

# PERFORMANCE AUDIT REPORT

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## Philadelphia Parking Authority

### Financial Objectives

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December 2017



Commonwealth of Pennsylvania  
Department of the Auditor General

Eugene A. DePasquale • Auditor General

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EUGENE A. DePASQUALE  
AUDITOR GENERAL

November 30, 2017

Mr. Joseph T. Ashdale  
Board Chairman  
Philadelphia Parking Authority  
701 Market Street  
Suite 5400  
Philadelphia, PA 19106

Dear Chairman Ashdale:

This report contains the results of a performance audit with financial objectives of the Philadelphia Parking Authority (PPA). This audit was conducted jointly between the Office of Attorney General (OAG) and the Department of the Auditor General (DAG).

This audit was conducted pursuant to DAG's authority under Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402-403, and pursuant to the OAG's authority under 53 Pa.C.S. § 5510.1(g) of the "Parking Authority Law," and in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Our audit included three objectives, and the audit period varied by audit objective. For the following two audit objectives the audit period was April 1, 2014, through April 30, 2017, unless otherwise noted, with updates through the report date:

- Determine the effectiveness of PPA's contracting and procurement policies and procedures and whether PPA contracts were awarded in compliance with those procurement policies and procedures.
- Determine the reasonableness of PPA's parking prices related to the On-Street program.

For the following audit objective, the audit period was April 1, 2012, through March 31, 2016, including follow-up through August 31, 2107, unless otherwise noted, with updates through the report date:

- Determine whether the PPA is properly determining operating and administrative expenses related to the On-Street Parking Program and ensuring that all appropriate net revenue is transferred to the School District of Philadelphia (School District) in accordance with applicable law.

This report presents five findings and offers 44 recommendations to PPA management, its Board, or the Pennsylvania General Assembly to improve PPA's management controls and operations, award contracts with a consistent process, increase funds available to forward to the School District, and ensure any parking rate increases are necessary, adequately evaluated, and approved.

We found that for the five fiscal years ended March 31, 2017, PPA's payments from the On-Street program net revenue to the City and School District complied with the formula; however, a continual lack of communication with the School District resulted in the School District budgeting inaccurate revenue amounts. We also found that unless the formula is amended in the statute specifying how the On-Street net revenue is split between the City of Philadelphia (City) and the School District, the amount the City receives each year will be protected when gross revenue decreases and/or expenses increase. However, the current statutory formula is to the immense detriment of the School District (and ultimately its students), which gets penalized since it only receives the remaining dollars, if any, after the City's allocation.

During the period April 1, 2012, through August 31, 2017, we found over \$1.17 million of incorrect, questionable, or excessive expenses were charged to the PPA's On-Street Division; including \$322,232 of specific incorrectly charged expenses, thereby decreasing the monies paid to the School District. Questionable expenses found included purchasing gift cards as rewards for employees, golf outings, donations, and catered meals, thereby reducing the amount paid to the School District by \$35,569. We also found that PPA offered excessive salary increases, leave benefits, and tuition reimbursements. Additionally, PPA lacked written policies and procedures during the majority of our audit period, increasing the risk of PPA staff improperly processing payments and recording expenses.

We further found a lack of written procurement policy and procedures that resulted in an informal and inconsistent contracting process when awarding contracts procured through competitive solicitation methods and sole source contracts. We also noted a PPA agreement with a contractor to fill a deputy director position allows him to receive PPA employee benefits while collecting a city pension since 2005. This agreement may violate Internal Revenue Service requirements for treating contractors as employees.

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November 30, 2017

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Since 1990, PPA has failed to collect more than \$580 million in outstanding parking tickets and associated fees, including nearly \$108 million just over the past five years. Considering that these potential revenues would increase funds available to the School District, PPA needs to make every effort possible to collect outstanding parking tickets and associated penalties. PPA also needs to verify that it collects all parking revenue paid via credit cards.

With regard to the reasonableness of On-Street parking prices, PPA's parking meter rates and permit fees are comparable with other cities; however, PPA lacks formal methodology and procedures for determining the necessity of rate and fee increases which effect its contributions to the School District. Also, PPA's former Executive Director misled the Philadelphia City Council and the School District in 2014 regarding a \$7.5 million increase to the School District's annual payment that never materialized.

PPA generally agrees with or will consider all the recommendations contained in the report. According to PPA, many of the recommendations have been implemented or will be implemented in the near future.

In closing, I want to thank PPA for its cooperation and assistance during the audit. We will follow up at an appropriate time to determine whether and to what extent all recommendations have been implemented.

Sincerely,

A handwritten signature in black ink, appearing to read "Eugene A. DePasquale". The signature is fluid and cursive, with a long horizontal stroke at the end.

Eugene A. DePasquale  
Auditor General

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Philadelphia Parking Authority

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## A Performance Audit

### Philadelphia Parking Authority

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#### Executive Summary

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The Philadelphia Parking Authority (PPA) is an integral part of the City of Philadelphia's (City) efforts to provide an efficient, well-organized transportation system that serves the needs of the public and encourages economic development. As such, the PPA's responsibilities range from managing parking and related traffic management programs on the streets of Philadelphia, to building and operating parking lots and garages. Currently, the PPA is governed by a Board of Directors (Board) consisting of six members appointed by the Governor of Pennsylvania, with the Senate and House leadership providing the choices for four of the six board positions. The Board employs an Executive Director to lead PPA's operations.

