



CITY AUDITOR 345 6th Street, Suite 600, Bremerton, WA 98337-1873 & Phone (360) 473-5369

May 10, 2013

Honorable Patty Lent, Mayor
Members of the City Council

The City Auditor has completed the attached review of the parking management contract of Imperial Parking (U.S.), LLC, (IMPARK) which is effective for the period July 1, 2011 through June 30, 2016. This was scheduled on the 2012 work plan.

One finding was noted. The computer software for the residential parking program had not been backed up since IMPARK took over the contract on July 1, 2011. Several items were noted in the contract that should be clarified and updated. Some observations were made of conditions the city could consider. A response to the report findings and recommendations from the Director of Financial Services is attached.

The assistance of Christine Coyne, Office Administrator of the IMPARK Bremerton office is greatly appreciated.

Sincerely,

Gary W. Nystul

cc: City Attorney
Director of Financial Services
Municipal Court

REVIEW OF PARKING MANAGEMENT CONTRACT

Purpose

The City Auditor routinely reviews various funds, departments and divisions. This review of the parking enforcement services contract was scheduled on the 2012 work plan.

Scope

The contract with Imperial Parking (U.S.), Inc., effective July 1, 2011 through June 30, 2016, was reviewed. Financial activity was reviewed for the period July 1, 2011 through December 31, 2012. Operational activity was reviewed through March 25, 2013.

Statement of Auditing Standards

This performance audit was conducted in accordance with Generally Accepted Government Auditing Standards, except section 3.82 requiring an external peer review. Those standards require the auditor to plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on audit objectives. The auditor believes that the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

Objectives

- Determine if the contractor is in compliance with the terms and conditions of the contract
- Review oversight of the contract by city staff
- Report any observations from the contract or city operations relative to economy, efficiency or effectiveness

Summary of Results

- The contractor is in compliance with the material provisions of the contract
- Residential parking software has not been backed up since June 2011
- The audit requirement language of the contract is not clear
- Parking handheld devices are old and should be replaced
- Municipal court parking software is not connected to DOL for automatic holds on registration

Background

In May 2011 the City solicited proposals from companies interested in operating the city parking enforcement program. The parking facilities include the parking garage at the Kitsap Conference Center at the Bremerton Harborside, parking garage at 4th Street and Washington Avenue, the new Park Avenue Plaza garage, three city parking lots, and five on-street parking areas. Enforcement of the residential parking program is also included. The request for proposals also included the installation of 29 electronic pay stations. Imperial Parking (U.S.) Inc. (abbreviated IMPARK) was selected for the contract beginning July 1, 2011.

The electronic pay stations are installed at all of the parking garages, lots and on-street fee areas. Payments for the pay stations are \$340.73 monthly for five years starting July 1, 2011. Title passes to the city at the end of five years. Although the city started paying in July 2011 for the eight pay stations at the Park Avenue Plaza, they were not in service until August 2012.

The following table summarizes the parking locations and the number of spaces. During 2012 the gross revenue collected from these spaces was \$949,037. Fees were \$54,214 leaving net revenue of \$894,823. IMPARK was paid \$287,678 for their services.

PARKING FACILITY LOCATIONS

Lot Number	Location	Pay Stations	Spaces
90	100 Washington Ave. (garage)	8	302
91	405 Washington Ave. (garage)	3	280
92	Park Avenue Plaza (garage)	8	356
93	4th Street - On Street	2	24
94	5th Street - On Street	2	31
95	Lot - 801 4th Street	1	58
96	Lot 200 Warren	1	15
97	100 Chester Ave - On Street	1	11
98	Lot 800 5th Street	1	17
99	300 Veneta Ave - On Street	1	9
100	1500 4th St. - On Street	1	24
	Total	29	1,127

FINDING, OBSERVATIONS AND RECOMMENDATIONS

- A. FINDING: The residential parking software has not been backed up since June 2011.**

CRITERIA

Standard software management procedures require programs and data to be backed up periodically. Computer systems fail and other events occur that can damage, destroy, or cause a loss of data.

CONDITION

The city residential parking program is a software program designed and developed by the city. It is used by the parking contractor to issue residential parking permits and manage the residential parking program in designated areas of the city. There is data for about 2,000 addresses in the system which has not been backed-up since IMPARK started the contract. The software is only loaded on the sole computer in their office.

CAUSE

During the transition from the prior contractor to IMPARK there was a change in computer circuits and locations. During this move the backup routine was lost. However, the deletion of the ability to back up the residential program was not noticed by anyone in the Department of Financial Services which administers the parking contract and supervises the IT department.

