

UCLA AUDIT & ADVISORY SERVICES



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March 23, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Events & Transportation – Parking Citation Contract Review Report #15-2211

Enclosed is the audit report covering our review of parking citation processing and administrative services performed by Turbo Data Systems, Inc. (TDS) under a service agreement established with UCLA Events & Transportation.

The primary purpose of the review was to determine whether TDS is in compliance with the parking citation contract, all UCLA parking citations are appropriately processed, and revenue is properly collected, recorded, and deposited to the UC Regents account. Where applicable, compliance with University policies and procedures were also assessed. Our objective is to assist management in achieving its business objectives under the parking citation program. The scope of the audit focused on the following:

- Issuance and Recording of Citations
- Appeals and Adjudication Processing
- TDS Service Agreement Compliance
- Payment Receiving and Processing

Based on the results of the work performed within the scope of the audit, the services performed by TDS are compliant with the parking citation contract and help Events & Transportation accomplish the business objectives for the parking citation program. Further, UCLA parking citations and payments are generally properly processed. However, management could further strengthen controls over the following areas:

Handwritten Citations

- Receipt of handwritten citations should be documented in accordance with CRA policies.
- Management should consider reconciling the number of handwritten citations sent to TDS to the number of handwritten citations entered by TDS to ensure that all handwritten citations are entered into the TDS system.

Refunds

- Departmental written procedures regarding refund processing should be updated to reflect current business practices.
- Refunds should be processed within 30 days in accordance with the California Vehicle Code 4220.6 (a).

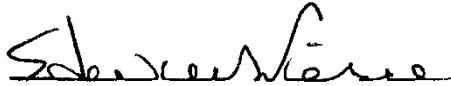
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The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.

A handwritten signature in black ink, appearing to read "Edwin D. Pierce".

Edwin D. Pierce, CPA, CFE
Director

Enclosure

cc: J. Powazek

EVENTS & TRANSPORTATION
PARKING CITATION CONTRACT REVIEW
AUDIT REPORT #15-2211

EVENTS & TRANSPORTATION
PARKING CITATION CONTRACT REVIEW
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Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has completed a review of parking citation processing and administrative services performed by Turbo Data Systems, Inc. (TDS) under a service agreement established with UCLA Events & Transportation. The Citation Review and Adjudication (CRA) office was also included in the review. UCLA entered into a contract with TDS in March 2008 to collect parking citation payments on behalf of the University. TDS was awarded a three year contract with the option of two one-year extensions, both of which were exercised. The contract was subsequently extended two additional years, with the current contract expiring in July 2015.

UCLA Parking Enforcement Officers issue parking citations utilizing a handheld unit. The citations are electronically transferred into the TDS parking citation database, which tracks the citations from issuance through payment. Payments can be made in person or mailed to the UCLA Transportation office, mailed to a post office box established by TDS, or online via www.pticket.com. During fiscal year 2013-14, annual parking fines and forfeitures totaled approximately \$2.5 million.

The CRA office administers and processes appeals at three different levels (administrative review, administrative hearing, and civil review) for those who believe the citation ticket was issued in error. The review process is separate and independent from Parking Enforcement. For fiscal year 2013-14, 12,844 appeals were submitted and of those, 2,844 were dismissed and 10,000 were upheld.

The Director for Parking & Finance, who reports to the Executive Director of Events & Transportation, is responsible for administering the contract with TDS, as well as overseeing Parking & Finance's related administrative functions.

Purpose and Scope

The primary purpose of the review was to determine whether TDS is in compliance with the parking citation contract, all UCLA parking citations are appropriately processed, and revenue is properly collected, recorded, and deposited to the UC Regents account. Where applicable, compliance with University policies and procedures were also assessed. Our objective is to assist management in achieving its business objectives under the parking citation program. The scope of the audit focused on the following:

- Issuance and Recording of Citations
- Appeals and Adjudication Processing
- TDS Service Agreement Compliance
- Payment Receiving and Processing

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the services performed by TDS are compliant with the parking citation contract and help Events & Transportation accomplish the business objectives for the parking citation program. Further, UCLA parking citations and payments are generally properly processed. However, management could further strengthen controls over the following areas:

Handwritten Citations

- Receipt of handwritten citations should be documented in accordance with CRA policies.
- Management should consider reconciling the number of handwritten citations sent to TDS to the number of handwritten citations entered by TDS to ensure that all handwritten citations are entered into the TDS system.

Refunds

- Departmental written procedures regarding refund processing should be updated to reflect current business practices.
- Refunds should be processed within 30 days in accordance with the California Vehicle Code 4220.6 (a).

The audit results and recommendations are detailed in the following section of the audit report.

