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## Internal Audit Report

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# Event Parking Cash Handling and Permit Inventory Controls

Report No. SC-14-12  
September 2013

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Principal Auditor

**Approved**  
Barry Long, Director  
Internal Audit & Advisory Services

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## I. EXECUTIVE SUMMARY

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Internal Audit & Advisory Services (IAS) has completed an audit of cash handling and inventory permit management and controls in the Transportation and Parking Services (TAPS) Event Parking Office. The audit was in response to concerns that event parking permits were missing and/or unaccounted and included determining the adequacy of controls over cash handling and inventory of event parking permits.

Opportunities were identified for improving cash handling practices and inventory controls over event parking permits. Between 2006 and the present, 13,290 pre-numbered event parking permits identified on inventory control sheets could not be accounted for and may represent missing inventory stock. Since 2009 when most of the existing Events Parking Office staff took over responsibility for this activity, the number of missing or unaccounted for event parking permits from inventory spreadsheets has declined. During FY2013, 625 permits valued at approximately \$2,500 were missing or unaccounted for.

While the primary cause of the missing event parking permits in the past could not be explained, there were weaknesses in the current physical control practices, notably with respect to unused parking permits between events. A review of event parking cash handling and inventory controls identified several other weaknesses, including:

- Student employees were not individually accountable but rather shared accountability over cash receipts and permit inventory,
- Checks received were not restrictively endorsed in a timely manner,
- The permit inventory was not sufficiently controlled and accounted within the Event Parking Office,
- The Event Parking Field Office safe did not meet the requirements of Bus 49, and
- Event parking permit numbers were not unique for different types of permits.

The following issues requiring management corrective action were identified during the review:

### A. Permit Sales and Inventory Controls

Opportunities exist for improving event parking permit inventory controls; improving individual accountability over event parking sales cash handling; and increasing efficiency and reducing administrative costs associated with event permit parking sales operations.

Management agreed to all corrective actions to address risks identified in these areas. Observations and related management corrective actions are described in greater detail in section III of this report.

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## II. INTRODUCTION

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### Purpose

The purpose of this audit was to determine the adequacy of controls over cash handling and inventory of event parking permits in the TAPS Event Parking Office, in response to reports of potential missing and unaccounted for event parking permits.

### Background

TAPS Event Parking Field Office sells one time use parking permits for events that take place on campus. In fiscal year 2013, event permits were sold at approximately 800 events. For most events, student employees supervised by student lead employees, conduct the actual permit sales in the parking lots near the events. The Event Parking Field Office currently employs approximately 43 students with four designated lead student supervisors. There is a safe in the Event Parking Field Office that is used to secure change funds and cash. Lead students have keys to the Events Parking Field Office and know the combination to the safe, but do not have the key also required to open the safe. Lead students have access to the safe key and many attendants know where it is hidden.

Students obtain their stock of permits and a change fund from the Events Parking Field Office, in preparation for an event. The permits are pre-numbered and are used in place of pre-numbered receipts to link each transaction to a specific control number, as required in Bus-49 when electronic cashiering equipment is not used. There are five distinct types of event permits including yellow, cyan, green, orange; and East Remote permits that are used for different events. The five types of permits use similar permit number sequences and the type of permit cannot be determined from individual permit numbers alone.

When the student employees begin their day's sales, they enter the beginning permit numbers they receive along with the amount of the change fund on a *Cash Out Report*. The ending permit numbers sold are not entered until field sales are completed. The report is verified and initialed by at least two student employees. When sales are completed for the day, student employee's return to the Event Parking Field Office to count their receipts and reconcile to the permits provided to them. The unused permits are returned to one of four drawers in the office; the change fund is removed and returned to the safe; and the *Cash Out Report* is completed and put into an envelope with the cash receipts, which goes into the same safe as the change fund.

The Events Parking Coordinator removes the receipts and *Cash Out Reports* from the safe and prepares a deposit which is verified by the Business Office Assistant and is then transported to the Main Cashiers Office by University Police.

In some cases the units choose to pay for permits for event attendees via a recharge and the permits are provided directly to the unit who is then responsible for distributing them to attendees. No direct sales or permit handling is involved in these cases.

## Scope

This supplemental audit was initiated while conducting a related sub cashiering audit. A TAPS manager contacted us regarding concerns in the Event Parking Field Office operations relating to cash handling practices and missing/unaccounted for event parking permits.

