



ARLINGTON
VIRGINIA

Internal Audit Report - Contract Compliance Audit

Department of Environmental Services – Transportation
Division:

ABM Parking Services - Contract Agreement
No. 513-15LW

Report Date: August 4, 2020

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TRANSMITTAL LETTER

August 4, 2020

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Pursuant to the contract and related statement of work for Arlington County, Virginia (“the County”), we hereby present the contract compliance audit: Department of Environmental Services (“DES”): Transportation Division – ABM Parking Services (“ABM”) Contract Agreement No. 513-15LW. Our report is organized in the following sections:

Executive Summary	This section includes a background summary of the function, the objectives and approach, and a detailed description of the observation(s) noted during this audit. Identified with each observation is the recommended action(s), and management’s corrective action plan, including the responsible party and estimated completion date.
Background	This section provides an overview of the function within the process and pertinent operational control points and related compliance requirements.
Objectives and Approach	The audit objectives and focus are expanded upon in this section as well as a review of the various phases of our approach.
Process Maps	This section illustrates process maps, which depict data flow, key control points and any identified gaps.

As described in our objectives and procedures outlined on pages 16 and 17 of this report, the observations noted are based on our analysis of the processes, documents, records and information provided to us by the County. This contract compliance audit focused on evaluating the soundness of internal control policies to safeguard assets and on reviewing compliance with County policies. We offer no assurances that schemes or fraudulent activities have not been, or are not currently being perpetrated by any person within the areas reviewed.

We would like to thank the staff and all those involved in assisting RSM US LLP with this contract compliance audit.

Respectfully Submitted,

RSM US LLP

RSM US LLP

EXECUTIVE SUMMARY

Background

Contract compliance monitoring is an integral piece of the County’s control environment. Contract compliance encompasses all contractual agreements entered into by the County. Although certain aspects of the purchasing function are centralized within the Department of Management and Finance (“DMF”), and vendor selection is performed in conjunction with Purchasing (for purchases greater than \$5,000), some of the high risk areas like contract compliance and monitoring are the responsibility of the individual departments / divisions / bureaus.

Effective January 1, 2017, the County implemented a *Contract Administration Policy* for all contracts, regardless of their procurement methodology or dollar value. The purpose was to define and implement a standard policy and process for the administration of contracts and define roles and responsibilities for County personnel that monitor and manage contractual relationships.

The ABM Parking Services (“ABM”) contract that was selected for this contract compliance audit is primarily managed by the Project Officer in the Department of Environmental Services (“DES”) – Transportation Division. Contract Agreement No. 513-15LW is a professional services contract to manage the garages operated by the County at Ballston and Arlington Mill sites. The Barcroft parking garage was also included in the original contract agreement, but is no longer managed by ABM, as the County does not collect fees at this location and is being managed internally. Contract Agreement No.513-15LW went into effect on October 5, 2015.

As of fiscal year-end 2019, the County has reported \$14.6M in revenue and \$7.2M in expenses related to the applicable parking garages. Operations included 21 collection points, with the Ballston garage accounting for the majority of revenue (~99.5%). The Ballston Garage has eight (8) exit lane pay stations and nine (9) stand-alone automated pay stations for a total of seventeen (17) collection points. There are two (2) cashiers at each of the two exits (2) that accept cash.

Overall Summary / Highlights

The observations identified during our assessment are detailed within the pages that follow. We have assigned relative risk or value factors to each observation identified. Risk ratings are the evaluation of the severity of the concern and the potential impact on the operations of each item. There are many areas of risk to consider in determining the relative risk rating of an observation, including financial, operational, and/or compliance, as well as public perception or ‘brand’ risk.

Objective and Scope

The scope of this contract compliance audit encompassed one (1) contract from the Department of Environmental Services – Transportation Division: Agreement No. 513-15LW with ABM Parking Services. The objective of this internal audit was to assess whether the system of internal controls is adequate and appropriate, for effective contract compliance, with selected provisions of the selected contract as it relates to payment, cash handling, and identified contract terms.

Sixteen monthly financial packages, including invoices and revenue reporting were submitted for payment during the audit period of July 1, 2018 to October 31, 2019.

We selected three months (July 2018, June 2019, and October 2019) of financial packages for detailed invoice and revenue review testing. Along with the detailed invoice and revenue review testing, we performed detailed testing of special clauses and contractual obligations.

As part of the testing related to cashier appropriation of assets and relevant funds handling, we selected 25 days of transactions at the Ballston Parking Garage levels 1-7 for detailed testing.

Lastly, we performed in-person on-site visits to the Ballston parking garage as customers to inspect the cash handling process.

Number of Observations by Risk Rating

(See page 19 for rating definitions)

	High	Moderate	Low
Contract Compliance Audit: DES – ABM Parking Services	-	3	3

Fieldwork was performed February 2019 through June 2019.

We would like to thank all Arlington County team members who assisted us throughout this internal audit.