Audit Results and Recommendations

Issuance and Recording of Citations

Controls over the issuance and recording of parking citations were evaluated for adequacy. Based on the review conducted, processes and procedures are generally adequate to ensure that citations are properly issued by Parking Enforcement Officers and that all issued citations are entered into the TDS system. No significant control weaknesses were noted with regard to issuing citations via the handheld units. The following were noted:

Issuance

- UCLA Parking Enforcement employs eight officers.
- Officer training is conducted internally, and new officers are provided written policies and procedures upon hire. Lead officers are responsible for training new officers and for communicating any changes to policies and laws to all officers.
- A logon and password is required to operate the handheld units used to issue citations. Each officer is assigned a unique logon, and password.
- Officers also take photographs of the vehicles that they cite for parking violations. At the end of every shift, officers upload the photographs to the departmental shared drive.
- The handheld units are electronically synced to the UCLA T2 Flex system at the end of every shift by individual officers. Citation data recorded by T2 Flex is then electronically transferred to the TDS database twice per day.
- Once the handheld unit is synced, the officer is automatically logged off and citations issued during the shift cannot be voided.
- To void a citation while in the field, the officer must select a valid reason on the handheld unit. The Parking Enforcement Manager regularly monitors voids for appropriateness.
- All activity (citations, warnings, and voids) is monitored by the Parking Enforcement Manager on a monthly basis as part of employee performance management.

Recording

- The CRA Manager periodically reviews the total number of citations issued according to UCLA T2 Flex and the total number of citations recorded by TDS. The reconciliation process is documented on the CRA Citation Issuance and Recording Chart.
- For the months of March to July 2014, A&AS reviewed the CRA Citation Issuance and Recording Chart and supporting documentation. Reconciliations were properly completed in a timely manner and management promptly resolved any discrepancies with TDS.

Separate from UCLA Parking Enforcement, the University Police Department (UCPD), UCLA Fire Marshals and security officers of the Santa Monica Hospital also have the authority to issue parking citations. Rather than using handheld citation issuing devices, these officers use preprinted hardcopy citation books to issue handwritten citations. Of the total 44,167 citations issued in fiscal year 2013-14, approximately 2% (or 1,020 citations) were handwritten by these other authorities. After issuing a parking citation, a carbon copy of the handwritten citation is submitted to CRA. The CRA staff record the handwritten citations on the UCLA Handwritten Ticket Report. That report and copies of the citations are then mailed by CRA staff to TDS for processing. Once received, TDS faxes the report back to CRA with a TDS employee's initial verifying receipt of the handwritten citations. TDS is responsible for entering the citations into the TDS database within one business day.

Based on test work performed, controls over handwritten citations can be strengthened. The following were noted:

A. Handwritten Citations - Timeliness

A judgmental sample of 28 handwritten citations issued in May 2014 was selected for review. The TDS Citation Batch Log and UCLA Handwritten Ticket Report were reviewed to determine whether handwritten citations were recorded and processed in a timely manner by TDS and CRA. For the sample selected, TDS

processed the citations in a timely manner. However, A&AS was not able to determine the timeliness of handwritten citation processing by CRA. The following issues were noted:

- The timeliness of handwritten citation processing could not be determined because it is unknown when the citations were received by CRA. Based on the testing conducted, 25 of 28 handwritten citations were processed by CRA five days or more after the issue date. According to the Citation Appeals Specialist Handbook, citations should be processed by CRA within three days after the citations are received. CRA management noted that the issuing officers are not always timely in turning in handwritten citations to CRA, which can result in a processing delay.
- CRA is not time-stamping handwritten citations at the time of receipt.
- The "Date Received by Citation Review Office..." column in the UCLA Handwritten Ticket Report is not used as labeled. Instead, the date in the column reflects the date citations are entered by the CRA staff into the UCLA Handwritten Ticket Report.

Recommendation: The CRA staff should time-stamp handwritten citations upon receipt and record the date of receipt in the UCLA Handwritten Ticket Report to better monitor the efficiency and timeliness of handwritten citation processing.

Response: We concur. Procedures have been enhanced to ensure the efficiency and timeliness of handwritten citation processing. All handwritten citations received by CRA staff are now individually date stamped upon receipt. The citations are then electronically scanned and emailed in batches to TDS as .pdf files. As a result, the UCLA Handwritten Ticket Report is no longer in use. The Citation Appeals Specialist Handbook has been revised to reflect the current process.

B. Handwritten Citations – Reconciliation

During testing, discrepancies were noted between the number of handwritten citations sent to TDS by CRA (according to the UCLA Handwritten Ticket Report) and the number of handwritten citations processed by TDS (according to the TDS Citation Log). The discrepancies occurred on May 19, 2014, and June 16, 2014. A total of 91 citations were submitted on those days, and there were 4 discrepancies between the number of citations sent to TDS and the number that were processed.

Upon further review, the TDS Client Services Manager and the CRA Manager explained that the discrepancies reflect incomplete handwritten citations that could not be processed by TDS. TDS sends the incomplete citations back to UCLA with an attachment indicating the type of correction needed. The CRA staff contact the issuing officer to request that the missing information be provided along with a Notice of Correction (NOC). If the officer cannot provide the missing information, the citation may be voided at the discretion of CRA staff.

