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Office of the City Auditor

Audit Report

**Fair Park Administration's
Monitoring Controls Over
Parking Contract Revenue**
(Report No. A08-009)

April 4, 2008

City Auditor

Craig D. Kinton

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Executive Summary

Fair Park Administration (FPA) does not have the necessary controls in place to ensure that the City receives the appropriate amount of parking contract revenue. FPA can improve controls to increase parking contract revenue. Without other parking improvements, however, such as installing parking gates at entrances and exits or charging all visitors for parking, FPA cannot be certain that it receives all parking contract revenue.

In response to a prior audit, FPA improved certain controls over parking contract revenue. For example, FPA has procedures in place to reconcile the number of tickets issued to the parking contractor to the revenue received. FPA also verifies the contractual amount the City receives for each event (78.5 percent of revenue net of sales tax) and FPA conducts occasional observation audits.

FPA, however, cannot determine if the parking contract revenue received is accurate or complete because FPA does not have a method to evaluate the reasonableness of parking contract revenue. FPA cannot substantiate why an event was designated as a paid parking or free parking event. FPA does not properly control parking tickets and the sale and donation of parking spaces during paid parking events. In addition, FPA does not conduct an adequate number of observation audits.

Recommendations Summary

We recommend that the Director of Park and Recreations Department (PKR) improve controls over parking by addressing the conditions noted above and develop and implement permanent parking improvements that will ensure that the City receives the appropriate amount of parking contract revenue.

Background Summary

The City of Dallas received \$485,867 in parking revenue from the twenty-four paid parking events held at Fair Park between January 2006 and October 2007. There are 9,069 available parking spaces at Fair Park.

On April 10, 2002, the City Council authorized a thirty-six month parking service contract with two twelve-month options with Venture Parking. The contract commenced on September 1, 2002 and ended on November 29, 2007. Under the contract, Venture Parking paid the City 78.5 percent of gross revenues collected, less sales tax.

On November 28, 2007, City Council authorized a thirty-six-month parking concession contract with two twelve-month renewal options with Parking Company of America. Under the new contract, the City will receive 82.25 percent of gross revenue, less sales tax.

Management’s Response Summary

The PKR prepared the responses for each of the recommendations identified in this report. Management agreed with all five recommendations and provided corrective action plans with implementation dates. The complete response is included as Appendix III to this report.

Summary of Objective, Scope and Methodology

At the request of the Finance, Audit & Accountability Committee, the City Auditor’s Office audited the FPA monitoring controls over the Venture Parking contract to determine whether controls were sufficient to ensure that the City received the appropriate amount of parking contract revenue. The audit included reviewing the prior audit report, the Venture Parking contract, FPA policies and procedures, interviewing FPA staff, and evaluating six of twenty-four paid parking events held at Fair Park between the months of January 2006 and October 2007.

Audit Results

Overall Conclusions

The Fair Park Administration (FPA) does not have the necessary controls in place to ensure that the City receives the appropriate amount of parking contract revenue. FPA can improve controls to increase parking contract revenue. Without other parking improvements, however, such as installing parking gates at entrances and exits or charging all visitors for parking, FPA cannot be certain that it receives all parking contract revenue.

In response to a prior audit, FPA improved some controls over parking contract revenue. The various issues discussed below, however, show that current controls over parking contract revenues are not adequate to ensure that the parking contract revenues received by FPA are accurate, reasonable, complete, and verifiable. Furthermore, FPA's current policies and procedures do not require FPA to document why certain events are designated as paid parking events and others are designated as free parking events.

FPA does not have a method to evaluate the reasonableness of parking contract revenue.

FPA does not estimate parking contract revenue and evaluate whether the revenue received from the parking contractor appears reasonable. Without a formal estimation methodology, FPA does not have a basis to anticipate parking contract revenue or assess the reasonableness of the amount remitted and the factors, if any, which may have caused actual revenue to be higher or lower than anticipated.

To assess the reasonableness of the parking revenue FPA received, we developed a basic revenue estimation model for one paid parking event, Mardi Gras, which was held on February 16 and 17, 2007. The estimation model is based upon a percentage of sales of the 9,069 available parking spaces at Fair Park. The table on the next page shows the revenue the City would receive if 100 percent (9,069), 50 percent (4,535), and 30 percent (3,023) of the available parking spaces were sold each day during the two day Mardi Gras event.