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	1. ABM Funds Handling
<p>Moderate</p>	<p>Per agreement 513-15LW, between the County and ABM, “Garage revenue shall mean all funds and proceeds derived from the operation of the garages collected by the Contractor including, without limitation, amounts paid for monthly, daily, hourly, and valet parking. All Garage revenue shall be deposited by the Contractor daily in a Depository Account in the name of the County with a bank selected by the County. All funds in the Depository Account shall at all times be the exclusive property of the County and shall not be commingled with any funds of the Contractor. The Contractor shall be responsible to the County for any loss of funds and proceeds derived from the operation of the garages and for the dishonesty or any act or omission of the Contractor, its subcontractors, agents or employees. The Contractor shall submit a report daily of revenues collected and deposits of revenues to staff designated by the County. A scanned copy of the report attached to an e-mail is required.”</p> <p>Besides the excerpt above, the agreement does not detail any specific controls or procedures that ABM must follow related to the funds handling. During our audit, we gained an understanding of the current process surrounding the collection, handling, and depositing of funds. As part of testing, we selected 25 days during the testing period to review the funds handling process performed by ABM. We identified the following:</p> <ul style="list-style-type: none"> • One (1) lane, which is used in a limited capacity for collections, includes a point-of-sale system (Amano) which is not configured to report transactions to the reporting tool (McGann). According to ABM, this lane is only utilized for collections for four (4) hours on Friday evenings (during high-volume) and as-needed based on unanticipated events. Cash handling controls are in place, but the overall collection reports produced by the McGann system do not include applicable transactions for this lane. Therefore, as part of daily collection reconciliation, collections from this lane are manually added to the overall collection report. ABM is aware of the issue, but due to high cost estimates to amend the issue and the limited impact on operations, they have not taken action. • Five (5) instances in which no evidence of the review and approval of daily reconciliation was captured. Each day, a reconciliation is prepared by a designated Clerk, and then reviewed by the Facilities Manager to identify any variances between funds received and funds recorded by ABM’s point of sale system. The Facilities Manager signs off on the reconciliation to evidence review and approval. • One (1) instance in which a deposit occurred more than one day after funds were received. The funds were deposited three (3) days after receipt. <p>Without adequate controls surrounding funds handling, the vendor and the County subsequently, is at risk of misappropriation of funds.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • Facilities Manager should review and approve each of the applicable reconciliations and journal entries and provide evidence of such review via signature or electronically. • All cash should be deposited on a daily basis, as outlined in the Agreement. If funds are unable to be deposited daily, ABM should provide a documented explanation to DES and the County Treasurer’s Department on the same day, if possible. • The Project Officer should determine if system configurations should be made to enable use of the point-of-sale system to record cash transactions at the limited use lane. If the cost to configure the system is too great, the Project Officer should consider discontinuing the use of the lane for cash collections.

