



DATE: May 17, 2017

To: Board of Estimate & Taxation Audit Committee Members

From: The Internal Audit Department

Subject: Internal Audit Report: Review of Parking Services Internal Controls Over Revenue

Enclosed for your review is Internal Audit's report entitled "Review of Parking Services Internal Controls Over Revenue". The report contains observations and recommendations regarding (1) internal controls over pre-paid meter Smart Card sales, (2) internal controls over voiding and reducing parking violations, (3) internal controls over parking meter collections and, (4) a general recommendation on employee staffing policy.

The report's Objective and Scope section describes the nature of this review and the Summary Conclusion section represents our overall opinion. Summary observations, risk identifications, summary recommendations and management responses precede the body of the report. Informational data has been disclosed throughout using tables, charts, and written narrative. Events subsequent to the date of this report are described in the Addendum section at the end of this report. Following that section is Appendix A which provides a brief analysis of Parking Services' revenue from Fiscal Years 2012 through 2016.

We have requested and received responses to our observations and recommendations from the Parking Services management. The responses appear in a Management Response section following each Management Recommendation section in the body of the report. We would like to express our appreciation for the cooperation extended to us by the personnel of the Parking Services Department during the course of this review.

Enclosure

cc: B. Branyan, Town Administrator
P. Mynarski, Comptroller
R. Azrelyant, Director of Parking Service

TOWN OF GREENWICH INTERNAL AUDIT

Review of Parking Services Internal Controls Over Revenue

June 08, 2017

Management Responses

December 2, 2016

May 15, 2017

Background and History

The Parking Services Department was established as an independent department in 2004 under the direction of the First Selectman. Prior to the creation of the Parking Services Department, it operated under the management of the Traffic Section of the Greenwich Police Department. Parking Services is responsible for planning and managing the Town's parking infrastructure, operating parking related programs, and providing customer service and parking information to the general public.

Parking Services is operated by 15 employees consisting of a Director, a Business Operations Supervisor, two Accounting Clerk II, two Meter Mechanics, two Parking Enforcement Officer Supervisors, four Parking Enforcement Officers (PEO's), three part-time PEO's, and one part-time Administrative Staff Assistant II. These employees are supported through the Town's Parking Fund. Also funded through the Parking Fund are six full time employees working in Highway Traffic Operations. A review of their activities was not included within the scope of this review.

The Town's parking infrastructure includes approximately 1,500 single-space meters accepting coins and pre-paid meter cards, known as Smart Cards. It also includes 14 multi-space parking lot pay stations accepting coin, cash, and credit cards, and two stand-alone Smart Card reloading stations. The Town's parking lot pay stations also accept payments through a mobile device application called Parkmobile™.

Parking Services is responsible for collecting and accounting for Town revenue received through parking meters and pay stations, parking permit sales, sales of prepaid meter Smartcards, parking meter rental fees, and daily commuter lot parking fees. Revenue from these activities is accounted for in the Parking Fund.

Parking Services is also charged with administering the Town's parking violation issuance and fine collection program. The process includes everything from issuing tickets, managing violation records, and scheduling public hearings to appeal violations, to collecting and accounting for all fines and penalties due. Revenue from these activities is accounted for in the General Fund.

Parking Services' transaction processing environment is highly unintegrated, relying on a disparate assortment of electronic and manual systems to track, process, and record its financial activities. For example, parking violation activity is highly automated using a sophisticated parking violation management software platform which offers cashiering, custom reporting, and dependable vendor support. Conversely, Smart Card activities are run manually through a keyless, metal cash box. The vendor software used to monetize the cards is dated, lacks robust information technology (IT) controls, and offers sluggish customer support.

The maintenance, repair, acquisition, and replacement of the Town's meters and pay stations is managed using two separate vendors, each offering disparate levels of technology, security, and customer support. The Town's pay station vendor offers real-time, online pay station monitoring and collection feedback, reliable financial reporting, and secure coin bags and bill stackers with its product. The single-space parking meter vendor is not able to provide these features or services for its generation of meters currently installed throughout Town.

Internal Audit performed a limited scope review of parking violations and meter collections in 2003, when parking operations were still managed by the Traffic Section of the Greenwich Police Department. A report dated October 17, 2003, nearly 13 years ago to the date of this report, identified many of the same control weaknesses discussed here. As does this report, the 2003 report expressed concern over the number and amount of voided and adjusted violations processed by employees also responsible for receiving and recording cash. The 2003 report recommended daily supervisory review of such activity. Management responded that it would comply by creating a “Weekly Adjustments Register” recording all voided and adjusted transactions for supervisor review. The 2003 report also identified weaknesses in the meter coin collection process, noting open canister collections and no documented, regularly recurring monitoring and deviation tracking activities performed by management.

By 2006, management of the Town’s parking operations had been moved from the police department to the Parking Services Department at Town Hall. The Department was also under management of a new Director hired in January 2006. On June 7, 2006, a Parking Service’s Account Clerk was arrested and charged with second degree larceny. A police investigation revealed the Account Clerk did not process cash payments for violations through the violation and receivable system and gave customers handwritten receipts rather than a system generated receipt. The Account Clerk then pocketed the cash and voided the ticket in the violation and receivable system. Authorities were alerted to the scheme through one of the Account Clerk’s co-workers. This activity was enabled due to the control weaknesses identified in the 2003 report, specifically the absence of supervisory oversight of void and reduction activity.

In early 2014, Internal Audit again returned to review Parking Services revenues and controls. Its audit report, “Limited Scope Review: Parking Services Revenue and Internal Controls”, dated June 30, 2014, was approved by the Audit Committee on September 11, 2014. This report bore eerie similarity to the 2003 report, identifying the exact same control weaknesses that existed in 2003 and, by definition, in 2006 when the employee theft was discovered. The 2014 report also made recommendations similar to the 2003 report, including eight recommendations for improving controls over meter coin collections and deposits, and six recommendations made to strengthen controls over processing violations and fines, including monitoring employee void activity.

The Parking Services Director since January 2006, left Town service in early 2014. While the Town conducted its search for a replacement, the Business Office Supervisor was assigned, and compensated accordingly, management responsibilities for the Department and worked in that capacity beginning January 21, 2014 and ending July 14, 2014. This period included the time during which the 2014 audit fieldwork was performed¹. The new (and current) Parking Services director started on July 14, 2014.

¹ In the discussion of its void review, the 2014 Internal Audit Report stated it requested operator void activity generated by Complus to use as part of its review. The report states that management at that time directed it to request the data directly to Complus. The report also states: “Complus also informed us that such reporting was already available to Parking Services through the monthly compact discs (CDs) mailed to Greenwich. Based on the fact that the CDs were not made readily available to us, indicated with some certainty that there is no macro review of voids processed by individual operator.” During the current investigation, we recovered 16 Complus CD’s spanning 2012-2014 from a filing cabinet located in the Parking Services business office.

Due to the overlapping timing of the Audit Report, the Business Operations Supervisor's interim management, and the hiring of the new Parking Services Director after the report date, a loss in continuity over management's response and implementation occurred. The current audit confirmed that six of the 14 recommendations from the 2014 Audit Report had been fully implemented to date. The current director's attempts to implement three of the recommendations from the 2014 report, including limiting the number of employees with access to the electronic receivable file, failed due to intense resistance from Parking Services staff.

Objective and Scope

The major objective of this review was to evaluate the adequacy of internal controls over the collection, processing, and accounting of revenue generated from parking meters, parking fines and fees, Smartcards, and other Parking Services' activities. Specific objectives included reviewing Parking Services' procedures for securing financial assets, recording and accounting for its different revenue types, maintaining adequate documentation to support its revenue transactions, and evaluating the extent of management supervision and review over these activities.

Our audit covered Parking Services revenue activity transacted from FY 2012 through FY 2016. We conducted our fieldwork from August through October 2016. We base our conclusions and recommendations on our understanding of the electronic and manual systems used to record activity and process data, on-site observations of operating processes and process walk-throughs, interviews with both Parking Services employees and relevant vendors, and analytical evaluations of electronic data aggregated from multiple sources. Other generally accepted auditing procedures were performed as well, including using "marked" quarters inserted into selected meters and tracing its paths through the collection, counting, and deposit processes.

Our initial scope also included a review of controls over Parking Services' permit program and systems. However, it did not receive a full evaluation under this audit. The present permitting system is under extensive re-development, including automating current manual processes and launching an advanced, new permit management and enforcement system. We anticipate conducting a full review of the Parking Services' permit program after the new permit system has been established and running for at least twelve months.