Using the most conservative estimate, that only 30 percent of the total number of available parking spaces were sold, FPA should have received \$35,075 in parking contract revenue, or \$18,164 more than the \$16,911 FPA actually received. The \$16,911 FPA received in parking contract revenues, represents approximately 16 percent of the 9,069 parking spaces available daily for the two-day event.

Parking Contract Revenue Variances
Based on Estimated Sale of Parking Spaces

Estimated Parking Tickets Sold (1 Day)	Estimated Parking Tickets Sold (2 Days)	Parking Rate	Total Estimated Parking Contract Revenue	Total Estimated Parking Contract Revenue after Sales Tax	City’s Estimated Parking Contract Revenue	Actual Parking Contract Revenue Received	Difference
9,069 (A)	18,138	\$ 8	\$ 145,104	\$134,045	\$105,226	\$16,911	\$ (88,315)
4,535 (B)	9,069	\$ 8	\$ 72,552	\$ 67,023	\$ 52,613	\$ 16,911	\$ (35,702)
3,023 (C)	6,046	\$ 8	\$ 48,368	\$ 44,682	\$ 35, 075	\$ 16,911	\$ (18,164)

- (A) Total number of available parking spaces at Fair Park
- (B) 50 percent of total number of available parking spaces at Fair Park
- (C) 30 percent of total number of available parking spaces at Fair Park

Note: Computations assume that parking spaces were sold one time per day during the Mardi Gras event. If the parking spaces were sold more than one time per day, the revenue estimate would be higher.

Assessment of revenue reasonableness is an important tool to monitor whether the parking contractor is remitting the appropriate amount of parking revenue to the City after each event.

Recommendation I:

We recommend the Director of Park and Recreation (PKR) develop a formal written revenue estimation methodology for parking contract revenue and ensure that any deviation from the estimated revenue is justified and documented.

Management’s Response

Concur. While estimations are made, we concur with the recommendation that there is no “formal” written revenue estimate methodology. The Fair Park Paid Parking Policy will be amended to include procedures with a written methodology to estimate the anticipated parking revenue for each paid parking event. Deviations from the estimated revenue will be documented in writing and placed in the event file. Mark Jarrell will be the responsible manager with an implementation date of May 2008.

FPA cannot substantiate why an event was designated as a paid parking or free parking event.

The FPA Paid Parking Policy does not require FPA to retain any documentation to show the reason an event was designated as a paid parking or free parking event. The FPA Paid Parking Policy and Fair Park Standard Operating Procedures state that an event is a paid parking event when FPA estimates attendance of 5,000 or more.

Without documentation of how FPA estimated event attendance, however, the City cannot determine whether:

- FPA properly classified an event as a paid or free parking event;
- The City lost revenue due to an event misclassification; and,
- FPA treated event sponsors fairly and consistently.

Proper documentation of key decisions, such as the classification of a parking event as paid or free, is an important control to ensure that Fair Park events are properly classified and the parking contract revenue collected is appropriate. This documentation also provides the information needed for future audits.

Recommendation II:

We recommend the Director of PKR update the Fair Park Paid Parking Policy and the Fair Park Standard Operating Procedures to include formal written estimation procedures and a requirement to retain the documentation to support FPA's designation of an event as a paid parking or free parking event.

Management Response

Concur. Paid parking is currently based on attendance estimates for given events. The Paid Parking Policy will be updated to include written estimation procedures and documentation as to whether an event will be subject to paid parking or not, which will be placed in the event file. Mark Jarrell will be the responsible manager with an implementation date of March 2008.

FPA does not properly control the sale and donation of parking spaces during paid parking events.

During a paid parking event, FPA cannot determine whether individuals who state that they are visiting a museum or cultural facility (for which parking is free) are actually attending an event where parking fees should be charged. This issue was reported in a prior audit report, *Audit of the Administrative Function of Fair Park, Report Number 404*, and remains uncorrected.