Our performance audit with financial objectives had the following three objectives:

- Determine the effectiveness of PPA's contracting and procurement policies and procedures and whether PPA contracts were awarded in compliance with those procurement policies and procedures.
- Determine the reasonableness of PPA's parking prices related to the On-Street program.
- Determine whether the PPA is properly determining operating and administrative expenses related to the On-Street Parking Program and ensuring that all appropriate net revenue is transferred to the School District of Philadelphia in accordance with applicable law.

The audit period varied by objective. See Appendix A for details.

This report presents five findings and offers 44 recommendations (39 directed to PPA, 2 to PPA's Board, and 3 to the General Assembly). PPA is in agreement with or will consider most recommendations and is committed to implementing many of the PPA-directed recommendations.

**Finding 1 – Historically poor communications from PPA management to the School District of Philadelphia inhibited the School District from ever knowing the correct excess net revenue amounts they would receive from year to year which sometimes led to much smaller amounts than they were led to believe.**

Act 9 of 2004 (Act 9) established a formula by which net revenue from the On-Street Parking Program is split between the City and the School District of Philadelphia (School District). Act 9 required the first \$25 million in net revenue to be transferred to the City. Any net revenue that exceeded \$25 million was to be transferred to the general fund of the School District. Subsequently, Act 84 of 2012 (Act) increased the amount to be transferred to the City, beginning in the fiscal year ending 2015, to any net revenue that exceeded \$35 million to be transferred to the School District's general fund.

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The Act further outlined that in each subsequent fiscal year the amount due to the City would be adjusted based upon the percentage increase, if any, in the gross revenue generated by On-Street parking. The Act also provided that no adjustment would be made if the gross revenue generated by the On-Street Division did not increase over the prior fiscal year. The formula ensures that the City benefits from PPA's On-Street gross revenue increases as well as attempts to protect the amount of money going to the City when gross revenue decreases and/or expenses increase. However, the School District gets penalized by the current formula because it only receives any remaining dollars after the City's allocation, if any.

While we found that PPA calculated the payments to the City and School District in compliance with the formula for the five fiscal years ended March 31, 2017, a general lack of PPA communication with the School District resulted in the School District budgeting inaccurate revenue amounts ranging from \$120,267 to \$5,437,003. Specifically, despite the fact that this was an important source of revenue for the School District, no information was being shared regularly, if at all, by PPA with the School District. It was not until May 2016 that the PPA's staff began to be included in meetings with management from PPA and the City, which was more than 12 years after the enactment of Act 9 of 2004 and almost four years after the enactment of Act 84 of 2012.

We offer four recommendations to PPA to ensure sufficient information and communication occurs with the School District. We also offer one recommendation to the Pennsylvania General Assembly to consider amending the statute-driven formula.

**Finding 2 – During the period April 1, 2012, through August 31, 2017, over \$1.17 million of incorrect, questionable, or excessive expenses were charged to the PPA's On-Street Division; including \$322,232 of specific incorrectly charged expenses, thereby decreasing the monies paid to the School District of Philadelphia.**

The amount of funds available for PPA to forward to the School District for the benefit of its students is directly impacted by the expenses charged either directly or allocated to the On-Street Division. Based on our test work, for the period April 1, 2012, through August 31, 2017, we identified improperly charged expenses, questionable expenses, excessive salary increases for senior-level management, excessive leave policies allowing for large leave payouts, and excessive tuition reimbursement policies totaling over \$1.17 million charged to the On-Street Division which directly reduced the payment to the School District, as follows:

- PPA improperly charged expenses to the On-Street program, decreasing the amounts paid to the School District by a total of \$322,232.
- PPA had questionable On-Street expenses which reduced the amounts paid to the School District by a total of \$35,569, including gift cards as rewards, golf outings, donations, and catered meals.

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- PPA had policies in place during this time period that allowed for excessive salary increases, leave balances, and tuition reimbursements, totaling \$814,409, which negatively impacted the payment amount to the School District.

Additionally, PPA did not have adequate written policies and procedures in place for processing of payments and recording of expenses, and consequently, expenses were being improperly charged to the On-Street Division. PPA must make it a priority and improve its policies, processes, and controls to ensure that expenses impacting the On-Street Division are appropriate, prudent, reasonable, and properly classified.

We offer 10 recommendations to correct the noted deficiencies.

#### **Finding 3 – Lack of written procurement policy and procedures resulted in an informal and inconsistent contracting process.**

No formal written procurement policy existed during the audit period as well as no written standard operating procedures existed until 2016. Based on the results of our testing of 23 competitive solicitation contracts, PPA failed to:

- Provide any proposal/bid evaluation documentation for 19 contracts.
- Select the vendor who received the highest evaluation score for one contract.
- Convene an evaluation panel for one contract.
- Provide documentation for 14 contracts to demonstrate that it verified proposals included all required administrative documents.
- Ensure that PPA's consultant properly evaluated the proposals for administrative compliancy for one contract.
- Consistently research prices in COSTARS and did not document when PPA did research prices in COSTARS.
- Ensure that an emergency snow removal contractor provided two required bonds prior to executing the contract.

Additionally, based on the results of our testing of five sole source contracts, we found the following deficiencies:

- PPA had no upfront written and approved justification to support the need for a sole source procurement for the five contracts.
- PPA had no *Request for Board Actions* to support justification and approval for two sole source contracts.
- PPA's *Request for Board Actions* for two contracts did not include justification for the sole source procurement.
- PPA failed to renew one of the contracts for government relations consulting.

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Further, an agreement with a contractor to fill a deputy director position allows him to receive PPA employee benefits of health care, leave, and retirement benefits while collecting a city pension since 2005. This agreement may violate Internal Revenue Service requirements for treating contractors as employees.

We offer 18 recommendations to the PPA or its Board to improve its contracting documentation and management controls.