Summary of Significant Audit Results

It is our summary opinion that Parking Services' internal controls over its revenue activities are inadequate to non-existent and require immediate remediation. The existing control environment is so weak that we were unable to identify a single, auditable record to adequately support and document any of the revenue activities within the scope of this review. The lack of records available to us for testing and evaluation severely curtailed our ability to apply standard auditing procedures, negatively impacting our ability to reach substantive, measurable conclusions based off meaningful data. Although our review did not yield direct evidence of Town employee theft, fraud, or abuse², our overall assessment is that the risk for such activities occurring and continuing without detection

² Refer to "[Addendum: Events Subsequent to the Date of this Report](#)" for information regarding the April 17, 2017 arrest of a Parking Services employee on multiple charges, including larceny and forgery.

is inexplicably, unjustifiably high. Our summary observations, risk identification, and recommendations appear below, with more detailed observations, analysis, and recommendations discussed after.

Summary Conclusion

Controls over operations and financial accounting and reporting in Parking Services are highly deficient, if existing at all. Our report identifies the major deficiencies in the areas we reviewed, but the systemic weaknesses extend further and wider than what is discussed here. To begin remediating the current control environment we recommend Parking Services start with the issues identified in this report and continue with integrating both its electronic environment and cashiering system, and developing written policies and procedures, including defining employee roles and responsibilities. We further recommend that a follow-up audit be completed no later than four to six months after the date of this report to assess progress and to re-evaluate the overall control environment.

The Finance Department's investigative process revealed many other long standing, and troubling, accounting practices and activities in Parking Services. Despite assurances by office staff to the contrary, we discovered that the performance of daily reconciliations was irregular, inaccurate and/or incomplete. Revenue collected and processed for the day was often reported to Finance days or weeks after the fact. This untimely reporting applied to both the day's cash and checks collected over the counter in the Department. Furthermore, this revenue was often not deposited to the bank until days or weeks later. Customer checks were stored randomly throughout the Office. Not once did we observe any attempt to reconcile or account for the cash collected or on-hand in the Office. When asked about the chaotic conditions, the Business Operations Supervisor cited both "past practice" and the use of the "honor system". Our requests to Office staff to see records supporting the daily reconciliation process went unanswered. The material used throughout the investigation was provided by the Finance Department and by the Parking Services Director.

I. Controls Over Prepaid Meter Smart Cards Sold in Parking Services

Summary Observation:

Controls in this area do not exist. This condition was both observed by us and acknowledged by Parking Services' Business Operations Supervisor. Prepaid meter smart cards hold value, are fungible, and are difficult to track, much like the asset cash. The same internal control principles applying to cash also apply to the Town's Smart Card operations. These controls include securing custody and limiting access to both the Smart Cards and the Smart Card revenues, separating employee duties between custody, processing, and reconciliation, retaining adequate transaction documentation, maintaining asset inventories, and reconciling daily sales activity to the daily receipts.

Risks:

- Theft: Employees divert cash receipts for personal use and conceal it by altering the records.
- Abuse: Employees practice favoritism in return for personal or financial gain (quid pro quo).
- Reputation: Public develops negative, public perception of Town government from the appearance of favoritism.
- Lost revenue.

Summary Recommendation I:

Parking Services' management take immediate physical custody of the existing Smart Card inventory and strictly control Smart Card access and distribution.

Management Response:

Management agrees. Effective November 4, 2016 physical custody of Smart Card inventory was placed under management custody. Also effective this date, a Smart Card inventory tracking spreadsheet was established and management began distributing Smart Card's to staff in small quantities, or upon written request.

Summary Recommendation II:

Management work with the Smart Card vendor to control user access to the recharging software and ensure it generates daily recharging activity logs for reconciliation to daily Smart Card receipts.

Management Response:

Management concurs. Effective December 6, 2016, in coordination with the vendor and the Town's IT department, daily recharging activity logs were re-established and provided to management. Effective April 18, 2017 only one Account Clerk has the ability to load Smart Cards using the software. When the Account Clerk is not in the Office, the Business Operations Supervisor is permitted to load Smart Cards under the Account Clerk's credentials, but must clearly separate and document the activity.

II. Parking Violation Fines and Parking Fees Receivable Processing

Summary Observation:

Controls are severely deficient in this area, falling short of basic and fundamental standards. Asset security, separation of employee duties, monitoring access to sensitive information, retaining adequate transaction documentation, and reconciliations of daily activity to daily deposits all need improvement and/or implementation.

Risks:

- Theft: Employees divert cash receipts for personal use and conceal it by altering the records.
- Abuse: Employees practice favoritism in return for personal or financial gain (quid pro quo).
- Reputation: Public develops negative, public perception of Town government from the appearance of favoritism.
- Lost revenue.

Summary Recommendation III:

Separate incompatible employee duties such as receiving and recording receipts and making subsequent adjustments to the transaction records.

Management Response:

Management agrees and will implement new policy effective April 3, 2017.

Summary Recommendation IV:

Control and regularly monitor employee access and their level of access to the transaction record.

Management Response:

Management concurs and has taken the following steps:

Effective March 3, 2017:

Deleted access to electronic violation and receivable record for nine user ID's, including generic ID's, ID's linked to former employees, and ID's of current employees whose job duties do not require access to these records.

Changed three user ID's from full (edit) access to limited, read-only access. Full (edit) access now restricted to four users: Director, Business Operations Supervisor, and two Account Clerks II.

Effective April 18, 2017:

Deleted user ID's for one Account Clerk II and another former part-time employee whose position was eliminated. Granted limited, read-only access to newly hired Account Clerk II

Effective May 13, 2017:

Converted the user access level of other Account Clerk II to limited, read-only access. The Director and the Business Operations Supervisor are only employees with full (edit) access to the electronic violation and receivable records.

Summary Recommendation V:

Re-examine the specific Parking Services policies responsible for generating a large portion of manually processed voids and reductions.

Management Response:

Management agrees. Policy changes effective April 3, 2017 discontinued discount on tickets issued for meter violations if paid by next business day. Effective May 3, 2017 strict policy for reductions in permit violation fines for valid permit holders formally documented and provided to staff. Management performs regular reviews of permit reduction activity.

III. Single-Space Parking Meter and Parking Lot Pay Station Collection and Reporting

Summary Observation:

Controls are deficient in this area and do not meet standards over physical security of cash and coin receipts or the accurate capture and reporting of financial information. Retention of adequate transaction support and reconciliation procedures are also inadequate.

Risks:

- Theft: Employees divert coin revenue for personal use before it is counted and recorded (defalcation).
- Underreported revenue from incomplete collections.
- Lost business intelligence for use in future decision-making due to disorganized meter collection routes.

Summary Recommendation VI:

Develop a strategic plan to introduce secured collection processes and more reliable financial activity reporting. In the interim, work with the Finance Department to develop and implement the performance of marked quarter tests on the coin operated meters on a regular, randomly occurring basis.

Management Response:

Management concurs. Effective Fiscal Year 2015. Management's plan to convert all single space meters to multi-space meters was approved in 2015. Budget funding secured for multi space meter automation and upgrade for fiscal years 2015 through 2019. Single space meter system upgrade funding to be requested in fiscal year(s) subsequent to 2019. Effective May, 15, 2017 management coordinating the performance of "surprise" marked quarter tests with the Finance Department.

Summary Recommendation VII:

Remove or modify the existing infrastructure that prohibits the proper installation of the parking lot pay stations.

Management Response:

Management agrees. Older multi space machines and parking lot pay stations replaced effective December 22, 2016.

Summary Recommendation VIII:

Identify and deposit daily meter and pay station collections by location and reconcile and document receipt activity reported by the pay stations to its deposits.

Management Response:

Management concurs. Effective March 3, 2017, coin operated meter collections done separately from multi space machine collections. Coin operated meters collected and deposited Monday through Thursday. Multi Space Machines collected and deposited every Friday.

IV. Employment Policy Recommendation

Summary Observation:

The employees in Parking Services responsible for collecting and reporting revenue include the two working as Account Clerks II. Each has held that position in Parking Services for well over 10 years. As discussed throughout this report, a universal internal control principle governing the safeguarding of assets is the separation of incompatible employee duties. A parallel, or complementary principle, especially relevant to sizeable cash handling environments, is implementing a mandatory employee rotation policy. As it applies to fraud, if an employee is periodically assigned to perform different job duties, he or she will realize the risk of another employee discovering their fraud is much higher. For decades, banking regulators nationwide have published strong statements encouraging financial institutions to adopt effective employee rotation programs that are strictly monitored and enforced.