The following were noted regarding the four returned citations:

- In two instances, citations were voided by the CRA because the missing information could not be obtained from the issuing officer, who is not under the purview of Events & Transportation. Both citations were missing the Vehicle Identification Number (VIN) and the license plate number. As a result, fines amounting to \$60 and \$25 were not collected.
- In one instance, the citation was returned to TDS with a NOC and was properly entered into the TDS database. The citation was initially missing the violation code. A “No Permit Displayed” code was added and the \$60 fine was collected.
- In one instance, CRA staff returned the citation to TDS with a NOC, but it was not properly processed by TDS. TDS records showed that the NOC and citation were received by TDS, but the citation was never entered into the

TDS database. Consequently, the \$60 fee for not displaying a permit was never collected for the citation. During the review, TDS did not have any supporting documentation other than the record of receipt. The CRA Manager believes this is an isolated incident.

Although CRA management currently reconciles citations issued using handheld units, no reconciliation procedures are in place to ensure that all handwritten citations sent to TDS are processed and entered into the TDS system.

Recommendation: To strengthen controls over the handwritten citation process, CRA should reconcile the UCLA Handwritten Ticket Report to the number of handwritten citations actually entered by TDS to ensure that all handwritten citations are entered into the TDS system. Also, regular reconciliation of handwritten citations will alert management of any issues regarding handwritten citations and lead to prompt resolution of issues such as Notice of Corrections.

Response: We concur. As stated above, CRA no longer uses the UCLA Handwritten Ticket Report. A new handwritten citation process has been implemented to ensure that the number of handwritten citations received by CRA matches the number of handwritten citations received/processed by TDS. With regard to incomplete citations received, the CRA Manager will work closely with the issuing authorities to reemphasize the need for their staff to fully complete all handwritten citations before forwarding them to CRA.

Appeals and Adjudication Processing

Appeal and adjudication activity was reviewed to ensure that citation appeals were properly reviewed, processed, and documented. A judgmental sample of ten 1st level (administrative review) and five 2nd level (administrative hearing) appeals between April and July 2014 were selected for testing. It was also noted that there were no 3rd level (civil review) appeals in fiscal year 2013-14. Review of TDS system notes, appeal forms, and decision letters indicated that decisions made by CRA's Citation Appeals

Specialists and Hearing Officer were properly justified and documentation was complete.

Further, the CRA Manager monitors appeal and adjudication activities to ensure timely decisions. The CRA Manager reviews monthly outstanding appeals and hearings reports. The reports are shared with the Citation Appeals Specialists and Hearing Officer. CRA staff are expected to process outstanding appeals within five business days or notify the CRA Manager if an appeal cannot be processed in the expected time frame.

In addition, a judgmental sample of ten (five 1st level and five 2nd level) refunds issued for adjudications made between April and July 2014 were selected for testing to determine whether controls over refund processing are adequate. Refunds were generally properly processed via BruinBuy. BruinBuy transactions were agreed to appeal decision letters and supporting documents. Refunds were processed by a Citation Appeals Specialist or Hearing Officer. The following areas regarding refunds warrant improvement:

A. Refund Process - Written Policy and Procedures

Refund procedures are not performed in accordance to the Citation Appeals Specialist Handbook. Written procedures state that refunds are processed by the UCLA Transportation Cashier's office. Current practice is for a Citation Appeals Specialist or Hearing Officer to process the refunds. The CRA Manager explained that the current practice is appropriate and that written procedures should be updated to reflect current practices.

Recommendation: The CRA Manager should update written policy and procedures regarding refund processing to reflect current practices.

Response: We concur. The CRA Manager has updated the Citation Appeals Specialist Handbook to reflect the current practice of having a Citation Appeals Specialist or Hearing Officer process adjudication refunds.

B. Refund Processing

Refunds are not always processed in accordance with California Vehicle Code 42201.6 (a) which states that payments for violations should be refunded “within 30 days of dismissal.” All five 2nd level citation refunds tested were processed within 30 days of dismissal. However, all five 1st level citation refunds tested were not processed within 30 days of dismissal. The citations were dismissed between June 19 and June 26, 2014, but the refunds were processed on September 2, 2014.

Recommendation: Management should ensure that refunds are processed within 30 days of citation dismissal in accordance with California Vehicle Code 42201.6 (a).

Response: We concur. The CRA Manager has updated and enhanced the refund policy and procedures and monitors refund issuance to ensure that refunds are processed in accordance with California Vehicle Code 42201.6(a).

TDS Service Agreement Compliance

Test work indicated that TDS is generally compliant with the parking citation contract. Review of the June 2014 invoice issued by TDS indicated that amounts billed were based on services performed by TDS according to summary reports. Invoice billing rates agreed to the most current fee structure, which was implemented in January 2014. Further, the invoice was properly reviewed and approved by the CRA Manager prior to payment.

No significant control weaknesses were noted.

Payment Receiving and Processing

Audit review indicated that June 2014 citation payments were recorded and deposited in a timely manner, posted to the proper account, and agreed to the campus general ledger. CashNet reports, Bank of America bank statements, deposit slips, and TDS daily cash log reports were agreed to the campus general ledger. For payments made online via pticket.com, TDS daily credit card logs were also agreed to the campus general ledger. Also, credit card reconciliation documentation was reviewed to verify that the Events & Transportation Accounts Receivable & Cashiering unit performed reconciliation for payments made via pticket.com.

No significant control weaknesses were noted.