**Finding 4 – Since 1990, PPA has failed to collect more than \$580 million in outstanding parking tickets and associated fees, including nearly \$108 million just over the past five years. PPA needs to improve its efforts for collecting outstanding parking tickets and associated penalties and also needs to verify that it collects all parking revenue paid via credit cards.**

We found that although PPA has collected nearly \$400 million in parking ticket revenue during the five-year period April 1, 2012, through March 31, 2017, PPA failed to collect nearly \$108 million in fines and fees from more than one million unpaid tickets. Additionally, PPA has no formal policies or procedures related to the monitoring of its contracted vendor's ticket collection efforts. Every effort should be made by PPA to collect unpaid ticket revenue in order to increase the amount that can be used to educate the School District's children.

PPA also is unable to reconcile most parking meter kiosk credit card payments to ensure the accuracy of \$84 million of its \$183.5 million (46 percent) parking meter revenue processed during the five-year period April 1, 2012, through March 31, 2017. This was due to PPA's computer server not having the capacity to run summary reports of the kiosk activity.

We offer six recommendations to improve collections.

**Finding 5 – Based on corroborating evidence, the former PPA Executive Director misled the Philadelphia City Council and the School District in 2014 regarding a \$7.5 million increase to the School District's annual payment. PPA also lacks formal methodology and procedures for determining the necessity of rate and fee increases which effect its contributions to the School District.**

Although we found that PPA's parking meter rates and residential parking permit fees are comparable with other cities, PPA does not have a formal methodology, as well as written procedures to determine when rate and fee increases are necessary and at what amounts. We also found that PPA could not provide documentation to support the need for the parking meter rate increases that the former Executive Director proposed to City Council in 2014. The former Executive Director testified this increase would provide the School District with an additional \$7.5 million of funding, which never materialized.

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We offer three recommendations to improve the process of determining when rate and fee increases are necessary. We also offer two recommendations to the Pennsylvania General Assembly regarding reviewing/amending language to Section 6109 of the Vehicle Code.

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#### Introduction and Background

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This audit report presents the results of a performance audit with financial objectives of the Philadelphia Parking Authority (PPA). This audit was conducted jointly between the Office of Attorney General (OAG) and the Department of the Auditor General (DAG). The audit was conducted pursuant to DAG's authority under Sections 402 and 403 of The Fiscal Code, 72 P.S. §§ 402-403 and pursuant to the OAG's authority under 53 Pa.C.S. § 5510.1(g) of the "Parking Authority Law,"<sup>1</sup> and in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit had three objectives, and the audit period varied by audit objective. For the following two audit objectives the audit period was April 1, 2014, through April 30, 2017, unless otherwise noted, with updates through the report date:

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For the following audit objective, the audit period was April 1, 2012, through March 31, 2016, including follow-up through August 31, 2017, unless otherwise noted, with updates through the report date:

- Determine whether the PPA is properly determining operating and administrative expenses related to the On-Street Parking Program and ensuring that all appropriate net revenue is transferred to the School District of Philadelphia in accordance with applicable law.

In the sections that follow we present background information related to the PPA.

#### Creation of the Philadelphia Parking Authority

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Created as a corporate body by Acts of the General Assembly of June 5, 1947, and May 9, 1949,<sup>2</sup> and organized by an Ordinance of the Philadelphia City Council on January 11, 1950, the PPA was under the direction of a board of five unpaid members appointed by the Philadelphia

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<sup>1</sup> This provision states that the "Attorney General shall have the right to examine the books, accounts and records of an authority."

<sup>2</sup> Former "Parking Authorities Law", 53 P.S. § 341 *et seq.* (Act 208 of 1947, as amended). The current act is recodified at 53 Pa.C.S. § 5501 *et seq.* (Act 22 of 2001, as amended).

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Mayor. The PPA was created for the purpose of conducting research and maintaining current data leading to efficient operation of off-street parking facilities and to establish a permanent, coordinated system of parking facilities in Philadelphia. The PPA financed its operations through the issuance of bonds.<sup>3</sup>

### **Responsibilities added to the PPA since its inception**

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In October 1974, the PPA and the City of Philadelphia (City) entered into leases and contracts to construct and operate all parking services at the Philadelphia International Airport. Pursuant to the current lease and contract for parking services, the PPA remitted all net parking revenue to the City's Division of Aviation.<sup>4</sup>

In 1982, an Act of the General Assembly<sup>5</sup> authorized the City to assign responsibility for the management of On-Street parking to the PPA. In 1983, functions previously performed under City departments were transferred to PPA, including the following:<sup>6</sup>

- Location, installation and maintenance of all parking meters throughout the city.
- Preparation of documentation to modify existing or implement new parking regulations, establishing time limits, loading zones, fire hydrant restrictions, reserved parking for people with disabilities, tow-away zones and residential permit parking.
- Preparation of work orders for parking regulations sign.
- Meter Collections.
- Issuance and processing of parking tickets.
- Towing of motor vehicles.
- Impoundment of motor vehicles.
- Issuance of Loading Zone Permits.
- Administration of the Residential Parking Permit Program.

Under the terms of the original Agreements, all net revenue was transferred to the City. On February 10, 2004, the Governor signed Act 9 of 2004<sup>7</sup> which codified most aspects of the most recent On-Street Agreements of cooperation dated February 16, 1994, and extended the Agreement by those terms through March 31, 2014. Act 9 also established a formula by which net revenue from the On-Street Parking Program is split between the City and the School District

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<sup>3</sup> <http://www.phila.gov/phils/docs/inventor/graphics/agencies/A172.HTM> (accessed April 21, 2017).