Our review included interviews and testing for:

- General compliance with Bus-49 cash handling policy and procedures,
- Individual accountability for students and staff engaged in permit sales, cash handling and inventory control,
- Dual custody controls for cash handling and permit inventory including forms and procedures used,
- Physical security of permit inventory and cash in the Event Parking Field Office, and
- Controls for field operations of permit sales.

In addition, we conducted a detailed review of permit inventory control spreadsheets and related processes used to identify unaccounted for permits, and procedures in place for deposit preparation and transportation to the Main Cashier's Office.

**III. OBSERVATIONS REQUIRING MANAGEMENT CORRECTIVE ACTION**

<b>A.</b>	<b>Permit Sales and Inventory Controls</b>					
<p>Opportunities exist for improving event parking permit inventory controls; improving individual accountability over event parking sales cash handling; and increasing efficiency and reducing administrative costs associated with event permit parking sales operations.</p>						
<b>Risk Statement/Effect</b>						
<p>An increased risk of an undetected misappropriation of cash or parking permits (cash equivalents) exists when individual accountability is not maintained. Event permits can be removed from the Events Parking Field Office in an undetected manner if inventory controls are weak.</p>						
<b>Agreements (A.1 thru A.5) - Permit Inventory Controls</b>						
<b>A.1</b>	<p>TAPS will determine if a hand held electronic parking permit printing device with appropriate software can be obtained for use by student employees to increase efficiency, save labor, and strengthen internal controls. Availability of equipment and return on investment analysis, in combination with future plans to replace the entire TAPS point of sale system, are factors that should all be considered.</p>	<table border="1"> <tr><td>Implementation Date</td></tr> <tr><td>12/31/2013</td></tr> <tr><td>Responsible Manager</td></tr> <tr><td>TAPS Director</td></tr> </table>	Implementation Date	12/31/2013	Responsible Manager	TAPS Director
Implementation Date						
12/31/2013						
Responsible Manager						
TAPS Director						
<b>A.2</b>	<p>If A.1 cannot be implemented in a timely basis, TAPS will order new ticket stock that contains a unique number sequence for each type of permit sold.</p>	<table border="1"> <tr><td>Implementation Date</td></tr> <tr><td>3/31/2014</td></tr> <tr><td>Responsible Manager</td></tr> <tr><td>TAPS Event Parking Coordinator</td></tr> </table>	Implementation Date	3/31/2014	Responsible Manager	TAPS Event Parking Coordinator
Implementation Date						
3/31/2014						
Responsible Manager						
TAPS Event Parking Coordinator						
<b>A.3</b>	<p>TAPS will secure the bulk of unused permits by limiting access to only the Events Parking Field Operations Manager and the Event Parking Coordinator, and will assure that student employees only have access to permits required for events in the immediate future.</p>	<table border="1"> <tr><td>Implementation Date</td></tr> <tr><td>10/8/2013</td></tr> <tr><td>Responsible Manager</td></tr> <tr><td>TAPS Operations Manager</td></tr> </table>	Implementation Date	10/8/2013	Responsible Manager	TAPS Operations Manager
Implementation Date						
10/8/2013						
Responsible Manager						
TAPS Operations Manager						
<b>A.4</b>	<p>TAPS will update the <i>Cash Out Reports</i> so that the last permit number sold each day for each type of permit can be reviewed when beginning a new day's sales of this type of permits to assure no gaps in permit sequences have occurred between sales dates. If and when a hand held electronic permit printing device is implemented this log may no longer be necessary if permit sequence numbers are controlled electronically.</p>	<table border="1"> <tr><td>Implementation Date</td></tr> <tr><td>3/31/2014</td></tr> <tr><td>Responsible Manager</td></tr> <tr><td>TAPS Assistant Director</td></tr> </table>	Implementation Date	3/31/2014	Responsible Manager	TAPS Assistant Director
Implementation Date						
3/31/2014						
Responsible Manager						
TAPS Assistant Director						