In addition to supplementing an organization's fraud prevention program, periodically assigning different duties to employees broadens their skill sets and strengthens an organization's workforce. Such cross-training allows for more seamless operations on when a particular employee(s) is not present, and enables an organization to move workers through a variety of positions within departments of teams.

Summary Recommendation XI:

Implement a policy requiring staff responsible for counting and recording cash revenue be periodically assigned to perform other revenue collection and processing activities within the Department.

Management Response:

Management agrees, Effective May 3, 2017, office staff began cross-training and will begin weekly rotation among office revenue processing and reporting activities starting June 1, 2017.

Detailed Audit Findings and Recommendations:

I. Controls Over Pre-Paid Meter Smart Cards Sold in Parking Services

Background:

In 2006 the Town started phasing out its older, mechanical meters and replacing them with electronic meters manufactured and sold by JJ MacKay Canada Limited (MacKay). These meters, still installed in the Town today, are capable of accepting both coins and pre-paid meter cards as payment. Pre-paid meter cards, also known as Smart Cards, are sold by Parking Services to the public as an alternative to paying meters by coin. Parking Services pays MacKay for the physical cards and the software and hardware used to program dollar values to the cards. The technology is such that the Smart Cards can only be used to pay for parking at MacKay meters and cannot be used at other merchants or vendors that also accept pre-paid cards. Until now, the Parking Services' Smart Card program had not been subject to an independent audit or review by Town Hall.

Process:

Periodically Parking Services purchases blank Smart Cards from MacKay in lots ranging anywhere between 1,500 to 3,000 cards per order. MacKay charges Parking Services \$4.50 per card, plus a shipping and handling fee. MacKay does not offer volume/quantity discounts based on the number of cards purchased. To cover the expense of the cards, Parking Services charges customers a one-time, \$5 fee for every new card issued. The cards arrive pre-printed with unique serial numbers and are boxed in sequential order. Each card is imbedded with a microprocessor chip that can be programmed with a specific dollar amount (monetized). The cards are shipped "blank" to Parking Services, and hold no value upon arrival. The cards, however, are capable of being programmed with, or monetized to, any value – from one cent to one billion dollars and beyond.

The following, step-by-step example helps illustrate the monetizing process:

- Customer requests a new, \$10 Smart Card.
- Parking Services staff opens and logs on to the MacKay software program written specifically for programming \$10 to a card's chip.
- Parking Services' staff inserts new card into an electronic charging device that physically writes the code to the chip.
- The card's balance is verified using a MacKay meter head designed specifically for this purpose.
- The amount displayed is shown to the customer for confirmation.
- Card is now ready for use.
- Customer pays Parking Services \$15 comprising \$10 for parking and \$5 for the new card.

The following illustrates the re-loading process:

- A customer previously purchased a \$10 Smart Card that now has a \$2 remaining balance.
- The customer wants to re-load the card to a value of \$20.

- Parking Services staff opens and logs on to the MacKay software program written specifically for programming \$20 to a card's chip.
- The software does not accumulate the \$2 balance to yield a \$22 card, it simply re-programs the card to \$20.
- Customer pays Parking Services \$18 and leaves with a \$20 card ready for use.

Observations and Conclusions:

1. Smart Card Monetization Policies:

When the Town introduced Smart Cards, Parking Services policy dictated they only be sold in increments of \$10, \$20, or \$50. It made sense for the Town not to sell \$100 parking cards to the public. If it were lost, proof of ownership could not be demonstrated, and the value never recouped. These policies are no longer practiced. Currently, Smart Cards are sold in multiple increments not to exceed \$100. We noted one employee's computer monitor displaying up to 17 separate, monetizing icons in increments ranging from \$5 to \$105. Most increments only varied by values of \$5 – for example \$30, \$35, \$40, \$45, \$50, \$55, \$60, \$65, and so forth. When queried, staff reported the additional increments and increased per-card limit were due to customer demand, so MacKay was asked to provide the additional pre-set value programs. Staff also explained that the \$105 monetization icon, an amount exceeding stated policy, existed both because the amount was specifically requested by a regular customer and that it also was how it accounted for the \$5, first-time card fee.

Neither explanation for monetizing Smart Cards in \$105 values seemed reasonable to us. The \$5 was charged as a fee due to offset the cost of the card and should not be applied to pre-paid parking purchases. The reported consumer demand for \$105 Smart Cards was also difficult to reason when cards in \$100 increments were already offered. A difference of \$5 is not significant enough to justify a break from policy. The “customer demand” explanation also does not justify the need to offer so many other increments within \$5 of each other either. Offering such a wide array of values needlessly complicates the process, making it more difficult to control. We were also unable to identify a process designed to separately account for the \$5 first-time card fee. While the fees are a miniscule portion of overall Smart Card revenue, accounting and reporting such fees is a simple procedure to implement and may eliminate the possibility of Parking Services staff erroneously monetizing the card fee to the value of the pre-paid parking.

2. Software Controls:

The MacKay Smart Card charging software features a bare-bones interface and simple program architecture with considerably modest security features. Occasionally MacKay sells software updates, delivered to Parking Services on a computer CD. At one time, the Town's IT Department was responsible for installing the MacKay software and acting as system administrator. IT reported it had been “several years” since it had provided that support and its understanding is that Parking Services' staff have taken responsibility over it. After reading the “MacKay Parking Card Recharge Application” quick reference guide, we concluded the software is quite straightforward and easily installed and administered by an average computer user.

The “MacKay Parking Card Recharge Application” quick reference guide also explains how to administer its security features. It describes how to grant a user administrator access, the highest, most sensitive level of access to a program’s data and code. The administrator also assigns access levels to other users. The MacKay software offers two additional levels of access - audit access and operator access. Audit access allows users to view data and to access back-end activity reports and user logs. Operator access is assigned to the users responsible for operating the program. We identified three Parking Services’ MacKay software users. All have administrator access.

The “MacKay Parking Card Recharge Application” quick reference guide also explains how an administrator can access a special command line program in the software. This program lets the administrator override the pre-set value programs by entering a short line of code along with a dollar value of choice. Once the code is executed, the override amount is written to the chip and the card is ready for use.

We asked Parking Services to provide us with the back-end activity logs and user reports generated by the software. Software developers include this function so that the end-user can establish an audit trail. Such reports and logs are highly useful tools for both auditors and managers to evaluate controls, access, and system activity. We were told that none existed. When Parking Services was told such reporting was a feature of the software, we were told that IT forgot to re-install the reporting function on its computers during an update two years.

The combination of inconsistent staff statements, our inability to review back-end activity logs, the absence of oversight from an appropriate departmental or organizational level, and each user’s unrestricted administrator access raises significant concerns and creates an environment where monetizing Smart Cards and selling them at a discount for personal gain, all without fear of detection after-the-fact, can be easily accomplished.

3. Smart Card Physical Inventory:

Boxes of new Smart Cards are purchased from MacKay in considerably large quantities. The cards arrive in boxes of 500. The blank cards are stored in assorted file cabinets throughout Parking Services’ central office area. Some cabinets are capable of being locked, others not. Access to the cards is not monitored or restricted. The cards are not inventoried and accounted for in a log or spreadsheet when received. Periodic physical inventory counts are not performed by a supervisor or manager. Supervisor or manager authorization is not required to retrieve new cards. Stacks of cards are simply taken from whatever box as needed. Without the ability to review inventory logs or other control records, we also cannot calculate an average for gauging the number of Smart Cards Parking Services issues in a given year, quarter, month, or week.

The use of pre-numbered documents to ensure accurate financial reporting and prevent the occurrence of malfeasance is a low-tech and time-honored accounting control. There is a reason the cards are printed with serial numbers and are shipped boxed in sequential order – so that a simple system to record and monitor stock on hand and track usage may be used. We also asked Parking Services’ staff to estimate how many Smart Card transactions were processed per day at the customer service window. We were told “About five”. If true, an order of 3,000 Smart Cards could last three

years. Our limited review of Smart Card purchase orders and invoices revealed more frequent Smart Card purchases, all in large quantities.