<sup>4</sup> The Philadelphia Parking Authority, Financial Statements, Required Supplementary Information, and Other Financial Information for Years Ended March 31, 2015 and 2016 and Independent Auditors' Report, Baker Tilly page i.

<sup>5</sup> Former 53 P.S. §§ 342, 343, and 345. Recodified as amended at 53 Pa.C.S. §§ 5502, 5503, 5505.

<sup>6</sup> The Philadelphia Parking Authority, Financial Statements, Required Supplementary Information, and Other Financial Information for Years Ended March 31, 2015 and 2016 and Independent Auditors' Report, Baker Tilly page ii.

<sup>7</sup> Amending various sections of Title 53 (Municipalities Generally) of the Pennsylvania Consolidated Statutes.

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of Philadelphia (School District). Act 84 of 2012<sup>8</sup> eliminated the expiration of the Agreement for On-Street Parking functions and established a new formula by which the net revenue is split between the City and the School District.

The booting program was added by City Ordinance in July 1983.<sup>9</sup> The Communications Unit (radio dispatch center) was also added in 1983 to serve as the support unit responsible for coordinating on-street parking functions.

In 2002, the Pennsylvania General Assembly gave the PPA the power to establish a Red Light Camera Program in the City. Shortly after, the PPA began equipping intersections with cameras that monitor traffic and automatically photograph vehicles driving into an intersection after the light has turned red.<sup>10</sup>

In July 2004, the PPA assumed responsibility for the regulation and enforcement of taxi cabs and limousines operating in the City and also assumed direct management of parking at the airport after years of contracting those responsibilities out to private operators.<sup>11</sup>

### PPA's Mission

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As noted above, PPA's responsibilities have grown far beyond only providing off-street parking. The mission of the PPA is to provide the City with comprehensive parking management services and to support its economic development by:<sup>12</sup>

- Contributing to the improvement of traffic flow and public safety.
- Developing and managing an optimal supply of reasonably priced off-street parking.
- Regulating the use of on-street parking.

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<sup>8</sup> Amending various sections of Title 75 (Vehicles) of the Pennsylvania Consolidated Statutes. In particular, Subsection (g) of Section 6109 of the Vehicle Code which sets out the formula requiring the PPA, beginning in fiscal year 2015, to transfer the revenues of the system net of the operating and administrative expenses of the system as follows: "(2)...(i) Up to \$35,000,000 in the aggregate after taking into account any monthly remittances to the City of Philadelphia. (ii) In the event the net annual revenue of the system of on-street parking regulation exceeds \$35,000,000, the authority shall transfer all of the excess to the general fund of the Philadelphia School District." See 75 Pa.C.S. § 6109(g)(2)(i) and (ii).

<sup>9</sup> <http://www.philapark.org/about-ppa/> (accessed April 24, 2017). Vehicles with three (3) or more unpaid parking or red light tickets are eligible to be booted after their owners receive a series of notices. Boot crews patrol all public roadways and PPA managed properties in Philadelphia. <http://www.philapark.org/laws-enforcement/> (accessed April 24, 2017).

<sup>10</sup> *Philadelphia Parking Authority Board Directs \$2 Million in Red Light Camera Revenue To Pennsylvania Department of Transportation Motor License Fund*, February 25, 2008, <http://www.philapark.org/red-light-cameras/> (accessed April 24, 2017).

<sup>11</sup> <http://www.philapark.org/about-ppa/> (accessed April 24, 2017).

<sup>12</sup> <http://www.phila.gov/phils/docs/inventor/graphics/agencies/A172.htm> (accessed April 24, 2017).

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- Maximizing revenues to the City through the efficient and effective management of PPA activities.

The PPA is an integral part of the City's efforts to provide an efficient, well-organized transportation system that serves the needs of the public and encourages economic development. As such, its responsibilities range from managing parking and related traffic management programs on the City streets to building and operating parking lots and garages.

### PPA's Organizational Structure

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#### Board of Directors

The PPA is governed by a Board of Directors (Board). Until 2001, PPA, like all parking authorities throughout the state, was managed by its own governing board whose five members were appointed by the local mayor.<sup>13</sup> The legislation leading to Act 22 of 2001,<sup>14</sup> which created a new parking authority law and was initiated by a state representative from Philadelphia,<sup>15</sup> changed the authority to appoint members of the Board from the Mayor of Philadelphia to the Governor of Pennsylvania.<sup>16</sup>

Effective June 1, 2006,<sup>17</sup> the Board was increased to six members: Chairman, Vice Chairman/Secretary, Assistant Secretary, and three Board Members. The Governor's appointments to the Board are to consist of the following: two at the Governor's discretion; two from a list of at least three nominees prepared and submitted to the Governor by the President Pro Tempore of the Senate; and two from a list of at least three nominees prepared and submitted to the Governor by the Speaker of the House of Representatives.

According to the PPA bylaws, it is the responsibility of the Chairman to oversee the affairs of the Board and to sign legal documents, deeds, bonds, and other obligations of the PPA. The Board members are appointed to 10-year staggered terms. The Chairman earns a salary of \$75,000 per year, and each Board member earns \$200 per monthly board meeting.<sup>18</sup> Regular Board meetings are held monthly.

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<sup>13</sup> See the former "Parking Authorities Law", 53 P.S. § 341 *et seq.* See also *Blount v. Phila. Parking Authority*, 600 Pa. 277, 965 A.2d 226 (2009).