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	1. ABM Funds Handling
<p>Management's Action Plan</p>	<p>Response: The Project Officer will remind ABM that the Facilities Manager is to ensure that all internal ABM controls are followed, and that he or she must sign a reconciliation between the funds received and the funds recorded by the Amano/McGann system each day. The Project Officer will remind ABM that they must make revenue deposits at the County's bank within 24 hours and if unable they should submit to the Treasury and DES an explanation as to why the deposit was delayed. The project officer will monitor this activity by performing periodic verifications to ensure ABM is executing the necessary controls. The project officer will document this monitoring effort.</p> <p>DES will request a price quote for installing the hardware and software necessary to connect the Amano point-of-sale system installed at the exit lane that ABM uses during times of peak volume with the McGann reporting tool. This will allow cash transactions at this lane to be recorded in the McGann system automatically. If installing this system is not cost effective, DES will direct ABM to designate this lane as "credit card only" when it is in use.</p> <p>Responsible Party: DES Department of Transportation Project Officer</p> <p>Target Date: Complete</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	2. Background Checks
<p>Moderate</p>	<p>Per agreement 513-15LW, between the County and ABM, “The Contractor shall perform background checks on all their employees and provide results to County before any employee is allowed to be on the premises at any garage. The Contractor has all responsibility for any cash handling issues, thefts or frauds done by one of its employees, agents or subcontractors.”</p> <p>We selected a sample of ABM employees who work at the Ballston Parking Garage, but were unable to obtain any background checks. ABM no longer utilizes the vendor who had previously performed background checks on their employees, so they were unable to access those background checks digitally to provide evidence. Additionally, due to COVID-19 restrictions, ABM was unable to access an off-site storage facility to obtain hard copies of the employee background checks. At the time of this report, we have not received any background checks for employees at ABM.</p> <p>Lastly, the DES Project Officer has not required ABM to provide copies of background checks for any parking garage employees. If ABM performs background checks on all employees upon hire, copies of background check results should be obtained and retained by the County.</p> <p>Without enforcing background checks for all contracted employees, the County is at greater risk of misappropriation of funds and reputational damage.</p>
<p>Recommendation</p>	<p>The DES Project Officer should require ABM to provide background checks of all parking garage employees once ABM is able to retrieve hard copies. In instances where employees at ABM working at an Arlington County garage do not have a current background check, the Project Officer should require ABM to perform those background checks and provide copies of the results to the County. The Project Officer should review the results of background checks to validate that no issues were identified and retain such records.</p>
<p>Management’s Action Plan</p>	<p>Response: The Project Officer will ask ABM to provide background checks of all parking garage employees as soon as possible, once ABM is able to retrieve hard copies from off-site document storage. The Project Officer will remind ABM to provide the background checks for any new employee hired by ABM. We will review the results of the background checks to ensure there are no issues identified. In addition, every six months we will verify background checks have been received for a sample of employees identified on time sheets.</p> <p>Responsible Party: DES DOT Project Officer</p> <p>Target Date: Obtain background checks from ABM and complete review: February 28,2021 Commence Review of Sampling of Background Checks: January 31, 2021</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	3. ABM Record Retention
<p>Moderate</p>	<p>Per agreement 513-15LW, between the County and ABM, "The Contractor shall retain for safekeeping for at least five (5) years from the date of their delivery all documents delivered to the County; provided, however, that parking tickets may be held for such shorter time as the County determines and approves in writing; and provided further that the County shall have the right to take possession of all original documents retained by the Contractor upon thirty (30) calendar days' written notice."</p> <p>Per inquiry, it was noted that ABM currently retains documentation for three (3) years before disposal not five (5) years as required by agreement 513-15LW.</p> <p>Additionally, based on data requests during fieldwork, it was determined that ABM's system of record was not able to provide reports to reflect five (5) years of data. As a result of this audit, ABM has worked with their system vendor to update parameters to enable access to five (5) years of applicable data.</p> <p>Without adequate document retention, the County faces various legal and financial risks since critical information may not be available for review. A clear documentation trail to support County and contractor activities enables historical analysis, transparency, and an audit trail among other benefits.</p>
<p>Recommendation</p>	<p>The County should require ABM to retain applicable documentation for five (5) years as contractually obligated. If the County determines that three (3) year document retention is satisfactory, the applicable contract should be amended.</p>
<p>Management's Action Plan</p>	<p>Response: We will reiterate verbally and in writing the contract requirement to ABM that they must retain documentation related to this contract for 5 years and going forward that is our expectation.</p> <p>Responsible Party: DES DOT Project Officer</p> <p>Target Date: Complete</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations

Observation	4. Revenue Reporting Oversight
<p style="text-align: center;">Low</p>	<p>A comprehensive revenue review process is in place which was validated as part of our approach—reference pages 14 and 15 for details. Each month, ABM provides a reporting package to the DES Project Officer which includes revenues, expenses, invoices, and other various information as contractually required. The Project Officer reviews the reporting package against applicable support and prior performance (trend analysis). The County’s Treasury Department (“Treasury”) facilitates weekly processes related to deposits and bookkeeping of revenue collected from the parking garages. Monthly, as part of the bank reconciliation process, Treasury performs a review of an ABM generated revenue report against the County’s bank statements.</p> <p>As part of our fieldwork, we attempted to reconcile reported revenue and system data. We obtained [1] daily McGann (ABM financial system of record) transaction summary report for each collection point in the Ballston garage for the month of October 2019. We compared the daily transaction summaries to the [2] monthly reporting package received by the DES Project Officer, as well as to the [3] revenue report ABM provides to Treasury. This reconciliation is not currently completed by the County or ABM. Each of the three reports included different revenue amounts related to daily* parking revenue:</p> <ol style="list-style-type: none"> 1. McGann daily transaction summaries – \$214,089 2. Monthly reporting package – \$203,843 3. Revenue report to Treasury – \$212,705 <p><i>*Note: this does not include revenue from monthly parking customers which is reported separately (see below).</i></p> <p>Additionally, we noted that the reported revenue from monthly parking customers also differed between the monthly reporting package and the revenue report to Treasury:</p> <ol style="list-style-type: none"> 1. Monthly reporting package - \$177,262 2. Revenue report to Treasury - \$181,131 <p>Treasury’s journal entries for related revenue matched the corresponding bank statements, which was evidenced as part of monthly bank reconciliations. However, ABM was not able to determine the reasons for the variances between reported revenues. Most likely, the reason for the variances is due to timing since the operations continue 24 hours a day, but we did not have the vendor system access or data to identify the root cause.</p> <p>In order to complete their monthly bank reconciliation, Treasury requires ABM to provide an additional report which includes daily credit card totals after settlement. Treasury does not have access to the system which would allow for validation of settlements independent of ABM.</p> <p>Inconsistency between data may be caused by potential issues and/or irregularities which could result in a misstatement of revenue.</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	4. Revenue Reporting Oversight - continued
Recommendation	We recommend the following: <ul style="list-style-type: none"> • The DES Project Officer should work with ABM to identify the root cause for the differences between the three referenced reports. Once causes are identified, applicable adjustments should be made to support accurate revenue reporting. • Periodically, the County should review ad hoc reports of daily transactions from ABM's McGann system of record to validate the accuracy of reported revenue. Identified discrepancies should be documented and explained. • ABM should provide Treasury with access to credit card activity reports to enable greater transparency and efficiency to resolve credit card related variances as part of bank reconciliations.
Management's Action Plan	<p>Response: We agree with the recommendations. The Project Officer and the Management and Budget Specialist that support this program will work with ABM to identify the root cause for the differences between the three referenced reports. Once causes are identified, we will request applicable adjustments are made to support accurate revenue reporting. We will determine the feasibility of requiring ABM to submit this reconciliation monthly.</p> <p>The Project Officer will work with ABM to ensure that ABM provides Treasury with access to credit card activity reports to enable greater transparency and efficiency to resolve credit card related variances as part of bank reconciliations.</p> <p>Responsible Party: DES DOT Project Officer & Management and Budget Specialist</p> <p>Target Date: March 31, 2021</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	5. Invoice Review, Approval, and Payment
<p style="text-align: center;">Low</p>	<p>Per agreement 513-15LW, between the County and ABM, “Payment will be made by the County to the Contractor within twenty (20) days after receipt by the County Project Officer of the monthly statement described in Attachment A. The Project Officer will either approve the statement or require corrections.”</p> <p>Each monthly financial package provided by ABM consists of all expenses and revenues, listed by each garage, including the 8th floor of the Ballston parking garage. The Project Officer reviews the invoices in the financial package to verify accuracy, expense coding, supporting documentation, subcontractor invoices, budget vs. actual, and other required reporting items. Project Officer approval of invoices is evidenced by signature on the invoice and then uploaded within the County’s financial system of record (PRISM). Payments are initiated in PRISM after invoices have completed the review and approval process.</p> <p>As part of fieldwork, we obtained the monthly financial package for three (3) months: July 2018, June 2019, and October 2019. We identified the following:</p> <ul style="list-style-type: none"> • One (1) of the three (3) invoices related to levels 1-7 of the Ballston Parking Garage (the largest contributor of expenses) did not include signature to evidence the Project Officer’s review and approval. The corresponding invoices related to Arlington Mill and the 8th level of the Ballston Parking Garage both were approved as evidenced by signature. • Two (2) of the three (3) invoices tested were paid outside of the twenty day period required, ranging from 52 to 106 days after invoice reception. <ul style="list-style-type: none"> ○ One of the late payments was due to an invoice correction requested by the Contract Officer as allowed by the contract; and ○ One of the late payments was due to a system issue (PRISM) which required resolution prior to distribution. <p>Lack of evidence of invoice approval and untimely payments increases the County’s risk of misappropriation, reputational damage and legal actions related to the ABM Contract.</p>
<p>Recommendation</p>	<p>We recommend the following:</p> <ul style="list-style-type: none"> • A reemphasis on the invoice review and payment process be provided to the Project Officer. A reemphasis can be achieved through the circulation of this report, as well as, additional trainings. • The County should make payments to ABM within the twenty day window, as outlined in the Agreement. If the twenty day timeframe does not allow for appropriate County review, then a contract amendment should be processed to update the required payment timeframe.

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

	5. Invoice Review, Approval, and Payment
<p>Management's Action Plan</p>	<p>Response: The Division of Transportation (DOT) Contracts Team became aware approximately 10 months ago that only the Budget Analyst was signing off on ABM invoices and we immediately corrected this issue. Since September 2019, invoices have been processed through the DOT invoice approval process in SharePoint that for this contract requires four approvals: 1) the Project Officer, 2) the Contract Specialist 3) the Budget Analyst and 4) the Budget Technician. In October of 2019, and because we realized there were isolated examples of invoices not going through this required process, the DOT contract administrator sent out a DOT wide communication reminding everyone of the DOT invoice policy that required three or four approvals (depending on the Bureau). In addition, all DES staff involved in the invoice review and approval process attended County-wide invoice approval training sponsored by DMF in August 2020.</p> <p>Finally, DES believes the 20 days referenced in the contract to process an invoice is not realistic given our four-way invoice approval and review process and we will work with ABM and Purchasing to potentially modify the contract. However, and as noted above, the two outlier examples provided we believe were anomalies. One invoice was not approved because it did not match the proforma budget provided by ABM and required by the contract. It took a number of days to have this corrected by ABM. We believe it was appropriate to hold payment while this was resolved with the contractor, and further demonstrates the detailed review these invoices undergo. The other invoice encountered a technical PRISM system issue that delayed payment that was outside our control. A ticket had to be opened with the DTS help desk. DES will hold discussions with ABM on potentially modifying the contract to increase the number of days the County has to process and pay each invoice.</p> <p>Responsible Party: DES DOT Contracts Administrator and Project Officer</p> <p>Target Date: Complete</p>