The Park Board directed FPA not to charge a parking fee to individuals visiting Fair Park museums or cultural facilities. This directive applies even during periods when paid parking is in effect due to another activity within the park.

Proper internal controls over parking require that FPA have a reasonable method to determine how the total available parking spaces were used each day during a paid parking event. Without a system or method to account for the total number of cars entering Fair Park during a paid parking event and the number of cars that qualify for free parking, FPA cannot determine if the parking contract revenue received is accurate and complete.

Recommendation III:

We recommend the Director of PKR establish proper internal controls over parking by creating a method to determine the number of cars entering Fair Park during a paid parking event and how many cars qualify for and receive free parking.

Management Response

Concur. Passes are issued to clients for their vendors, and the campus employees are issued an annual parking hang tag for control purposes. The Paid Parking Policy will be updated to include written estimation procedures for the number of cars that should pay for parking entering Fair Park and an estimation for the number of spaces that will be donated due to an exemption from paid parking. Mark Jarrell will be the responsible manager with an implementation date of May 2008.

FPA does not properly control parking tickets to ensure proper revenue is received.

FPA does not properly control parking tickets to ensure that the parking contract revenue the City receives is accurate and complete. FPA purchases pre-numbered, various colored tickets by the box, and each box contains thousands of tickets.

FPA issues ticket rolls of 100 tickets per roll to the parking contractor for paid parking

events. FPA, however, does not distribute the ticket rolls in sequential number order from the total ticket inventory. If the parking contractor does not sell all tickets in the rolls of 100 tickets, the tickets are returned to FPA for reconciliation purposes. If the ticket roll returned contains all 100 tickets, FPA reuses the tickets. If the ticket roll returned is a partial roll, FPA destroys the tickets without verification by an independent third party. As a result, FPA cannot reconcile total tickets in inventory to the number of tickets distributed and sold.

Proper controls over parking tickets require FPA to have procedures to ensure that all tickets in inventory are accounted for at all times. Parking tickets should be pre-numbered, issued in sequential order, and unused tickets should only be destroyed with the verification of independent personnel.

Recommendation IV:

We recommend the Director of PKR develop and use a ticket inventory log to control the receipt, issuance, return, and disposition of parking contract tickets.

Management Response

Concur. While a ticket inventory log is maintained, unused returned tickets have been reissued in the past. A ticket inventory log will be maintained by the Fair Park Business Office and unused tickets will be destroyed with the verification of two employees who will each initial the ticket inventory log. Wanda E. Lee will be the responsible manager with an implementation date of March 2008.

FPA does not perform an adequate number of parking observation audits.

FPA performed two random parking observation audits (14.28 percent) of the 14 paid parking events held between September 2006 and November 30, 2007. Due to the control weaknesses identified herein, conducting only two observation audits in a 14 month period does not appear to be sufficient or reasonable to ensure parking contract revenues are reliable. Furthermore, the criteria FPA uses to determine when or how frequently observation audits are needed are not clearly stated or documented.

During a parking observation audit, FPA verifies that tickets issued by FPA for an event are the actual parking tickets (number sequence and color) used by the parking contractor for the event. The observation audits are an important method for FPA to monitor whether the parking contractor’s controls over ticket sales are functioning properly and that the parking contract revenue the City receives appears reasonable.

Recommendation V:

We recommend the Director of PKR establish and implement procedures to ensure that the FPA observation audits are conducted more frequently. We also recommend the Director of PKR identify and document the specific criteria upon which to base the need for observation audits, such as the number of estimated attendees, when large paid and free parking events are held simultaneously, or some other reasonable basis.

Management Response

Concur. While observation audits are performed periodically, the Paid Parking Policy will be amended to include specific criteria for performing more frequent observation audits. Wanda E. Lee will be the responsible manager with an implementation date of March 2008.

Appendix I

Background, Objective, Scope and Methodology

Background

Fair Park is a multi-purpose, 277-acre facility located southeast of downtown Dallas and has been the site of the annual State Fair of Texas (State Fair) since 1877. In addition to the State Fair, Fair Park is also the home of the Cotton Bowl Stadium, various exhibit buildings, and other venues hosting a wide variety of events. Other attractions in the park include the Music Hall, a venue for various professional productions, various museums (cultural facilities), and other attractions and sites that are open to the general public.