A.5	TAPS will work with Events Parking Field Office to update cash handling and permit inventory control procedures and assure that actual practices match written procedures	Implementation Date
		12/31/2013
		Responsible Manager
TAPS Assistant Director		
<b>Agreement (A.6) - Individual Accountability</b>		
A.6	The Event Parking Field Office has established a process to assure that cash and permits are signed out to individual employees (individual accountability) and that their daily receipts are maintained separately and linked to individual employees up until the time the Event Coordinator prepares the deposit.	Implementation Date
		10/8/2013
		Responsible Manager
TAPS Operations Manager		
<b>Agreement (A.7) - Restrictive Endorsement of Checks</b>		
A.7	The Event Parking Field Office has obtained restrictive endorsement stamps for all student employees selling event permits and has modified procedures and trained student employees to endorse checks immediately upon receipt.	Implementation Date
		10/8/2013
		Responsible Manager
TAPS Operations Manager		
<b>Agreement (A.8) – Dual Custody</b>		
A.8	Event Parking, in consultation with TAPS management as needed, will develop guidelines for when it is appropriate to have one or two students selling permits. Events Parking staff will determine appropriate staffing for specific events and when cost saving or multiple event coverage can be realized by having only one student employee selling permits. Dual custody will be maintained when change funds are issued and when <i>Cash Out Reports</i> are completed and cash is counted at the end of each day.	Implementation Date
		12/31/2013
		Responsible Manager
TAPS Assistant Director		
<b>Agreement (A.9) - Event Parking Field Office Safe</b>		
A.9	Event Parking will obtain a new drop safe that meets Bus-49 and/or campus requirements for the amount of money stored in the safe. The Event Parking Coordinator and TAPS Business Manager should be the only people with access to open the new safe.	Implementation Date
		12/31/2013
		Responsible Manager
TAPS Event Parking Coordinator		

## A. Permit Sales and Inventory Controls - Detailed Discussion

### 1. Permit Inventory Controls in the Event Parking Field Office

When we began this review, the primary concern raised was that there were event parking permits that were missing or otherwise unaccounted for. A review of inventory control spreadsheets maintained by the TAPS Event Parking Coordinator revealed that pre-printed parking event permits associated with 13,290 numbered line items on the inventory control spreadsheets were unaccounted for between 2006 and present. TAPS Event Parking Office staff we spoke to indicated that staffing had turned over since 2009 and no one could explain the discrepancy occurring prior to that time. For FY2013, in addition to reviewing the inventory control spreadsheets maintained by the Event Parking Coordinator, we inspected the physical permit inventory and determined that 625 permits were unaccounted for or missing. While we were able to identify controls to minimize exposure to the loss of event parking permits in the future, we did not believe that it was cost effective or feasible to locate the unaccounted for or missing permits.

The Event Parking Field Office stores approximately 40,000 event permits between four drawers in their office and in the TAPS Annex Server Room. Each drawer has all four types of event parking permits and the server room has the East Remote and lot specific stamped event parking permits. The drawers are locked, but the keys to the drawers are kept in an unlocked drawer right next to the locked drawers and all staff and students know where the keys are and are authorized to use them as needed. Lead students also have keys or Omni lock codes to access the office.

By having each type of event parking permit in all four drawers, and by using a numbering scheme that does not differentiate between events parking permit type, there is no easy way to verify whether or not there are gaps in permit sequences (missing permits). Currently, parking permit physical inventory is only conducted on an annual basis. If the bulk of the permits were stored in locations only accessible and controlled by the Event Parking Field Operations Manager and Event Parking Coordinator, the risk of students taking permits out of sequence would be reduced and an inventory of the permits available to students could be conducted more easily and frequently. The student employees should have access to permits for events in the immediate future only, and not the entire inventory stock.

The existing practice developed by the TAPS Business Manager is for each drawer to be associated with one of four change funds and cash collection envelopes. The practice implemented by the Event Parking Field Operations Manager, is for all the students conducting sales to work out of one drawer. Her rationale for this change is that it is less cumbersome and confusing to work out of one drawer and fewer errors may occur. Since more than four students now have individual change funds and cash collection aprons it is no longer feasible to map individual cash funds to the four drawers. TAPS cash handling procedures will need to be updated to reflect the individual accountability.

While the current procedure provides for dual custody and two or more sign offs on the Cash Out worksheets, verifying permit numbers and amount of cash collected on the day the permits are

sold, we received mixed information about whether the prior days Cash Out worksheet was reviewed and permit number sequence verified to assure that there is no gap in permit numbers from the last day that type of permit was sold. The Parking Event Coordinator did not believe it would be possible to do this as she has all the old *Cash Out Reports* in her office that she collects when she makes her deposit and completes her inventory control spreadsheets. As an alternate control, a log could be created and used in the Events Parking Field Office for students to record the last permit number sold each day for each type of permit. The log could then be used to verify that the starting number is sequential the next time that type of permit is sold. This should identify any gaps in permit number sequences.