EXECUTIVE SUMMARY (CONTINUED)

Detailed Observations (continued)

Observation	6. ABM Security Cameras
<p>Low</p>	<p>Cameras are utilized for security purposes throughout the Ballston Parking Garage, including at the entrance and exit lanes where cashiers collect payments.</p> <p>While the current camera placement captures the transaction, there are no cameras inside the kiosk to capture funds being handled by the cashier. If funds are mishandled, whether by accident or intentionally, there is no video record to reference for greater clarity.</p> <p>Security cameras serve as a deterrent to impropriety and enhance management’s ability to monitor cash collection and handling activities. Failure to enhance controls around the safeguarding of cash, may result in theft or loss of County funds.</p>
<p>Recommendation</p>	<p>We recommend that the department evaluate the cost and feasibility of installing security cameras to monitor additional areas where cash is collected and handled, such as the cashier kiosk. Cameras should be able to capture the reception of cash, the deposit of cash in the register, and the deliverance of cash if change is given to the customer. The recommended camera adjustments will allow identified variances or events to be investigated by ABM. The following benefits of security cameras should be considered in this evaluation:</p> <ul style="list-style-type: none"> • Deterrence of theft at the kiosk; • Deterrence of contractor skimming or other misappropriation; and • Enhanced protection against outside theft.
<p>Management’s Action Plan</p>	<p>Response: DES will investigate the cost of installing security cameras inside the eight cashier kiosks in the Ballston Garage. Based on a January 2018 proposal from the company that installed the garage’s camera system, the one-time cost of adding cameras to the eight cashier kiosks would be approximately \$13,300. These eight cameras would also add \$1,600 in yearly operating expenses. Given the proposal’s age, DES will ask ABM to request a new quote before considering the cost/benefit of installing additional cameras and based on that information make a decision whether to install cameras inside the cashier kiosks.</p> <p>Responsible Party: DES DOT Project Officer</p> <p>Target Date: February 28,2021 for receiving a quote, and March 31, 2021 for deciding whether to install the additional cameras. Installation will occur at a date to be determined if the installation is determined to be feasible and recommended.</p>

BACKGROUND, OBJECTIVES AND APPROACH

Background

Overview

Contract compliance encompasses all contractual agreements entered into by the County. Although certain aspects of the purchasing function are centralized within the Department of Management and Finance (“DMF”), and vendor selection is performed in conjunction with Purchasing, some of the high-risk areas like contract administration, compliance and monitoring are the responsibility of the individual departments / divisions / bureaus. These monitoring responsibilities specifically include:

- Understanding the scope of work and terms and conditions of the contract;
- Management of contract billings to avoid cost overruns;
- Validation of complete and satisfactory performance of work through physical walkthroughs and site visits, when appropriate;
- Ensuring timely performance of contracted work;
- Providing updates to the Department Director, Division Chief and Department of Management and Finance related to progress and budget, as necessary;
- Maintaining appropriate documentation, in compliance with the County level document retention policy and respective contract; and
- Review and approval of invoices for payment to the Contractor in line with the payment terms and conditions outlined in the agreement.

Effective January 1, 2017, the County Implemented a *Contract Administration Policy* for all contracts, regardless of their procurement methodology or dollar value. The purpose was to define and implement a standard policy and process for the administration of contracts and define roles and responsibilities for County personnel that monitor and manage contractual relationships. Specifically, the policy establishes Project Officer and Task Officer Responsibilities, defines internal controls surrounding contract payment, quality assurance and recordkeeping, and outlines all applicable regulations to which the contract administration process must adhere.

ABM Parking Services

The ABM contract that was selected for this contract compliance audit is primarily managed by a Project Officer in the Transportation Division. Contract Agreement No. 513-15LW is a services contract to manage the garages operated by the County at Ballston and Arlington Mill sites. This includes hiring and managing subcontractors related to operating the parking garages (i.e. security services, janitorial services, etc.). The contract was originally signed into effect on October 5, 2015. There have been six amendments related to this contract, which included amending language in the original agreement, removing the Thomas Building Garage, and exercising option years.

Agreement No. 513-15LW					
Contractor	Contract Title	Fiscal Year	Revenues	Expenses (including Management Fee)	County Division
ABM	Arlington County Agreement 513-15LW	2016	\$2,747,679	\$1,302,972	Transportation
		2017	\$3,568,557	\$2,065,934	
		2018	\$3,668,285	\$1,931,325	
		2019	\$4,636,085	\$1,943,738	

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Background and Garage Operations

ABM Parking Services is a division within the ABM Industries Corporation. ABM is an international facilities management provider, headquartered in the state of New York. They employ ~140K individuals, provide services in fifteen different industries, including parking services, and earned revenue of ~\$6.4B in 2019. ABM provides parking services to over 200 locations in the United States.