Fair Park is owned and operated by the City of Dallas and is overseen by an Executive General Manager under the direction of the Park and Recreation Department (PKR). PKR is under dual oversight of the City Council and the Park Board.

The City Charter, Chapter XVII, Section 4 (a), requires City Council to approve any:

- Purchase of land;
- Contract requiring Council approval under rules established by ordinance; and,
- Lease or agreement with a term exceeding one year.

The Park Board authorizes rental rates for using Fair Park facilities / sites. The Fair Park Reservation and Scheduling Policy, adopted by PKR, defines the responsibilities of Fair Park’s Executive General Manager to include:

- Negotiating special rates;
- Applying existing rates to the various areas of the facility; and,
- Handling contractual matters and establishing charges for rentals and services not specifically outlined when such action is in the best interest of the City.

FP Administration (FPA) oversees lease agreements for various Fair Park based institutions and leases those facilities / sites to groups and individual promoters for a wide variety of events. The major revenue sources include:

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- Food, beverage, and merchandise concessions;
- Facility / site leases and rentals (e.g., State Fair of Texas, Inc., Smirnoff Music Centre, and others); and,
- Parking service concession.

On April 10, 2002, the City Council authorized a thirty-six-month parking concession contract with two twelve-month renewal options for parking services at Fair Park by Resolution Number 02-1224. Parking services were provided by Venture Parking. Under the contract, the City receives 78.5 percent of gross revenues collected, less sales tax. The City extended the contract to November 30, 2007 in order to complete the new bid process. The new thirty-six-month parking concession contract was granted to Parking Company of America on November 28, 2007. The City will receive 82.25 percent of gross revenue, less sales tax.

A prior audit, *Audit of Administrative Function of Fair Park, Report Number 404*, was issued in 2003. In response to the audit, FPA established and implemented the Paid Parking Policy and Fair Park Standard Operating Procedures. FPA developed ticket and revenue reconciliation procedures and included the procedures in Fair Park Standard Operating Procedures. FPA also formalized certain prior business practices by including them in the new policies and procedures. For example:

- Stating that an event is a paid parking event when FPA estimates attendance of 5,000 or more; and,
- Outlining that FPA still could use judgment when determining whether an event is a paid or free parking event with Executive General Manager approval.

Objective, Scope and Methodology

The objective of the audit was to determine whether Fair Park Administration has sufficient monitoring controls in place to ensure that the City receives accurate and complete parking contract revenue.

The audit was conducted under the authority of City Charter, Chapter IX, Section 3, and in accordance with generally accepted government auditing standards. The audit covered the contract with Venture Parking and the related transactions from April 10, 2002 through November 28, 2007.

To develop an understanding of the FPA controls and monitoring procedures for parking contract revenue the following procedures were performed:

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1. Reviewed the parking contract with Venture Parking;
2. Reviewed the prior audit report, *Audit of Administration of Fair Park, Report Number 404*;
3. Performed a risk assessment and developed an internal control questionnaire;
4. Reviewed FPA’s policies and procedures;
5. Interviewed FPA personnel;
6. Selected and tested six of 24 paid parking events held between the months of January 2006 to October 2007; and,
7. Tested FPA’s reconciliation process for pre-numbered tickets and FPA’s monitoring procedures.

Appendix II

Major Contributors to this Report

Carol Smith, CPA, CIA, CFE, Audit Manager
Thandee Kywe, Auditor
Theresa Hampden, CPA, Quality Control Manager

Management’s Response to the Draft Report

Memorandum

RECEIVED

MAR 27 2008



CITY AUDITOR'S OFFICE

CITY OF DALLAS

DATE March 25, 2008

TO Craig D. Kinton
City Auditor

SUBJECT Follow-up of the Draft Report on *Fair Park Administration’s Monitoring Controls over Parking Contract Revenue* of February 11, 2008

This memorandum responds to the findings and related recommendations presented by the City Auditor’s Office as a result of an audit of Fair Park Administration’s Monitoring Controls over Parking Contract Revenue.

Finding #1 - FPA does not have a method to evaluate the reasonableness of parking contract revenue.