4. Smart Card Transaction Processing and Controls:

When we first visited Parking Services to review the Smart Card process it was immediately apparent there were no controls over it. Smart Card sales are run through a standard-size metal cash box that cannot be locked due to “lost keys”. During Parking Services business hours, the cash box sits with its lid open in plain view between the two Accounting Clerks at the customer service window. At night the box is stored in a locked file cabinet. Along with some cash, coins, and a few customer checks stored under the tray, the cash box also contains a significant number of “pre-monetized”, or pre-loaded Smart Cards. These are cards that have not been sold but are already programmed in various increments, ready for immediate use by anyone. When asked why it was necessary, we were told it was to expedite Smart Card transactions and decrease customer wait time at the window. On the day of our visit, we counted 54 pre-loaded cards totaling \$2,390 stored in the cash box. Eleven of the cards were monetized at \$100 each, and 16 cards were valued at \$50 each. Again, Parking Services’ staff reported an estimated five Smart Card transactions at the window per day. Unfortunately, we are unable to confirm this estimate ourselves due to the absence of activity logs or other substantive records.

Also present in the cash box were a stack of approximately 50, older and worn looking Smart Cards. When asked to explain its presence, we were told the cards were lost and/or damaged ones returned to Parking Services. We asked why damaged cards were not destroyed and why lost Smart Cards were retained when there was no way for a customer to reclaim it through proof of purchase. We were told that the Meter Mechanics and the PEO’s need to carry Smart Cards to demonstrate their use to the public while in the field. On a separate visit to Parking Services we asked whether anyone knew or accounted for the value remaining on the supply of lost and damaged cards. We were told the values were unknown. We asked the Business Operations Supervisor to check the balances on a few of the cards. Of the three cards checked, one card had a zero balance and two cards had balances between \$40 and \$50. The practice of monetizing Smart Cards prior to tender of payment by a customer raises great concern. A monetized Smart Card, bought and paid for, is immediately recognized as parking revenue earned by the Town for providing safe, convenient, regulated parking services to the public. Yet any monetized Smart Cards can still be used to “pay” for Town parking whether it has been actually purchased or not. We are unable to reconcile Parking Services’ claim of wanting to provide expedited customer service to needing 54 pre-monetized Smart Cards valued at \$2,390 on-hand. Neither customer volume nor the three seconds required to monetize a card at the window upon request justifies the practice.

The explanation for keeping a large, unaccounted supply of lost and damaged cards also did not make sense to us. On a subsequent visit we were told by the Business Operations Supervisor that the lost and damaged cards had been shredded sometime after our initial visit.

Management Recommendations:

1. Reduce the number of Smart Card increments offered and consider decreasing the \$100 maximum Smart Card value.

2. Develop and implement procedures to separate fees collected for first-time issuance of Smart Cards from pre-paid parking payments.
3. Assign administrator responsibilities over the MacKay monetizing software to the Parking Services Director and reassign other user's access to levels compatible with their job functions.
4. Have the Parking Services Director oversee the installation of MacKay software updates and secure all sensitive program documentation.
5. Account for all Smart Cards in inventory, secure access to the inventory, and implement standard inventory controls which require securing access to the cards, management authorization for purchases of new inventory, recording receipts of new inventory by card serial numbers, and performing periodic unannounced, spot inventory counts.
6. Have the Business Operations Supervisor reconcile software logs recording monetization activity to daily Smart Card sales and receipts.
7. Discontinue practice of pre-loading Smartcards prior to sale.
8. Promptly destroy damaged Smartcards that are returned to Parking Services.
9. Promptly turn over found Smartcards that are returned to Parking Services to a supervisor or manager.
10. Retain all software logs recording monetization activity in accordance with the Connecticut State Library's Municipal Fiscal Records Retention Schedule mandating municipal records relating to receipts be retained on a continuous basis over a consecutive three-year period.

Management Response:

1. Management agrees. Effective November 6, 2016 Smart Cards are now offered in increments of \$10 rather than \$5 and the maximum Smartcard value available for sale is now capped at \$100.
2. Management agrees. Effective December 12, 2016, fees for new Smartcards are accounted for and reported separately from parking revenue.
3. Management concurs. Effective December 6, 2016 daily recharging activity logs were re-established and provided to management. Effective April 18, 2017, only one Account Clerk has the ability to load Smart Cards using the software. When the Account Clerk is not in the Office, the Business Operations Supervisor is permitted to load Smart Cards under the Account Clerk's credentials, but must clearly separate and document the activity.

4. Management concurs. Effective December 6, 2016, management alerted the vendor that it was its new point of contact. Existing system documents and manuals were secured in the Director's office.
5. Management agrees. Effective November 4, 2016, access to Smart Card inventory was secured and restricted to Director. An inventory of Smart Cards on hand was conducted and cataloged. Smart Cards are now distributed to staff in small quantities. A freeze on purchases of new Smart Cards was put into effect until existing inventory is sufficiently depleted.
6. Management concurs. Effective December 6, 2016, the Director performs daily reconciliations of actual Smart Card re-charge activity to reported Smart Card sales.
7. Management agrees. New policy effective November 4, 2016.
8. Management concurs. Existing supply of damaged or lost Smart Cards in Office destroyed effective November 4, 2016.
9. Management agrees. New policy effective November 4, 2016.
10. Management agrees. Policy effective December 6, 2016.

II. Parking Violation Fines and Parking Fees Receivable Processing

Background:

The 2014 Audit Report observed several weaknesses in Parking Services' procedures for processing its parking fine and fee receivables. The report noted six Parking Services employees with permission to edit or delete parking fine and fee receivable records. It was also reported that user passwords controlling access to the violation and receivable records had never been changed. The report recommended that system passwords be changed on a regular, periodic basis and that the number of employees permitted to edit or delete receivable records be reduced. Management concurred with the recommendations and wrote that it would implement both by August 2014. However, our current review indicates these conditions continue to exist.

Process:

The Town's parking fine and daily commuter lot fee activities are electronically processed, from issuance to disposal, using a software program known as Complus. In the field, the Town's Parking Enforcement Officers (PEO's) issue electronically generated, pre-numbered parking tickets and fee notices using handheld devices with an attached printer. All shift activity is stored on the handheld device and later uploaded to Complus. This data forms the Town's official parking violation record as well as its fine and fee receivables record.

Cash and check payments to settle outstanding fines and fees arrive either by mail, via deposit in a drop box outside the office, or are paid in-person at the customer service window. Parking Services also offers the option to pay with a credit card online or through an automated telephone service.

These transactions are processed by outside vendors. The Accounting Clerks receive and process all fine and fee cash and check payments, and credit card payments made at the window. The Accounting Clerks enter each payment into the Complus software which simultaneously updates both the receivable record and the violation record. Complus also has a cashiering component that is used to electronically endorse checks and print detailed, carbon copy transaction receipts. As payments are received and recorded in Complus, the Accounting Clerks record them on a bank deposit ticket and place them in a deposit bag. The deposit bag remains in an unlocked file cabinet throughout the day. The Business Operations Supervisor told us that after the customer service window closes for the day, he reconciles Complus activity reports to the deposit ticket(s). Check payments are electronically transmitted to the bank for deposit and later shredded in Parking Services. No particular retention policies regarding the checks are followed. The Business Operations Supervisor also prepares the day's cash deposits and stores it in a locked file cabinet overnight. Cash is deposited at the bank the next business day by one member of the Office staff and one Parking Enforcement Officer.

In addition to these duties, the Accounting Clerks are also tasked with making numerous, manual adjustments to the receivable/violation records. The majority of adjustments performed are either voiding a ticket and its receivable or reducing the amount due. We identified three circumstances under which the Accounting Clerks are required to make such adjustments: due to hearing outcome, other customer service purposes, and from applying certain Parking Services' policies. The policies include a discount for meter violation tickets paid by the next business day, using postmark rules when determining late payment penalties, and allowing a one-time, annual waiver of permit violation tickets if proof-of-permit is demonstrated at the customer service window within 15 days.

The two PEO Supervisors also are responsible for voiding tickets that PEO's print in the field but subsequently decide not to issue. These instances can arise due to ticket data entry errors or by practicing customer service. For example, the motorist immediately explains to the PEO that an extenuating situation, such as a medical emergency or family funeral, forced the violation.