<sup>14</sup> Current law, 53 Pa.C.S. § 5501 *et seq.*

<sup>15</sup> Former House Majority Leader John M. Perzel. See [http://www.philly.com/philly/news/politics/20161002\\_How\\_the\\_Parking\\_Authority\\_became\\_a\\_Republican\\_patronage\\_haven.html](http://www.philly.com/philly/news/politics/20161002_How_the_Parking_Authority_became_a_Republican_patronage_haven.html)

<sup>16</sup> 53 Pa.C.S. § 5508.1 (relating to Special provisions for authorities in cities of the first class).

<sup>17</sup> 53 Pa.C.S. § 5508.1(e)(1)-(2), <http://www.legis.state.pa.us/WU01/LI/LI/US/HTM/2001/0/0022..HTM?84> (accessed April 24, 2017).

<sup>18</sup> <http://www.philly.com/philly/news/416144703.html> (accessed April 24, 2017; verified by PPA official April 13, 2017).

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#### **Executive Director**

The bylaws authorize the Board to continually employ an Executive Director who shall act as Chief Operating Officer of the PPA and be responsible for the implementation of policy as well as the daily administrative procedures of the PPA and shall be under the supervision of the Board. The Executive Director also has the authority to sign legal documents, deeds, bonds, and other instruments and obligations of the PPA. The Executive Director is also responsible for employing personnel he deems necessary to exercise and perform the powers, duties, and functions for the PPA and prescribe their duties and fix their compensation.<sup>19</sup>

During our audit period, the former Executive Director resigned his position on September 28, 2016, following pressure revolving around two sexual harassment complaints. The Board appointed an interim Executive Director on October 13, 2016.<sup>20</sup>

#### **Senior Management**

Three deputy executive directors and two directors report directly to the Executive Director as described below:

- One deputy executive director is the General Counsel for the PPA and supervises PPA's legal staff.
- One deputy executive director oversees On-Street Parking, Taxicab and Limousine Services, and Red Light Photo Enforcement.
- One deputy executive director oversees Strategic Planning and Administration, Off-Street Operations, Airport Parking Operations, Support Services, and Engineering and Design.
- Finance Director, who oversees the Controller, Payroll and Time Control, and Revenue Control.
- Director of PPA's Department of Human Resources.

#### **On-Street Parking**

A Director of On-Street Parking reports to the Deputy Executive Director of On-Street Parking. Additionally, two directors, one for Parking Management and one for Enforcement report to the Director of On-Street Parking. Departments within each of the two areas are described below:

- Parking management includes Planning and Analysis, Parking Management Operations, Ticketing, Ticket Cancellation, and Quality Control and Processing.
- Enforcement includes Booting, Towing and Impoundment, Auctions, and Registration Suspension.

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<sup>19</sup> Bylaws of the Philadelphia Parking Authority, December 15, 2015.

<sup>20</sup> PPA Board of Directors Meeting Minutes, October 13, 2016.

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#### **Employment**

Approximately 1,000 PPA employees work at various locations throughout the City. The number of employees (both full-time and part-time), from June 2014 through June 2017, is shown in the following table:

Date	Full-Time Employees	Part-Time Employees	Total Employees
June 30, 2014	984	126	1,110
June 30, 2015	969	114	1,083
June 30, 2016	967	128	1,095
June 30, 2017	919	92	1,011

*Source: Listings of employees provided by the PPA.*

In October 2016, the interim Executive Director instituted a hiring and promotion freeze that remained in place through December 2016.

#### **Contracting**

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Parking Authority provisions<sup>21</sup> require competitive solicitations for procurements exceeding \$25,000.<sup>22</sup> Specifically, “all construction, reconstruction, repair or work of any nature made by an authority if the entire cost, value or amount, including labor and materials, exceeds \$25,000 shall be done only under contract to be entered into by the authority with the lowest responsible bidder upon proper terms after public notice.”<sup>23</sup> In addition, “all supplies and materials costing at least \$25,000 shall be purchased only after advertisement as provided in this section.”<sup>24</sup>

Additionally, the bylaws of the PPA require that any contract in excess of the \$25,000<sup>25</sup> threshold shall be approved by the PPA Board unless the procurement need is of an urgent nature, in which case the Chairman or Executive Director may execute the contract.

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<sup>21</sup> 53 Pa.C.S. § 5511 (relating to Competition in award of contracts).

<sup>22</sup> Although our finding reports the threshold as the original established amount of \$25,000; the threshold has increased each calendar year as follows: January 1, 2014: \$25,800, January 1, 2015: \$26,200, January 1, 2016: \$26,200, and January 1, 2017: \$26,600.

<sup>23</sup> 53 Pa.C.S. § 5511(a)(1).

<sup>24</sup> 53 Pa.C.S. § 5511(b).

<sup>25</sup> PPA bylaws effective December 15, 2015, increased amount requiring Board approval to any contract in excess of \$26,200.

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#### PPA On-Street Division Background

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PPA On-Street Division operations involve the enforcement of most parking laws and ordinances in the City. All parking meter rates, parking ticket fines and penalties, tow and storage fees, permit parking fees, and all other fees associated with On-Street Parking are established by Philadelphia City Council through an ordinance signed by the mayor. Revenue generated from the On-Street Parking Division includes revenue collected from parking tickets, meters, towing fees, storage fees, certain permit registrations, vehicle auctions, and booting fees. The table below presents the On-Street net revenue generated during the fiscal years ended (FYE) March 31, 2013, 2014, 2015, 2016, and 2017:

#### PPA On-Street Revenue by Category for FYE 2013-2017

Revenue Type	FYE 2013	FYE 2014	FYE 2015	FYE 2016	FYE 2017	Total
<b>Ticket</b> <sup>a/</sup>	\$ 68,070,588	\$ 66,366,266	\$ 68,066,388	\$ 70,087,150	\$ 72,279,047	\$344,869,439
<b>Meter</b>	\$ 35,063,567	\$ 34,633,109	\$ 37,682,295	\$ 37,831,227	\$ 38,300,989	\$183,511,187
<b>Smart Card</b> <sup>b/</sup>	\$ 706,198	\$ 485,055	\$ 109,600	-	-	\$ 1,300,853
<b>Towing</b> <sup>c/</sup>	\$ 6,062,953	\$ 6,042,646	\$ 6,535,844	\$ 6,390,923	\$ 7,549,149	\$ 32,581,515
<b>Permit</b> <sup>d/</sup>	\$ 2,302,949	\$ 2,590,878	\$ 3,440,900	\$ 3,866,635	\$ 4,099,108	\$ 16,300,470
<b>Auction</b> <sup>e/</sup>	\$ 249,290	\$ 220,175	\$ 202,878	\$ 271,033	\$ 296,393	\$ 1,239,769
<b>Miscellaneous</b> <sup>f/</sup>	\$ 1,375,691	\$ 1,373,956	\$ 1,463,134	\$ 1,898,938	\$ 2,341,500	\$ 8,453,219
<b>Net Revenue</b>	<b>\$113,831,236</b>	<b>\$111,712,085</b>	<b>\$117,501,039</b>	<b>\$120,345,906</b>	<b>\$124,866,186</b>	<b>\$588,256,452</b>

<sup>a/</sup> Ticket amounts are net of ticketing refunds and processing fees.

<sup>b/</sup> Prior to accepting credit cards at kiosks, PPA offered Smart Cards that individuals could add money to and use to pay parking meter fees. PPA discontinued use of Smart Cards on December 31, 2014.

<sup>c/</sup> Towing amounts also include revenue from storage and booting.

<sup>d/</sup> Permit amounts include revenue from residential parking permits, contractor permits, and loading zone permits.

<sup>e/</sup> Auction amounts include revenue from processing and credit card fees.

<sup>f/</sup> Miscellaneous amounts include revenue from credit card convenience fees and registration/suspension processing fees.

Source: Revenue amounts obtained from PPA IS 2 Reports.

#### PPA Ticketing

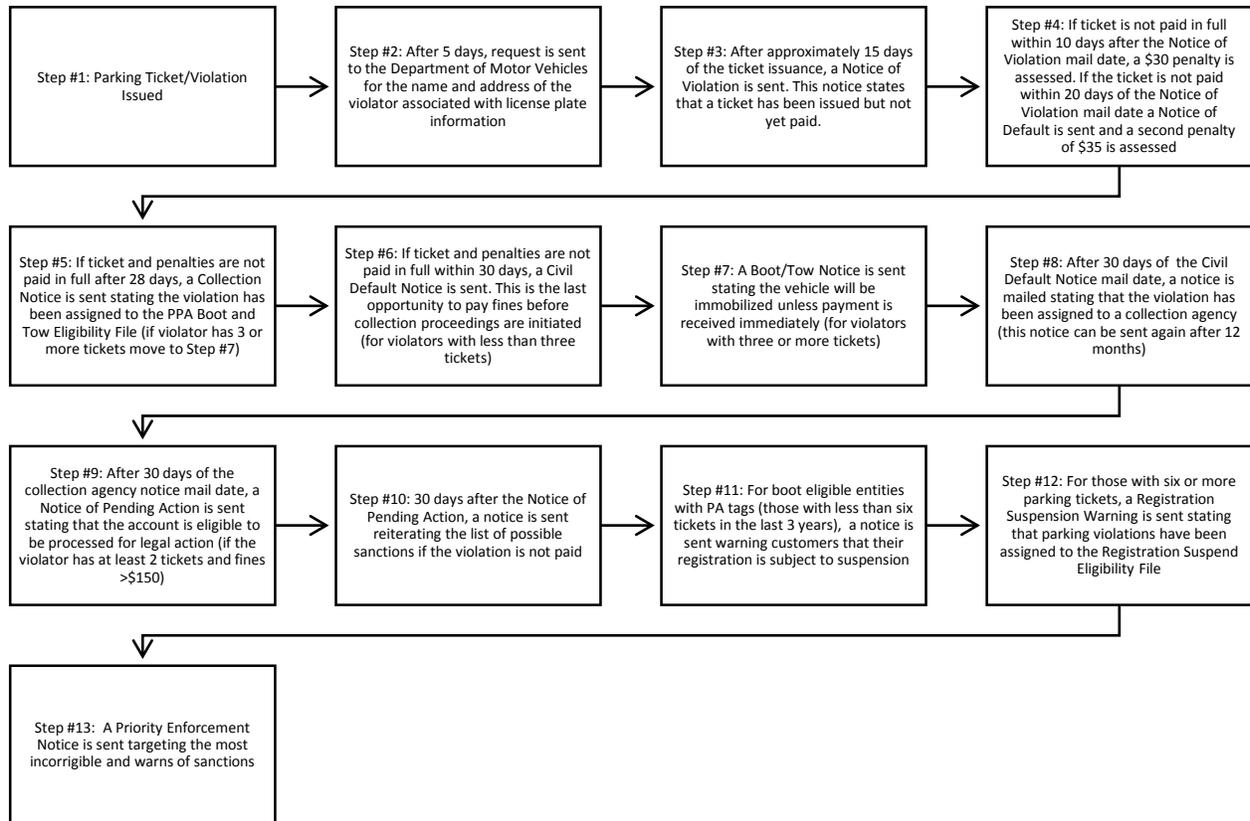
During each of the five years of our audit period, PPA issued over 1.2 million parking tickets. As shown in the above table, the revenue generated from the collection of parking violations is the largest source of revenue for the PPA totaling \$344,869,439 over the five-year period.