ABM utilizes three systems as part of their operations:

1. Amano – Point-of-Sale system utilized for collection processes;
2. McGann – Reporting tool that allows reports to be generated based on Amano transactional data; and
3. JDE – ABM proprietary financial system.

ABM is responsible for the day to day operations, management, and maintenance of the Ballston and Arlington Mill parking garages. This includes staffing the garages with employees, collecting and depositing revenues, hiring subcontractors for security and maintenance, etc. The Project Officer in the Transportation Division is in charge of the monitoring and compliance ABM's management of the Ballston and Arlington Mill parking garages.

Annual Budget and Expenses of Operations

On an annual basis, ABM is required to submit a proposed budget for each parking garage for the County's upcoming fiscal year. The proposed budgets are based on prior year expenses of operations, as well as projected maintenance and capital projects related to the garages. The Project Officer, Transportation Division, DES, and DMF all play roles in budget approval. Once approved, the adopted budgets are uploaded to PRISM.

Each month, the DES Management & Budget Analyst performs a budget vs actual analysis to track whether the monthly expenses are aligned with the annual budget. If expenses are trending higher than the adopted budget, the Project Officer will request an expense estimate for the remainder of the year from ABM. Unexpected maintenance may lead to instances of higher expenses than budgeted. In these instances, the applicable maintenance and repair expenses are reviewed and approved by the Project Officer.

All costs incurred by ABM to manage the garages are repaid by the County. These costs are called expenses of operations and are included in the annual budgets, for each garage. These costs include payroll expenses, materials and supplies, phone and internet bills, security services, maintenance, janitorial services, etc. ABM provides a monthly reporting package through ABM's online portal, that includes all expenses and revenues for each garage, as well as supporting documentation (i.e. payroll details and subcontractor invoices). The Project Officer reviews the expenses against the supporting documentation to verify reasonableness, that expenses are coded properly, etc. Once reviewed, the invoice is sent to the DES Budget Specialist and the DES Contract Specialist, who performs a second and third review before sending to Accounts Payable for payment processing.

ABM uses a variety of subcontractors for functions like security, janitorial services, and maintenance. While the County contract team provides input for selecting vendors for capital projects related to the garages, selecting contractors for operational services is typically facilitated by ABM.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Parking Garage Rates

The Ballston and Arlington Mill parking garages earn revenue through daily guests parking at hourly rates. The garages also earn revenue from monthly parking permits. Below are the daily rates for each garage:

Ballston Parking Garage	
Up to 3 hours	\$1
3 – 4 hours	\$3
4 – 5 hours	\$5
5 – 6 hours	\$6
6 – 7 hours	\$7
7 – 8 hours	\$8
Maximum rate	\$10
Lost parking ticket	\$10

Arlington Mill Parking Garage	
Up to 4 hours	Free
4 – 5 hours	\$3
5 – 6 hours	\$6
Each additional hour	\$2
Maximum rate	\$22
Lost parking ticket	\$22 per day

A monthly parking permit at the Ballston Garage costs \$105 per month for Monday – Friday access and \$145 a month for 7-day access. An Arlington Mill monthly parking permit costs \$30 per month for 7 day access.

Cash Handling and Revenue Review

Cash Handling Process

Customers can pay their parking fee by using one of the automated pay stations or at an exit lane. The Ballston Garage includes seventeen (17) collection points including, eight (8) exit lane pay stations and nine (9) stand-alone automated pay stations located near elevators on various levels. There are two (2) cashiers at each of the two exits (2) that accept cash. All cash collected throughout a cashier’s shift is counted, verified by a Supervisor, reconciled to a report generated by the McGann reporting tool, and placed in a secured safe. All discrepancies identified through the review process are investigated to resolution and documented as necessary. At the end of each day, all cash reconciliations are reviewed by ABM’s Facilities Manager. The cash collected is deposited into the bank on the next day. Refer to Appendix A for a detailed process map of the cash handling process performed by ABM.

Arlington Mill has two stand-alone automated pay stations, and two automated pay stations at exit lanes. Payments at Arlington Mill are by credit card only, as there are no cashiers on-site to accept cash.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Background (continued)

Revenue Review Process

Each week, the County Treasury Department receives a bank statement, credit card settlements, and a spreadsheet from ABM detailing all cash received and deposited during the week. Weekly a comparison of bank statements to parking activity reported by ABM is completed by the County's Treasurer's Office. At the end of the month, the County Treasurer's Office completes a bank reconciliation by utilizing ABM's online portal to generate a report of all activity for the month in conjunction with the weekly activity reviews, bank statements, and deposit-in-transit statements. Each bank reconciliation is prepared by one individual and approved by two separate individuals including the County's Assistant Deputy Treasurer. Once the bank reconciliation is complete and approved, two journal entries are submitted to record revenue for the Ballston and Arlington Mill parking garages.