Observations and Conclusions:

Basic internal control concepts have long identified that employees granted disproportionate control over a receipt transaction cycle increases the risk that the employee will divert customer payments for personal use and conceal the theft by modifying the records. Our observation that the Accounting Clerks, responsible for receiving fine and fee payments and recording it in the receivable and violation record, also had the unfettered ability to delete and modify those records, raises our concern. In addition to the well-known risk described above, any Parking Services employees with the ability to delete or modify a violation record also increases the risk Town employees will practice favoritism.

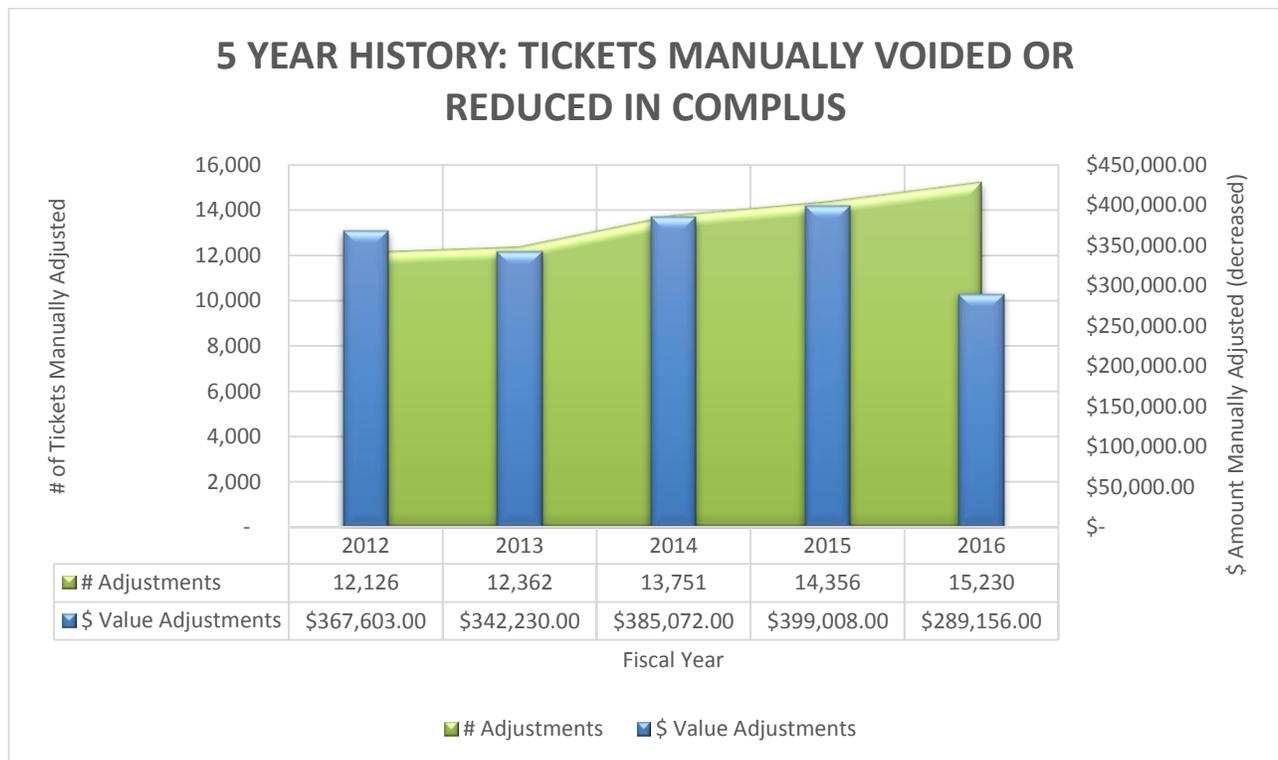
When we consider the current poor control environment in Parking Services in conjunction with the sheer number of manual adjustments made to receivable and violation records, it is our opinion that immediate management remediation is required.

Parking Services' violation and fee void and adjustment activity between FY 2012-2016 is staggering in its volume – 67,825 tickets totaling \$1,783,069 have been manually voided or reduced in the violation/receivable file. Year-to-year, manual void and reduction activity has fluctuated for no

discernible reason. For example, FY 2012 saw the fewest number of tickets adjusted (12,126) for the greatest dollar amount (\$367,603). Yet FY 2016 had the largest number of tickets adjusted (15,230) for the lowest dollar amount (\$289,156). Discussions with Parking Services and deeper analysis of available data yielded no explanation for the unusual patterns, but we calculated an annual, five-year average for manual voids and reductions of 13,565 tickets totaling at \$356,614 per year.

The need to manually process adjustments to accounting and other sensitive business records is widely viewed by managers as an operating inefficiency - a process failure. Over the last five years, the dollar amount of the Town’s void and reduction violation/receivable activity has averaged 32% of its annual fine revenue. Performing the adjustments is time-consuming and costly and increases the risk for human errors, so it is with good reason that most organizations hold its management responsible for identifying, explaining, and reducing these process exceptions.

CHART I:

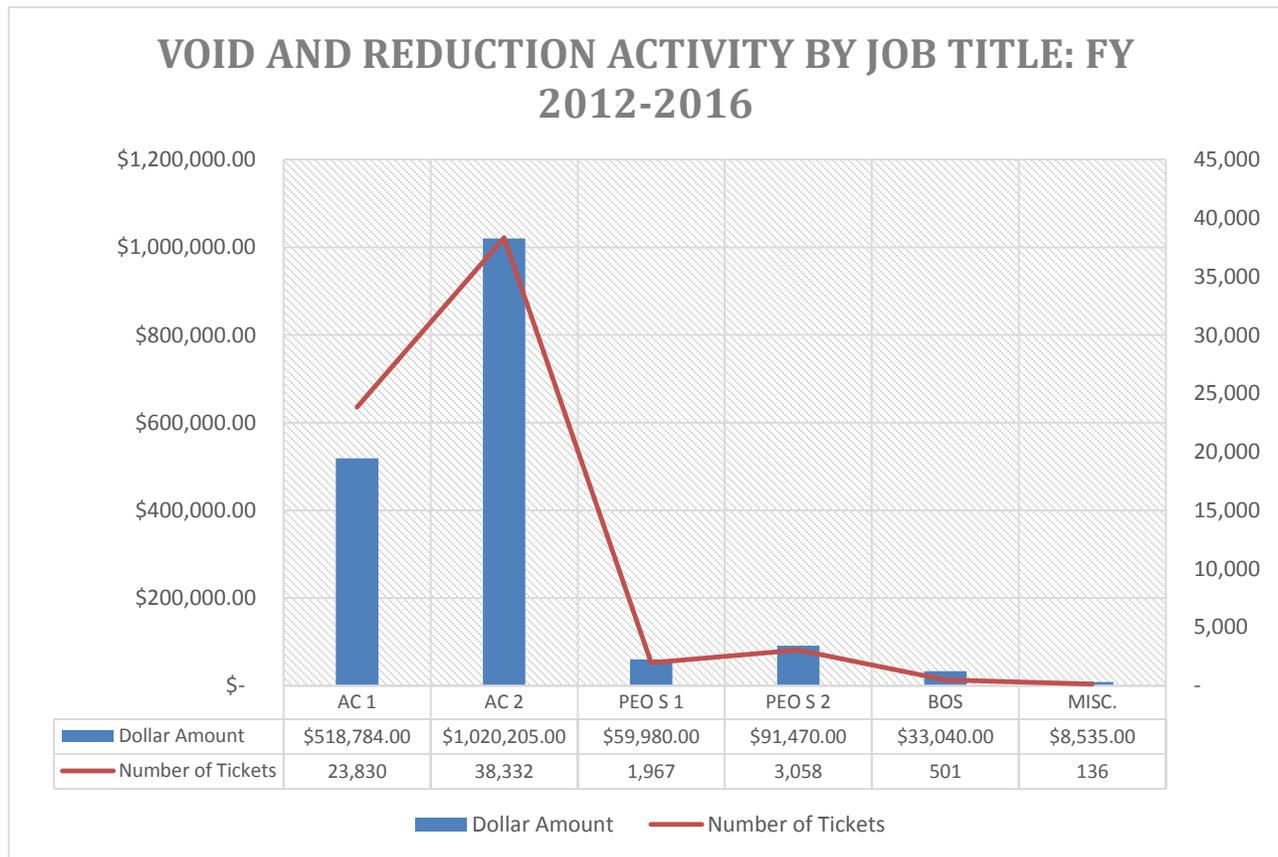


For further insight, we also looked at void and reduction activity by employee role. We observed that the Accounting Clerks processed 92% (62,162) of the total voids and reductions made over the last five years for a total of \$1,538,989. The balance of voids and reductions were processed by the two PEO supervisors at 5,025 tickets totaling \$151,450, and the Business Operations Supervisor at 501 tickets totaling \$33,040. In addition to these five employees, we noted an additional 134 tickets, totaling \$8,355, processed under four, other Complus log-on credentials. One set was associated with a past Parking Services Director that left Town service in early 2014, but whose credentials were used to process 77 voids and reductions totaling \$5,915 in FY 2015 and 2016. We also identified 37 voids and reductions, totaling \$1,600, processed under two, separate credentials with the title “Temporary User”. Another nine voids and reductions, totaling \$150, were processed by a

part-time administrative staff employee whose primary job responsibility was processing parking permits.