There are approximately 250 Parking Enforcement Officers (PEOs) and 25 supervisors assigned to enforce on-street parking throughout the city of Philadelphia. Ticket writing is an electronic process through the use of hand-held devices that are capable of recording the parking violation, vehicle information, and location of where the violation occurred, as well as printing a ticket on-site. The ticket is then placed in an envelope and placed on the vehicle's windshield. At the end of every shift, ticket data from the handheld devices is electronically transmitted to a program that tracks all of the tickets issued. PPA contracts with a third party vendor, to handle the processing and collection of all parking ticket violation penalties and fines. The collection process for an unpaid ticket issued to a vehicle registered in the Commonwealth of Pennsylvania

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is shown in the exhibit that follows:



### Parking Meters and Kiosks

There are approximately 9,000 single-space parking meters and 1,030 multi-space parking meter kiosks located throughout the City. Single-space parking meters are the traditional coin-only operated parking meters. Kiosks accept multiple forms of payment including coins, bills, and credit/debit cards.

The revenue generated through meter parking is the second largest source of revenue in the On-Street Division. As shown in a previous table, PPA collected \$183,511,187 in meter revenue during the five-year period April 1, 2012, through March 31, 2017.

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#### **Finding 1 – Historically poor communications from PPA management to the School District of Philadelphia inhibited the School District from ever knowing the correct excess net revenue amounts they would receive from year to year which sometimes led to much smaller amounts than they were led to believe.**

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In 1982, an Act of the General Assembly<sup>26</sup> authorized the City of Philadelphia (City) to assign responsibility for the management of On-Street parking to the Philadelphia Parking Authority (PPA). Under the terms of the original On-Street agreements, all net revenue, which is the amount of revenue remaining after expenses have been paid, was to be transferred to the City. On February 10, 2004, the Governor signed Act 9 of 2004<sup>27</sup> (Act 9) which established a formula by which net revenue from the On-Street Parking Program is split between the City and the School District of Philadelphia (School District). Act 9 required the first \$25 million in net revenue to be transferred to the City. Any net revenue that exceeded \$25 million was to be transferred to the general fund of the School District. Subsequently, Act 84 of 2012<sup>28</sup> (Act) increased the amount to be transferred to the City, beginning in the fiscal year ending 2015, to \$35 million.

The Act further outlined that in each subsequent fiscal year the amount due to the City would be adjusted based upon the percentage increase, if any, in the gross revenue (revenue not reduced by any expenses) generated by on-street parking (PPA's On-Street Division). The Act further provided that no adjustment would be made if the gross revenue generated by the On-Street Division did not increase over the prior fiscal year. In other words, if the On-Street Division's gross revenue decreases from the prior year, the amount paid to the City will remain the same as the amount paid in the prior year, regardless of the amount of on-street expenses. Therefore, based on the language in the Act, the School District only receives from PPA any amount of net

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<sup>26</sup> Former 53 P.S. §§ 342, 343, and 345. Recodified as amended at 53 Pa.C.S. §§ 5502, 5503, 5505.

<sup>27</sup> Act 9 of 2004 amended Section 5508.1. (relating to Special provisions for authorities in cities of the first class) of the "Parking Authority" Act by adding Subsection (q.1) (**expired March 31, 2014**, pursuant to Act 9 ), providing for the following in pertinent part: "...(2)...Beginning with its fiscal year ending in 2004, upon the conclusion of each of its fiscal years, the authority shall transfer the revenues of the system of on-street parking regulation net of the operating and administrative expenses of the system of on-street parking regulation as follows: (i) Up to \$25,000,000 in the aggregate after taking into account monthly remittances required pursuant to paragraph (1) to the city in which it is located. (ii) In the event the **net annual revenue** of the system of on-street parking regulation exceeds \$25,000,000, the authority shall **transfer all of the excess** to the general fund of a school district of the first class." (Emphases added.) See *Former 53 Pa.C.S. § 5508.1(q.1)*.

<sup>28</sup> Amending various sections of Title 75 (Vehicles) of the Pennsylvania Consolidated Statutes. In particular, Act 84 amended Section 6109 of the Vehicle Code by added Subsection (g) which sets out the formula requiring the PPA, beginning in fiscal year 2015, to transfer the revenues of the system net of the operating and administrative expenses of the system as follows: "(2)...(i) Up to \$35,000,000 in the aggregate after taking into account any monthly remittances to the City of Philadelphia. (ii) In the event the **net annual revenue** of the system of on-street parking regulation exceeds \$35,000,000, the authority shall **transfer all of the excess** to the general fund of the Philadelphia School District." (Emphases added.) See 75 Pa.C.S. § 6109(g)(2)(i) and (ii).

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revenue left over after PPA has paid (1) the On-Street Division expenses and (2) the amount calculated, as described above, to be paid to the City. The following is an example and explanation to demonstrate how the formula works based on On-Street revenue and expenses:

#### Example

Scenario	First Year	Second Year	Third Year	Fourth Year
<b>On-Street Gross Revenue</b>	\$100.0 million	\$100.0 million	\$ 110.0 million	\$110.0 million
<b>On-Street Expenses</b>	\$ 50.0 million	\$ 60.0 million	\$ 60.0 million	\$ 70.0 million
<b>Net Revenue <sup>a/</sup></b>	\$ 50.0 million	\$ 40.0 million	\$ 50.0 million	\$ 40.0 million
<b>City Portion of Net Revenue</b>	\$ 35.0 million	\$ 35.0 million	\$ 38.5 million <sup>b/</sup>	\$ 38.5 million
<b>School District Portion of Net Revenue</b>	\$ 15.0 million	\$ 5.0 million	\$ 11.5 million	\$ 1.5 million

<sup>a/</sup> - For purposes of this example, Net Revenue is calculated as On-Street Gross Revenue minus On-Street Expenses.