Recommendation:

- I. Develop a formal written revenue estimation methodology for parking contract revenue and ensure that any deviation from the estimated revenue is justified and documented.

Management’s Response:

- I. While estimations are made, we concur with the recommendation that there is no “formal” written revenue estimate methodology. The Fair Park Paid Parking Policy will be amended to include procedures with a written methodology to estimate the anticipated parking revenue for each paid parking event. Deviations from the estimated revenue will be documented in writing and placed in the event file.

Finding #2 - FPA cannot substantiate why an event was designated as a paid parking or free parking event.

Recommendation:

- I. Update the FP Paid Parking Policy and the FP Standard Operating Procedures to include formal written estimation procedures and a requirement to retain the documentation to support FPA’s designation of an event as a paid parking or free parking event.

Management’s Response:

- I. We concur with the recommendation. Paid parking is currently based on attendance estimates for given events. The Paid Parking Policy will be updated to include written estimation procedures and documentation as to whether an event will be subject to paid parking or not which will be placed in the event file.

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Fair Park Administration’s Monitoring Controls Over Parking Contract Revenue**

Craig D. Kinton Parking Audit Memo of 3-25-08

Finding #3 - FPA does not properly control the sale and donation of parking spaces during paid parking events.

Recommendation:

- I. Establish proper internal controls over parking by creating a method to determine the number of cars entering FP during a paid parking event and how many cars qualify for and receive free parking.

Management's Response:

- I. We concur with the recommendation. Passes are issued to clients for their vendors, and the campus employees are issued an annual parking hang tag for control purposes. The Paid Parking Policy will be updated to include written estimation procedures for the number of cars that should pay for parking entering FP and an estimation for the number of spaces that will be donated due to an exemption from paid parking.

Finding #4 - FPA does not properly control parking tickets to ensure proper revenue is received.

Recommendation:

- I. Develop and use a ticket inventory log to control the receipt, issuance, return and disposition of parking contract tickets.

Management's Response:

- I. We concur with the recommendation. While a ticket inventory log is maintained, unused returned tickets have been reissued in the past. A ticket inventory log will be maintained by the FP Business Office and unused tickets will be destroyed with the verification of two employees who will each initial the ticket inventory log.

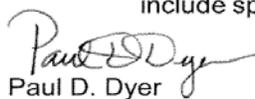
Finding #5 - FPA does not perform an adequate number of parking observation audits.

Recommendation:

- II. Establish and implement procedures to ensure that the FPA observation audits are conducted more frequently. Identify and document the specific criteria upon which to base the need for observation audits, such as the number of estimated attendees, when large paid and free parking events are held simultaneously, or some other reasonable basis.

Management's Response:

- II. We concur with the recommendation. While observation audits are performed periodically, the Paid Parking Policy will be amended to include specific criteria for performing more frequent observation audits.


Paul D. Dyer
Director, Park and Recreation

c: Daniel Huerta
Barbara Kindig
Mark Jarrell
Wanda Lee
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Memorandum

RECEIVED

APR 02 2008



CITY OF DALLAS

CITY AUDITOR'S OFFICE

DATE: April 2, 2008

TO: Craig D. Kinton,
City Auditor

SUBJECT: Implementation and Responsible Party of Fair Park Administration's Monitoring Controls over Parking Contract Revenue of February 11, 2008

Finding #1 – FPA does not have a method to evaluate the reasonableness of parking contract revenue.

Responsible party: Mark Jarrell
Implementation date: May 2008

Finding #2 – FPA cannot substantiate why an event was designated as a paid parking or free parking event.

Responsible party: Mark Jarrell
Implementation date: March 2008

Finding #3 – FPA does not properly control the sale and donation of parking spaces during paid parking events.

Responsible party: Mark Jarrell
Implementation date: May 2008

Finding # 4 – FPA does not properly control parking tickets to ensure proper revenue is received.

Responsible party: Wanda E. Lee
Implementation date: March 2008

Finding #5 – FPA does not perform an adequate number of parking observation audits.

Responsible party: Wanda E. Lee
Implementation date: March 2008

Daniel Huerta
Executive General Manager,
Fair Park Texas