The DES Project Officer also receives a summary of revenue weekly with applicable support. The summary and support are reviewed and inquiry takes place for any discrepancies or questions identified. Revenue is tracked month-over-month and year-over-year to enable trend analysis.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach

Objectives

Contract compliance encompasses all contractual agreements for the purchase of goods and services including, but not limited to, vendor agreements. The objective of this contract compliance audit was to assess whether the system of internal controls is adequate and appropriate, for effective contract compliance, with selected provisions of the selected contract as it relates to payment, cash handling, and identified contract terms.

The scope of this internal audit encompassed one (1) contract with ABM Parking Services (Agreement No. 513-15LW). The audit period was July 1, 2018 to October 31, 2019.

Sixteen monthly financial packages, including invoices and revenue reporting were submitted for payment during the audit period of July 1, 2018 to October 31, 2019. We selected three months (July 2018, June 2019, and October 2019) of financial packages for detailed testing. Additionally, we reviewed the documentation corresponding to the contractual requirements related to each of the contract phases. Note: Thomas Building Garage located at 2020 North Fourteenth St was not included in our review since it was removed as part of Contract Modification #5 (effective November 15, 2019) as well as the applicable controls and revenue.

Approach

Our approach to the audit execution consisted of the following phases:

Understanding and Documentation of the Process

The first phase of this audit consisted primarily of inquiry and walkthroughs, in an effort to obtain understanding of the key personnel, risks, processes, and control relevant to the objectives outlined above. The following was performed as a part of this phase:

- Conducted interviews with the appropriate representatives to discuss the scope and objectives of the audit work, obtain preliminary data, and establish working arrangements;
- Conducted interviews with key personnel to obtain a detailed understanding of the contract compliance process(es), specifically
 - Contract monitoring
 - Vendor reporting (audited financials, expense and budget, revenue, collection) and review
 - Off system / complimentary parking
 - Vendor system and organization controls results and review
- Documented flowcharts of the process(es);
- Reviewed the applicable policies and procedures and agreements related to this project;
- Performed walkthrough to gain an understanding of the function and assess the design of internal controls; and
- Developed a risk-based work plan for the evaluation of the design and operating effectiveness of processes and controls, based on the information obtained through our review, inquiry and walkthrough procedures.

Evaluation of the Process and Controls Design and Testing of Operating Effectiveness

The purpose of this phase was to test compliance and internal controls. Our fieldwork testing was conducted utilizing sampling and other auditing techniques to meet our audit objectives outlined above. Procedures included, but were not limited to:

- Gathered background information on the County's contract compliance and monitoring procedures and any required controls or documentation, including County Board authorization, if necessary;

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach (continued)

- Determined whether the selected department/bureau had related contract compliance procedures outside of County-level procedures;
- Obtained background information on the selected contract, including contract copy, contract administrator information, and detail of expenditures under each contract during the audit period;
- Tested key controls mitigating risks, such as:
 - Invoices billed and paid in accordance with the terms of the contract;
 - Accuracy and timeliness of vendor invoices, financial statements, expense, budget and revenue reports, and compliance with the terms of the contract;
 - Unauthorized free parking,
 - Cashier misappropriation of assets and relevant funds handling; and
 - Vendor software produces inaccurate or unrealizable data
- Determined whether goods and services received under the contract were properly verified or monitored prior to payment of the invoice;
- Assessed adequacy and compliance with select terms of the contract such as, certificate of insurance, right to audit, etc.; and
- Assessed the overall contract compliance process and controls to determine effectiveness.

As part of testing related to cashier misappropriation of assets and relevant funds handling, we selected 25 days of transactions at the Ballston Parking Garage levels 1-7 for detailed testing.

Lastly, we performed in-person on-site visits to the Ballston parking garage as customers to inspect the cash handling process.