Most other UC campuses do not have a problem accounting for event parking permits because they do not maintain pre-printed event parking permit stock. Instead, they commonly use hand held electronic permit printing devices that generate event parking permits at the time of sale. The purchase and use of a hand held electronic permit printing device could potentially save up to \$12,500 a year, as there would no longer be the labor costs to complete hand written *Cash Out Reports* and to hand key permit sales information into the permit inventory control spreadsheets. Of this \$12,500, \$7,600 would be actual savings since students would work ½ hour less per shift. The remainder would be efficiencies gained by the Events Parking Coordinator since she would not have to spend 5 hours a week keying data in a spreadsheet and could work on other projects. Her pay would likely remain constant, but the gain in efficiency would allow more work to be accomplished with existing staff. Errors in the inventory control spreadsheets would be reduced or eliminated.

## 2. Individual Accountability for Cash and Permits

The procedure in TAPS for selling parking permits at events was for the student employees selling event permits to work in pairs in the field and to share their change funds and parking permit stock. BUS-49 and effective internal controls include establishing individual accountability over cash and inventory.

In addition, students who shared their cash and permit stock also completed a combined *Cash Out Report* at the end of the day. As a result, it would be difficult for any cash discrepancies to be identified or linked to a specific individual. We did not observe any major cash discrepancies, but noted a weakness in control under this process.

When informed of this condition, the Events Parking Field Operations Manager changed the procedure to require that each student employee sign out for an individual change fund and stock of event permits. Now, when students receive their change fund and permit stock, they are required to begin an individual *Cash Out Report* form by entering the beginning balance and permit numbers they have received. When the students complete the *Cash Out Report* at the end of the day, they total their individual sales and reconcile to permits sold.

The new procedure also includes a step that cash receipts are placed into a secure dropbox by each individual student employee working the parking event, with access only to the Event Parking Coordinator, when preparing the actual deposit. This will allow any cash shortages or overages to be linked to individual student employees and complies with Bus-49. In addition, the *Cash Out*

*Report* will be signed by at least two students at the beginning and end of each day to provide a dual custody control.

3. Restrictive Endorsement of Checks Received

Student employees selling event permits did not restrictively endorse checks when they were received as required by Bus-49. Checks should be restrictively endorsed as soon as they are received to prevent anyone from attempting to deposit them to their own bank account or cash them at another business. By restrictively endorsing as soon as they are received the risk that someone might be tempted to steal the checks is greatly reduced.

The campus controller had issued a campus wide Bus-49 variance for student employees so that they did not have to have stamp specifically tied to them personally to accommodate the high turnover of student employees. However, in TAPS the Events Parking Coordinator elected to enhance controls by ordering enough restrictive endorsement stamps so that all students selling permits would have their own stamp. TAPS cash handling procedures will need to be updated and student employees trained to stamp checks as soon as they are received.

4. Dual Custody - Number of Students Required to Sell Permits

In our audit SC-08-95, we recommended that TAPS ensure deposits are prepared by at least two people. TAPS management responded "The TAPS Events Manager will implement new procedures that require dual custody be present during cash collection and deposit preparation". University policy does not require dual custody during the whole time sales occur, only when deposits are prepared. We also believe it is good control to have two students verify the change fund and permits checked out at the beginning of the shift, but it is not always necessary to have two students present when permits are sold. When deemed appropriate by TAPS, management cost saving might be realized by having sales performed by only one student.

5. Event Parking Field Office Safe

The safe in the Event Parking Field Office used for change funds and all cash receipts from sales only has two possible combinations and does not meet policy requirements for the thickness of the door and walls. Bus-49 requires that the combination be changed annually or when employees who know the combination leave. TAPS was advised by a locksmith that the safe can only be set to two possible combinations, so anyone who has worked in this office for any length of time knows both combinations and resetting it to the second combination is pointless. Bus-49 also requires the safe door to be 1" and walls 1/2" thick if more than \$2,500 is stored in the safe. The Event Parking Field Operations manager reported they regularly have more than this amount in the safe. The current safe has 1/8" thick door and walls. The Event Parking Coordinator has found it difficult to obtain a safe with a 1" thick door, although 1/2" thick doors are commonly available. The TAPS Business Manager is working with the Campus Cashiering Coordinator to obtain a variance to allow them to use the 1/2" thick safe.

A further improvement in controls could be obtained if the new safe had a "drop safe" feature whereby the student employees could drop their daily cash receipts, but only the Event Parking Coordinator could open the safe to make the deposit. If a drop safe were implemented only the Events Parking Coordinator and TAPS Business Manager would need to have the combination. The existing safe can continue to be used for the \$500 change fund only.