EFFECT

Without the software and data backup there is a substantial risk of loss. The computer could be damaged, fail, the data damaged or lost. If any of these events occurred the city would not have information to manage the residential software program. It could be quite expensive to recreate the data which includes residential addresses, names, license plate numbers and etc.

RECOMMENDATION

The Department of Information Technology should backup the current data and establish procedures for performing routine backups.

B. CONTRACT OBSERVATIONS AND RECOMMENDATIONS

1. Compliance

A review of the terms and conditions of the parking contract found that IMPARK is in substantial compliance with these terms and conditions.

2. Ambiguous Sections of Contract

Section VII. C. of the contract regarding required reports is not clear and needs to be clarified and/or amended as appropriate.

Section VII. C. states in part: “The Operator will provide to the City annually a copy of the independent audit report of its operations with respect to this Agreement, along with any potential findings of fact and the work plan developed to correct these findings, if applicable.”

The usual assumption is that an independent audit of the contractor’s financial statements would routinely be done by a CPA firm. However, the web information for IMPARK states they operate over 2,000 parking facilities with 450,000 parking spaces in 34 cities in Canada and the United States. It is not practical to have an audit done with respect just to this contract. In addition, IMPARK does have an extensive internal review that is conducted periodically for each of their sites. It is not known what was intended by the original drafters of the contract. The contract language should clearly state what the city requires.

There are also several other sections of the IMPARK contract which are inaccurate, unnecessary or no longer used. In addition to the section above, other examples are:

- Section VII, B. requires the operator to provide detailed reports of outstanding tickets and their dispositions. The contractor does not have this data. The Municipal Court tracks the data for unpaid tickets.
- The city accepted the Luke II pay stations which therefore makes the six pages of Technical Specifications of Exhibit B extraneous.
- In Exhibit A, Section II A., the number of pay stations listed for some locations is not correct.
- Exhibit D. 1. E., the contractor no longer processes violations from the metered parking areas. This processing is done through the Municipal Court.

- When the contract was signed, IMPARK was organized as a corporation. They are now an LLC. This change should be reflected in the contract.

Consideration should be given to replacing the existing contract with an amended contract which is improved and more accurate.

3. Credit Card Fees

The contract does not discuss credit card processing or fees. IMPARK charges the city 7.5% for Visa/MasterCard and 8.5% for American Express. By comparison, the city water/sewer/storm utility pays about 1.14% in bank fees for Visa/MasterCard payments made at Oyster Bay. The city should discuss credit card processing and fees with IMPARK.

4. Handheld Devices

The city provides the contractor with hand-held parking enforcement devices. These devices are used to record the vehicle license number and time. When the enforcement person goes by the vehicle again and enters the plate number it will indicate any overtime and allow the officer to print and issue a notice of infraction (ticket). These devices are quite old (2004) and do not provide any historical enforcement information on a license plate. For example, they do not provide information about current offenders having prior infractions or unpaid tickets. An inquiry of the Municipal Court records in March 2013 disclosed one scofflaw with 107 unpaid infractions totaling \$8,394. If the parking enforcement officer had data on previously issued tickets and unpaid tickets, better enforcement action could have been taken. Neither IMPARK nor the Municipal Court is responsible for monitoring or managing unpaid or multiple infractions. Newer parking management tools could provide much more useful information. The city should upgrade these tools.

5. Cinema Parking

The city has entered into a contract with the cinema at the Park Avenue Plaza for use of parking spaces in the garage. This agreement is rather complex. There are 50 spaces reserved for the cinema which are clearly identified and can be enforced with the present contract. The contract requires 50 additional parking spaces, 24 hours a day for all Fridays in May, June 1 through August 15 and November 18 through January 1. It further requires 200 parking spaces during the week from 5PM to 2AM

and Saturdays and Sundays from 10AM to 2 AM the next morning. These additional times and requirements have not been added to the IMPARK contract. If the city or cinema wishes any of these provisions enforced, the IMPARK contract should be modified.

6. Residential Parking Suggestions

The IMPARK Bremerton Office Administrator has made two suggestions to improve the residential parking permit operation. The permits are for two years and have usually been renewed automatically.

1. With the large number of rentals in some of these areas a two-year permit is too long. The better procedure would be for one year permits. The City adopted this suggestion.
2. Parking permits should not be mailed out automatically for renewal. Rather, send a letter out and ask the resident to specifically respond with a request for renewal. When this procedure was tried this year there were several letters returned as “moved” or “not at that address” and etc. The City should consider implementing this suggestion.

