB-BUS-46 - *Use of University Vehicles*.

to maintain records on their usage: "Usage reports shall be prepared [...] at least annually, [...] and shall be reviewed [by TPS] to verify both the proper use and the continued need for assignment of [the vehicles]".

Table 1	Income Source		
Source	**FY 2019-20**	**FY 2020-21**	**FY 2021-22***
Parking Operations	$5,369,741	$2,537,572	$2,657,824
Transportation Services	2,699,544	2,156,326	911,673
Enforcement & Cites	835,929	290,277	194,038
Guest Services	488,701	158,654	142,445
Transportation Alternatives (TAP)	475,928	334,007	46,565
Total Income	**$9,869,843**	**$5,476,836**	**$3,952,546**

Source: TPS and auditor analysis.
* Five months actual.

SCOPE

The scope of our audit included the review of the following Transportation and Parking Services processes:

- Cash management
- Payroll deductions
- Reconciliations
- Vehicle rentals
- Reporting and monitoring

Specifically, we:

- Interviewed TPS personnel to inquire about their practices, and obtain support documentation.

- Observed cash management security measures, including cashier drawers and safe.

- Verified whether receipts were available and daily reconciliations performed and documented for all eight cash transactions that occurred in October 2021.

- Verified safe combination change logs, and collection logs for October 2021.

- Reviewed a sample of 23 refunds to verify they were adequately documented and approved.

- Assessed the payroll deduction process controls.

- Assessed the credit cards reconciliation processes and documentation, by reviewing reconciliations performed in October 2021 for the following seven payment methods:

  - E.commerce
  - Mobile permits
  - Permit dispensers (on-campus)
  - Permit dispensers (off-campus)
  - Smart meters
  - Permit retail
  - Citations

- Reviewed the recharge package for vehicle rentals, the rental agreements, and the actual rate recharged for a sample of nine vehicles, to verify consistency.

- Reviewed a sample of ten voided-waived citations reports to evaluate whether they had been properly reviewed, and the review documented.

- Assessed T2 access management process, and reviewed separation of duties for two critical privileges.

CRITERIA

Our audit was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the review. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. In particular, we reviewed the following policies:

- University of California BFB-BUS-46: *Use of University Vehicles.*
- University of California BUS-49: *Policy for Cash and Cash Equivalents Received.*
- University of California BFB-BUS-19: *Registration and Licensing of University-Owned Vehicles.*

AUDIT TEAM

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