Reporting

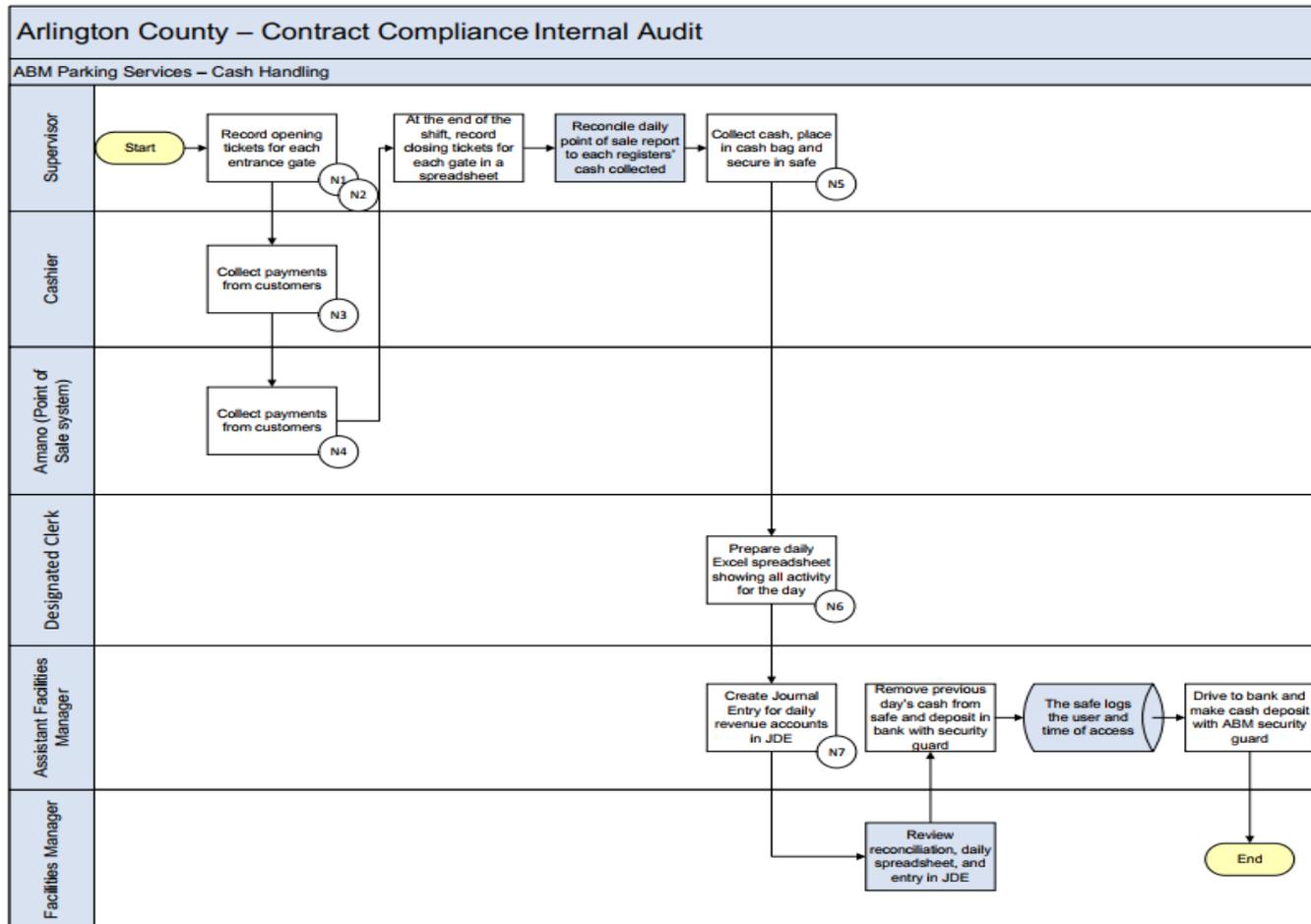
At the conclusion of this audit, we vetted the facts of this contract compliance audit with DES. The draft report was submitted to DES and DMF for review. An exit meeting was held with DES and DMF to formally review and discuss the draft report and modify accordingly.

BACKGROUND, OBJECTIVES AND APPROACH (CONTINUED)

Objectives and Approach (continued)

Observation Risk Rating Definitions	
Rating	Explanation
Low	Observation presents a low risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of low importance to business success / achievement of goals and internal control structure.
Moderate	Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success / achievement of goals and improve its internal control structure. Action should be in the near term.
High	Observation presents a high risk (i.e., impact on financial statements, internal control environment, public perception/brand, or business operations) to the organization for the topic reviewed and/or is of high importance to business success / achievement of goals and improve its internal control structure. Action should be taken immediately.

PROCESS MAP:



Note 1: There are five different entrance/exit lanes in the Ballston Garage where customers receive a ticket from the machine when entering the garage. In order for the customer to exit the parking garage with their vehicle, they must use their ticket to pay for parking (or pay a lost ticket fee).

Note 2: There are security camera at each entrance/exit lane that record customer payments.

Note 3: There are 2 cashiers at two different exit lanes that collect cash payments.

Note 4: There are 9 standalone cash machines (four credit card only machines level 3 through 6) in the parking garage, near elevators and exit lanes.

Note 5: All payments from entrance/exit lanes are collected and added to the safe daily as part of other cash handling procedures. Payment stations on levels 1 – 4 in the parking garage are collected and added to the safe on Tuesday of each week. The payments from all remaining levels are collected and placed in the safe on each Friday.

Note 6: The Excel spreadsheet includes reports pulled from McGann (a reporting software for Amano) that shows a comparison of each shift report and any transactions recorded at fee computers, express pay lanes, pay stations, etc. A separate exception report is run to identify any other transactions that fall outside the above categories, which includes canceled/voided tickets, missing tickets, etc.

Note 7: JDE is a proprietary accounting system of ABM Parking Services.





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