C. OTHER RECOMMENDATIONS

PARKING SOFTWARE CONNECTION TO STATE

The Municipal court parking software is still not connected to Washington State Department of Licensing for automatic holds on registration. Under the provisions of State law (46.16A.120 RCW) a vehicle owner having three or more unpaid parking tickets cannot get a license or renewal for their vehicle until the tickets are paid. However, the city has not sent the data to the DOL. Audit reports dated October 2011 and April 2011 discuss unpaid parking tickets and this method of collection. Using this collection tool should result in a higher collection rate.

CERTIFICATE OF INSURANCE

The contract requires IMPARK to provide the city with a certificate of insurance. The certificate of insurance in the file as of February 2013 expired on March 1, 2012. The city subsequently obtained a current certificate after the auditor called this to their attention.

PAY STATION PLACEMENT

One pay station is located at a parking area for 9 vehicles on Veneta Avenue. The pay station costs the city \$20,443.80. The IMPARK manager has observed that this type of location could be converted to monthly parking and/or use of a “pay by phone” provision. The city should consider the use of the pay stations.

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MEMORANDUM

Date: May 8, 2013
To: Gary Nystul, City Auditor
From: Becky Hasart, Director Financial Services
RE: Response to Parking Management Contract Review

Per BMC 2.18.060, please find below the official response to the above referenced audit report.

A. Findings, Observations and Recommendations: The residential parking software has not been backed up since June 2011.

We thank the auditor for bringing this to our attention. When the parking database was moved to ImPark's system, a process had been developed to back up the database and transfer this information on a regular basis to City servers. It appears this functionality was disrupted when IT moved the City servers behind appropriate security appliances to improve City server protection. IT has since corrected this problem and has restored the regular back ups.

B. Contract Observations and Recommendations: #1. Compliance.

We concur with the report's observation.

B. Contract Observations and Recommendations: #2. Ambiguous Sections of Contract

We thank the auditor for his recommendations regarding contract language updates and will keep these recommendations on file for such time as the contract may be renewed or rebid. With regards to Section VII.C. of the contract, ImPark has indicated that the company does obtain independent audits of its operations and will provide the most recent one to the Finance Department. Once received, we will be happy to forward this to the Auditor.

As with our response above regarding Ambiguous Sections of Contract, the City will keep this recommendation on file for such time as the contract may be renewed or rebid.

B. Contract Observations and Recommendations: #3. Credit Card Fees

The City is currently exploring changing the process by which we and/or ImPark administers credit card payments to reduce the fees associated with this payment mechanism. In discussions with ImPark, the fees they charge are consistent with all their customers and to avoid these fees, the City would need to have the credit cards processed through our merchant account. This can be done with some modification to the payment process and ImPark is willing to assist the City with this change.

B. Contract Observations and Recommendations: #4. Handheld Devices

The current contract for the City's handheld devices with Duncan Solutions expires August 31, 2013. The City has already begun the process of developing a request for proposals for new software and handhelds. The intent, budget allowing, is to be able to obtain newer technology that can provide our enforcement officers with historical data to allow for better enforcement.

B. Contract Observations and Recommendations: #5. Cinema Parking

SeeFilms Cinema monitors its own parking spaces and will contact ImPark directly should they determine a car is parked improperly. The City has not received any negative feedback from this arrangement.

B. Contract Observations and Recommendations: #6. Residential Parking Suggestions

The City has recently updated its parking ordinance that limits residential permits to a one year period and ImPark is updating its processes so that permits are not automatically renewed without positive affirmation from the resident of continued need, which can be done by mail. Also, permits, with minor exceptions, will be associated with a specific license plate. In addition, ImPark is developing a process by which residents can apply and pay for permits electronically, which should be in place by summer of 2013. These changes should minimize or eliminate unneeded or unused residential permits due to tenant turnover.

C. Other Recommendations: Parking Software Connection to State

The Municipal Court parking software is connected to the state's Department of Licensing. However, the software currently is not programmed to place automatic holds on vehicle registrations. This item will be addressed as part of the request for proposal being developed, as mentioned earlier in this response.

C. Other Recommendations: Certificate of Insurance

This item has been resolved.

C. Other Recommendations: Pay Station Placement

The City acknowledges that the Veneta "lot" is our smallest parking lot. However, since implementation of the pay station, the revenue generated associated with this lot has exceeded the cost of the pay station. The return of revenues versus the cost of the pay station justifies the continued use of the pay station.