Basic IT control concepts include requiring management oversee which employees are allowed access to a system and whether the level of access granted is appropriate to each employee’s job function. These controls also call for restricting “generic” users whose log-on credentials are not traceable or identifiable to a specific person. Equally key, management must ensure a process is in place to immediately suspend, terminate or adjust employee access if they leave employment, are transferred to another department, or have a change in their responsibilities that becomes incompatible with their current system access.

CHART II:



While we identified the circumstances under which voids and reductions are permitted, we were unable to meaningfully associate which circumstance applied to the tickets adjusted. Records related to hearing officer decisions were fragmented and poorly maintained by Parking Services staff. Voids and reductions made in furtherance of customer service were impossible to isolate. Occasionally a note or comment explaining the adjustment was evident, but most often we were left guessing.

Adjustments made per specified policies – such as postmarks and meter discounts - were also difficult to determine. When we isolated a portion of meter violation tickets reduced manually by \$5 (presumably for the prompt-payment discount) we calculated intervals between ticket issue date

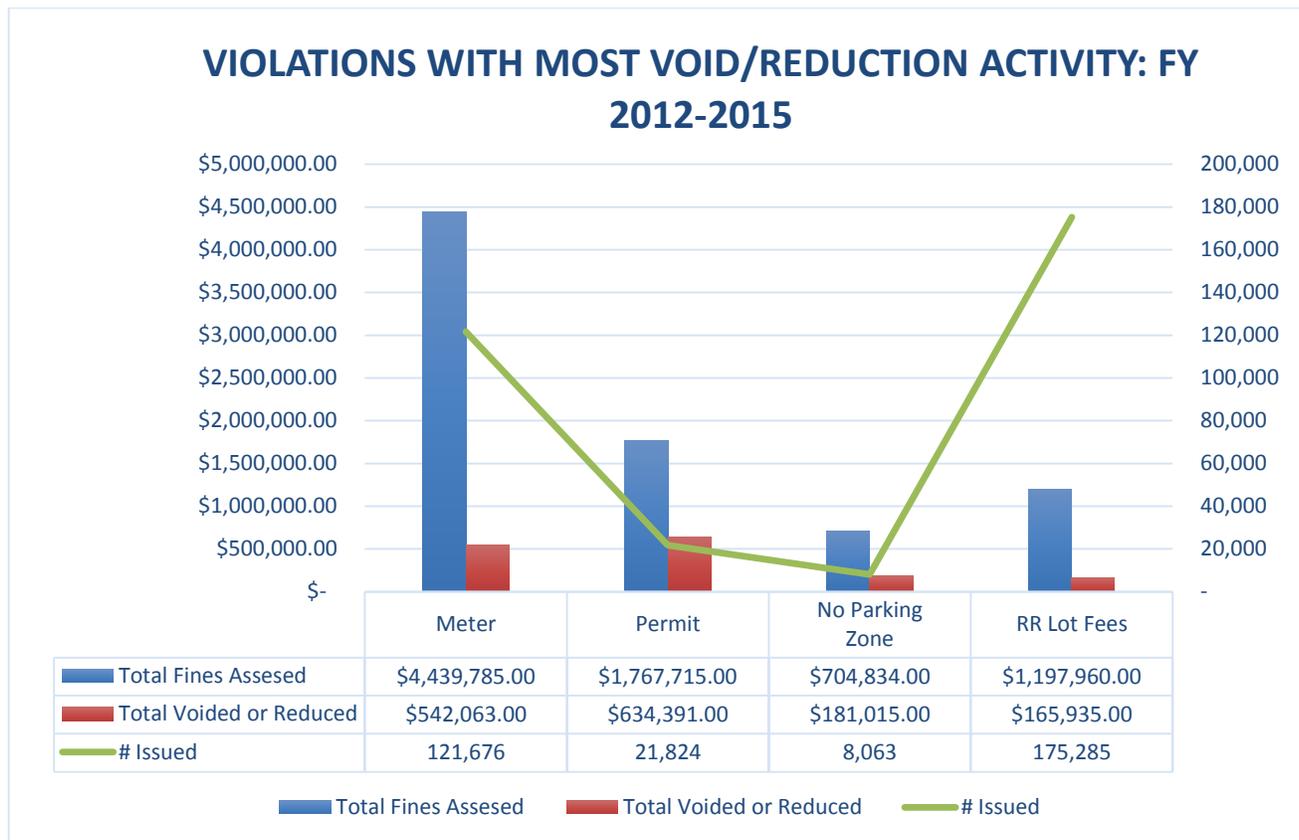
and ticket paid date that ranged anywhere between five to over 100 business days. Documentation justifying the breach of policy did not exist. Even once we identified and adjusted for a processing flaw inherent in the Complus system ³, the policy and its application still did not conform.

As to voiding permit violations based on policy there was no way to isolate the activity for analysis. We did calculate that tickets issued for permit violations had the highest void rate relative to other high-volume violations. Out of a total value of \$1,767,715 in permit violations assessed between FY 2012 and 2016, 36% of that amount (\$634,391) was manually voided or reduced from the receivable/violation records. Tickets issued for parking zone violations followed at 26%, commuter lot parking fees at 14%, and meter violations at 12% of dollars voided or reduced to total fines assessed.

Tickets voided by the PEO Supervisors also lacked supporting documentation and adequate descriptive comments. PEO procedures for reporting and documenting the tickets requiring manual adjustment by a PEO Supervisor do not exist. When we compared ticket issue date to ticket void date, we calculated intervals ranging from tickets printed and voided within one day to tickets outstanding over 100 days. We also identified multiple instances where with no explanation, PEO Supervisors voided tickets that they issued.

³ Meter violations carry a fine of \$25 if paid within 15 days. Increasing penalties are added if not paid after 15 days, and then 30 days. At some point, Parking Services and Complus apparently thought to further automate meter violation ticket processing and agreed to have every \$25 meter-violation ticket issued, uploaded to Complus at \$20 (net of discount). After 24 hours, Complus then automatically adds the remaining \$5, bringing the amount due to \$25 (discount not taken). The reason, to minimize the need to manually reduce the receivable by the discount, made sense. The problem is that Complus does not distinguish between next calendar day (24 hours) and next business day. Since the automation does not follow the policy, numerous manual adjustments are required for tickets issued on Fridays, Saturdays, or on the eve of a Town holiday but yet are paid on the next business day.

CHART III:



Management Recommendations:

11. Prohibit employees responsible for receiving and recording parking fine and parking fee payments from the ability to also change the amounts due by processing voids and fine reductions.
12. Regularly monitor the electronic activity in the electronic parking fine and fee records to ensure no one is using generic log-on credentials and that each user's level of data access is compatible with their job function(s).
13. Reduce the number of voids and reductions performed by employees by arranging to have the software vendor process them off-site.
14. Re-examine and adjust those Parking Services policies that are creating the need for processing so many voids and reductions.
15. Limit permission to edit and void fine and fee violations to the Business Operations Supervisor and the Director.

16. Institute Department policies and define employee procedures for processing and documenting voids and edits.
17. Reduce the number of voids and edits currently performed by employees by having the software vendor process.
18. Address the meter violation processing flaw with the vendor.

Management Response:

11. Management concurs. Recommendation implemented in phases effective March 3, 2017 and April 18, 2017. Full implementation achieved effective May 13, 2017.
12. Management agrees. Regular user activity monitoring effective December 1, 2016.
13. Management agrees. Coordinated efforts with vendor and achieved full implementation effective March 3, 2017.
14. Management agrees. Policy changes documented and effective April 3, 2017 on adjustments on tickets issued for meter violations and permit violations.
15. Management concurs. Phase in began March 3, 2017. Full implementation achieved May 13, 2017.
16. Management concurs. Documented and implemented effective March 3, 2017.
17. Management agrees. Negotiated new process with vendor effective April 3, 2017.
18. Management concurs. Vendor resolved processing flaw effective April 18, 2017.

III. Single-Space Parking Meter and Parking Lot Pay Station Collection and Reporting

Background:

The 2014 audit report concluded that the process for collecting coins from the Town's single space meters was physically unsecured and susceptible to employee defalcation. The report noted that there were no real and reasonable options available to secure the collection process, but risk could be mitigated if Parking Services used an automated feature on the meters that counted and recorded the coins accumulated in each meter since the last collection. This data could at least be used as a point of reconciliation between amounts collected and amounts deposited and discrepancies identified for further review. Management concurred with this recommendation in the 2014 audit report, but never implemented it. During the current audit we were told by the Meter Mechanics that the technology for collecting the data was temperamental and the process too time-consuming.

The 2014 audit report also made several recommendations that Parking Services' strengthen its controls over its coin deposit process, including that it not only deposit each days' quarters in total, but also other coin denominations collected be deposited, as per Town policy. Parking Services responded it had implemented the recommendation as of August 2014. Our current review revealed it was not being practiced. The 2014 audit report also recommended that the Department collect, record and deposit daily meter collections by district, as had been done in the past. The procedure, easy and inexpensive to implement, would enhance collections monitoring by management and provide useful feedback on meter collection operations and revenue. Management agreed with the recommendation in 2014, however our 2016 audit discovered the procedure also was never implemented.

Process: Coin Collection:

The Town's electronic, single space meters are manufactured and sold by JJ MacKay Canada Limited (MacKay) and were installed in 2006. Parking Services' two Meter Mechanics are responsible for collecting the meters. The Mechanics typically begin daily collections before dawn, Monday through Friday, returning to Town Hall at approximately 8:15 am. Each day's collection routes are pre-established on a schedule, but we were told the Meter Mechanics did not regularly adhere to it.

The Meter Mechanics collect coins from the Town's single space meters one at a time by unlocking its external housing, unlocking its internal coin receptacle, and having the contents fall freely and openly into large, collection canisters. Once a container nears capacity the mechanics secure the opening with a locking top, place it in the back of the Town's Meter Mechanic truck and continue collecting using a new canister.

The Town's electronic, multi-space parking lot pay stations, located in several of its lots are manufactured by LUKE and sold and supported by Integrated Technical Systems, Incorporated (ITS). The LUKE machines accept payment by coin, cash, or credit card. The LUKE meters offer more security and reporting features than single-space MacKay meters. To collect the cash, the Meter Mechanics unlock an external door, remove a locked storage device called a bill stacker, and replace it with an empty one. Coins are collected by unlocking a different external door and detaching a locked bag from underneath the machine's coin chute. The LUKE machines are capable of generating and printing activity reports including detailed summaries of all receipts since the last collection. Policy is to have the Meter Mechanics print this report and return it with the collections to Parking Services for later reconciliation to the day's deposit. We were told the policy had not been followed but as of October 2016 the Meter Mechanics had started printing the reports and bringing it back with the day's collection. We did not observe if the reconciliations were being performed.

Process: Coin Deposit:

Parking Services policy is to have daily coin collections counted and prepared for deposit by 10:30 am, and picked up by an armored car service for delivery to the bank. Canisters are unlocked in Parking Services by one of the two Accounting Clerks. An Accounting Clerk and a PEO Supervisor then empty the canisters into a high capacity, electronic coin counter that tallies the amounts and then empties the coins into a bank deposit bag. The process is done until the bank deposit bag reaches capacity. The machine count for that bag is recorded, the bag is sealed and a deposit slip is prepared. The process repeats until all of the day's coins have been counted. An Accounting Clerk will unlock the coin bags

and bill stackers collected from the pay-stations, manually count the contents, and prepare the deposit. No attempt to isolate and identify deposits by location is made. The coin counter only accepts and counts US quarters. Any other US coin denominations, foreign coins, or slugs included with the day's collection are accumulated in assorted, unsecured containers in the PEO Supervisor area and never deposited.

Observations and Conclusions:

The open coin collection process for the Town's single-space meters remains unsecure and presents a high risk for public theft and employee defalcation. We also observed that coins inserted into the Town's single-space meters frequently get stuck in the meter's internal mechanisms, rather than land squarely inside the coin receptacle as designed. The coins accumulate in the meter's "innards" for extended periods of time because of the time it takes Mechanics to manually fish them out for collection. Both conditions are the result of manufacturer engineering and design flaws. Single-space meters available today feature significant design and technology improvements. Now offered are "closed" coin collection systems prohibiting physical access to coins during the collection process. Automated activity and collection reporting has also been greatly improved. Some meters transmit real-time status and vault reports to remote locations via the internet.

We recognize the time and expense required to upgrade to new technology is not always feasible. When resource constraints exist generally accepted auditing standards require management establish strong, compensating controls to contain risk. The prior audit report noted that at that time, coins were being collected and accounted for on a district basis. The Accounting Clerks used spreadsheets and recorded daily collection activity and prepared the deposits by district. This practice served as a compensating control over monitoring collection amounts and activities and reporting more accurate revenues. We were told that not long after the issuance of the prior audit report, for no known reason, the practice stopped. We advise Parking Services begin planning and budgeting for upgrading and/or re-configuring the single-space meters now. Re-instating the prior practice of collecting and depositing coin revenue by district will also provide some level of control in the interim.

Our review of parking lot pay station collections noted that the coins from one of them were accumulated and collected inside a cardboard box instead of through the secured coin collection bag as designed. We were told the cardboard box was an improvisation due to the design of the pay station and its current installation beneath a shelter. If installed as directed, access to the station's coin collection door would be obstructed by the shelter. To get around it, the Meter Mechanics rotated the bottom portion of the station 180 degrees when they installed it so that the coin collection door was accessible. This modification caused the station's internal mechanisms to be misaligned so that the attachment for the collection bag was no longer located beneath the coin sorter. Rather than have coins fall freely into the base of the pay station a box was placed inside it for collection. The box, while not an ideal solution for many reasons, at least was able to accumulate some of the coins inserted in the pay station.

We discussed this situation with Integrated Technology Solutions (ITS), the pay-station's vendor and support provider. ITS confirmed that modifying the pay station's installation as such would result in an internal misalignment between the collection bag and coin sorter. ITS also told us that the particular pay station in question was no longer supported and no retro-fits were available. ITS

recommended the shelter either be removed or modified with an access panel so the door could open and the pay station be correctly installed. The Meter Mechanics reported that the pay station was removed from another lot and put into its current location in July 2016. We were also told that, due to similar installation issues in the prior lot, the same condition had existed there too, requiring a modified installation and use of a cardboard collection box. Although the amount of coins collected by the pay station at its current location is not significant, Town revenue should not be accumulated and collected in a cardboard box for any prolonged period of time.

The LUKE pay-stations, unlike the single-space meters, feature reliable automated financial reporting, easily printed at the pay-station by meter mechanics when a station is collected. We noted that this information is not always gathered and returned to the office to use in separating and reconciling daily coin deposits. While, the open canister system and unreliable electronics used by the single-space meters makes this practice more challenging and less exact, the pay-stations are perfectly suited to capture and report this information for reconciliation and financial reporting and activity tracking. As noted earlier, daily meter and pay station coin and cash deposits are currently co-mingled together and made en masse, without separately identifying each deposit by location and amount. While such a procedure may have been rationalized in the past as a means to expedite the deposit process, with the enhanced reporting and easy location identification of the pay-stations, there is no reason that its daily deposits cannot be distinguished, reconciled, and reported separately from the day's single-space meter collections.

Management Recommendations:

19. Develop a strategic plan to introduce secured collection processes and more reliable financial activity reporting. In the interim, work with the Finance Department to develop and implement the performance of marked quarter tests on the coin operated meters on a regular, randomly occurring basis.
20. Remove or modify the existing shelter that prohibits the proper installation of the parking lot pay station or use budget money allocated to FY 17 to upgrade older pay stations to newer and better designed pay stations with enhanced features.
21. Identify and deposit daily meter and pay station collections by location and reconcile and document receipt activity reported by the pay stations to its deposits.

Management Response:

19. Management concurs. Effective Fiscal Year 2015. Funding has been in place since FY 2015-16 as part of a five (5) year \$435,000 Capital Improvement Plan (CIP). Full implementation remains contingent upon future BET/RTM approval. Single space meter system upgrade funding to be requested in fiscal year(s) subsequent to 2019. Effective May, 15, 2017, management is coordinating efforts for the performance of "surprise" marked quarter tests with the Finance Department.
20. Management concurs. New machines were installed effective December 22, 2016.

21. Management agrees. Implemented March 3, 2017.

IV. Employment Policy Recommendation

As discussed throughout this report, a universal internal control principle governing the safeguarding of assets is the separation of incompatible employee duties. A parallel, or complementary principle, especially relevant to sizeable cash handling environments, is implementing a mandatory employee rotation policy. As it applies to fraud, if an employee is periodically assigned to perform different job duties, he or she will realize the risk of another employee discovering their fraud is much higher. For decades, banking regulators nationwide have published strong statements encouraging financial institutions to adopt effective employee rotation programs that are strictly monitored and enforced.

In addition to supplementing an organization's fraud prevention program, periodically assigning different duties to employees broadens their skill sets and strengthens an organization's workforce. Such cross-training allows for more seamless operations on days when a particular employee(s) is not present, and enables an organization to move workers through a variety of positions within departments or teams.

Management Recommendation:

22. Implement a policy requiring staff responsible for counting and recording cash revenue be periodically assigned to perform other revenue collection and processing activities within the Department.

Management Response:

22. Management agrees, Effective May 3, 2017, office staff began cross-training and will begin weekly rotation among office revenue processing and reporting activities starting June 1, 2017.

Addendum

Events Subsequent to the Date of this Report:

As a result of the serious control weaknesses identified in this report, the Town decided to further investigate cash revenue processing and reporting in the Parking Services Department. The investigation involved the Finance Department, the Police Department, and the Parking Services Director and spanned over four months.⁴ On April 17, 2017, a Parking Services Account Clerk was arrested on felony charges of larceny and forgery, and a misdemeanor count of making a false entry as a government agent. The employee confessed to these charges, and on April 21, 2017 resigned from his position with the Town. He was arraigned in Superior Court on April 24, 2017. On May 26, 2017 a plea of guilty was entered. A plea hearing is scheduled for June 30, 2017.

The Parking Services Director is now working with one of the Department's former directors (and current captain for the Greenwich Police) on overhauling the Department's structure, revamping its policies, and instituting internal controls. Once the changes are firmly in place and operating, Internal Audit will return to reassess its control environment and conduct a detailed, follow-up review.

Appendix

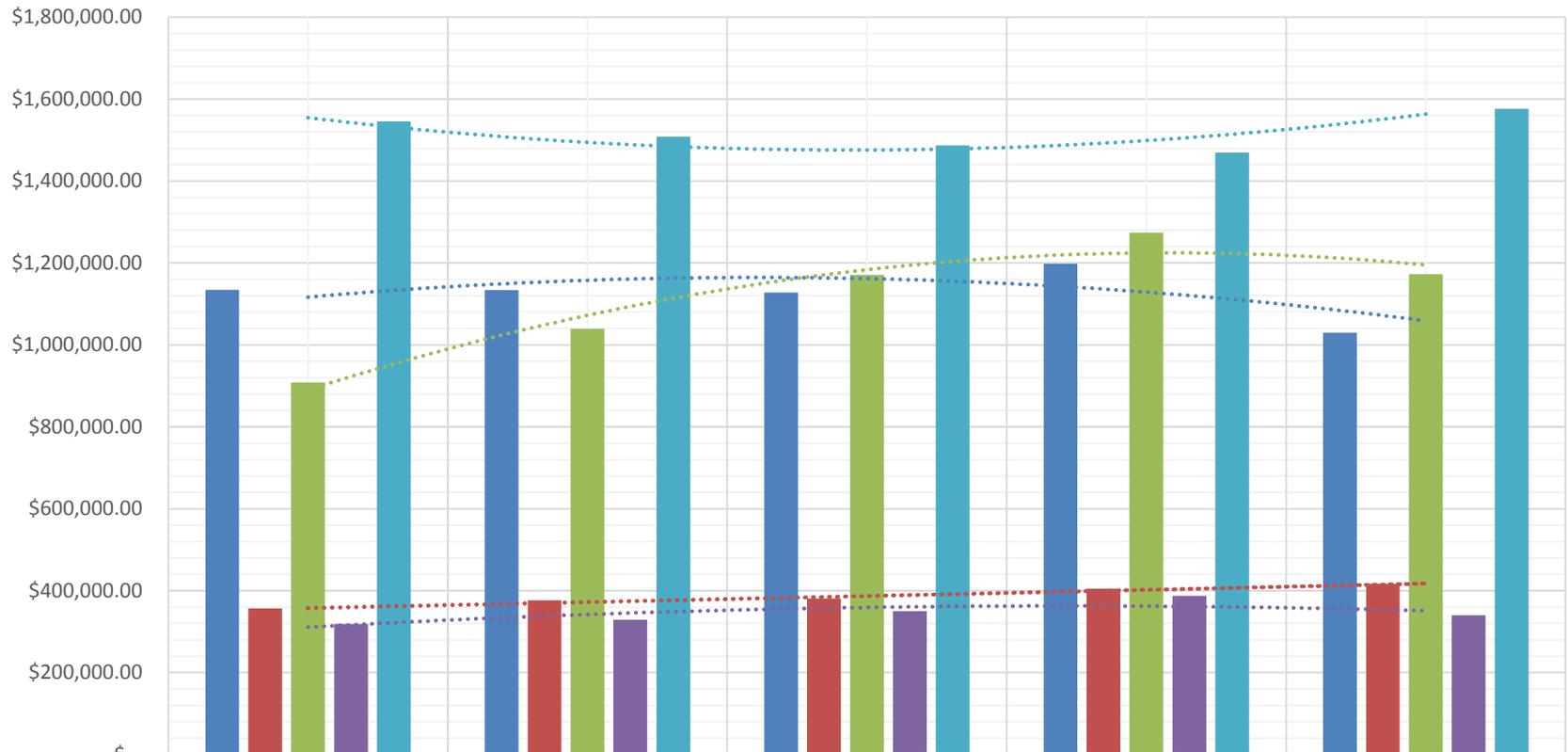
⁴ We want to note that due to the investigation and its nature, official implementation of several recommendations in this report required a delay in order for it to successfully continue. Control gaps were closed during this period by daily back-end reviews performed and documented by both the Director and by Internal Audit.

Five-Year Revenue Analyses:

Activity reported in Parking Services major revenue areas was collected and charted over a five-year period between FY 2012 through FY 2015. The major revenue areas considered are: permit sales, meter collections, parking fees, parking fines, and Smart Card sales.

Current management explained to us the reasons behind some of the more significant revenue fluctuations between FY 2015 and 2016. Permit revenue was down due to the temporary closure of the Old Greenwich rail road parking lot to accommodate construction activities. Smart Card revenue decreased due to the removing and replacing approximately 700 single space meters with multi-space pay machines not capable of accepting Smart Cards. Meter revenue also increased as a result of installing the multi-space pay machines. We were told industry standards measure a 20% increase in meter revenue for every multi-space pay station installed and replacing single-space meters. The reasons for other year-to-year variances are unknown.

Parking Services Revenue Activity By Source - FY 2012 - 2016



	FY 12	FY 13	FY 14	FY 15	FY 16
FINES	\$1,134,277.00	\$1,133,844	\$1,127,909	\$1,197,793	\$1,029,931
FEES	\$356,644.00	\$376,760.00	\$381,193.00	\$405,172.00	\$417,104.00
PERMITS	908,556.00	\$1,039,302.00	\$1,170,863.00	\$1,273,922.00	\$1,172,455.00
SMART CARDS	318,870.00	\$329,219.00	\$350,016.00	\$387,308.00	\$340,154.00
METERS	\$1,545,664.00	\$1,508,570.00	\$1,486,695.00	\$1,469,772.00	\$1,575,966.00

■ FINES ■ FEES ■ PERMITS ■ SMART CARDS ■ METERS
⋯ Poly. (FINES) ⋯ Poly. (FEES) ⋯ Poly. (PERMITS) ⋯ Poly. (SMART CARDS) ⋯ Poly. (METERS)