<sup>b/</sup> - Because PPA's gross revenue increased from the second year to the third year by 10 percent (\$110 million minus \$100 million divided by \$100 million), the City portion also increases by 10 percent from \$35 million to \$38.5 million.

*Source: Example developed by Department of the Auditor General staff based on formula established by Act 84 of 2012.*

**First Year and Second Year Comparison:** As noted in the above table, the amount of gross revenue from the first year to the second year does not change, but the amount of expenses increases by \$10 million, which reduces the amount of net revenue from \$50 million in the first year to \$40 million in the second year. The formula, however, does not reduce the City's portion of \$35 million. As a result, the \$10 million in reduced net revenue is reflected by a reduction of \$10 million that goes to the School District. Therefore, the increase in expenses directly reduced the amount of money PPA would send to the School District, but had no bearing on how much the City received.

**Second Year and Third Year Comparison:** As noted in the above table, the amount of gross revenue increased by \$10 million or 10 percent from the second year to the third year. The formula stipulates that because PPA's gross revenue increased by 10 percent, the City's portion of the net revenue is also increased by 10 percent from \$35 million to \$38.5 million, which results in \$11.5 million going to the School District in the third year. Therefore, the \$10 million increase in revenue was split into PPA sending \$3.5 million to the City and \$6.5 million to the School District.

**Third Year and Fourth Year Comparison:** As noted in the above table, the amount of gross revenue stayed the same from the third year to the fourth year, but the amount of expenses increased by \$10 million, which decreased the net revenue amount from \$50

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million to \$40 million. In this case, the formula requires PPA to continue to pay the City \$38.5 million, which results in only \$1.5 million going to the School District in the fourth year. Therefore, the increase in expenses directly reduced the amount of money PPA would send to the School District, but had no bearing on how much the City received.

**Conclusion:** The formula ensures that the City benefits from PPA’s On-Street gross revenue increases as well as attempts to protect the amount of money going to the City when gross revenue decreases and/or expenses increase. However, the School District gets penalized by the formula because it only receives any remaining dollars after the City’s allocation, if there are any.

### **PPA’s payments to the City and School District complied with the formula.**

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As part of our audit, we reviewed PPA’s calculations to assess whether the PPA determined the correct amount of net revenue to be paid to the City and School District for the five years ended March 31, 2017. We found that PPA complied with the formula outlined in the statute for all five years. The following chart reports the payments made by PPA to the City and School District during this five-year period.

Fiscal Year Ended	Amount PPA Calculated as due to the City <sup>a/</sup>	PPA Payments to the School District of Philadelphia
March 31, 2013	\$37,253,132	\$13,263,733
March 31, 2014	\$37,253,132	\$ 9,722,797
March 31, 2015	\$36,647,905 <sup>b/</sup>	\$11,062,997
March 31, 2016	\$37,462,804	\$10,279,437
March 31, 2017	\$38,947,538	\$10,274,136

<sup>a/</sup> - Adjustments are made to the calculated amount based upon other payments due to and from PPA and the City of Philadelphia.

<sup>b/</sup> - The calculated threshold amount decreased in fiscal year ended March 31, 2015, due to the change in statute that reset the threshold to \$35 million.

*Source: Developed by the Department of the Auditor General staff from PPA IS2 Reports and supporting calculations.*

Act 9 was originally intended to help the School District supplement its poor financial condition by having it share in any “excess” funds from PPA’s On-Street Division Operations. However, the above chart reflects some volatility in the dollar amounts PPA provided to the School District from one year to the next, making it difficult for the School District to budget for how much money PPA will annually provide (see the next section for additional information). As previously explained in our example, this volatility is a direct result of the way in which the formula in the statute was written. The formula as written allows all expenses charged directly

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to the On-Street Division or indirectly from administrative costs to reduce the amount of funds transferred to the School District.

Additionally, any excessive expenses made by PPA or expenses incorrectly charged to the On-Street Division, whether intentionally or not, reduces the amount of the annual payment to the School District. We note examples of both of these conditions in Finding 2. These conditions reduce the amount of funds available for PPA to pay the School District.

#### **Lack of PPA communication with the School District resulted in the School District budgeting inaccurate revenue amounts.**

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We contacted management from the finance offices of both the City and the School District to inquire as to what the level of communication is between their offices and PPA staff. Management staff from the City stated historically they have met with PPA staff bimonthly. Additionally, PPA provides the City with monthly On-Street Division operating statements that report budget versus actual amounts for the current month and for the fiscal year for the various categories of revenues and expenses. Management stated that generally, when they have inquired of PPA regarding revenue or expense amounts reported, PPA responds with high level answers. Therefore, management only received a general idea of what the source of the amounts were, but not enough detail to determine if the amounts were reasonable.

However, management from the School District finance office responded that until May 2016, when its staff began to be included in meetings with management from PPA and the City, communication with PPA was very limited regarding anticipated funding from the On-Street Division. Prior to May 2016, when staff from the School District contacted PPA management, their questions either went unanswered or they were instructed to direct their questions to the City's finance office. Therefore, from passage of Act 9 in 2004 until May 2016, no information was being shared regularly, if at all, by PPA with the School District, yet this was an important source of revenue for the School District. As a result, in order to budget for the annual payments from PPA, the School District finance staff utilized prior year funding amounts and information published in newspapers from comments made at PPA public meetings.

As shown in the following chart, in four of the five years during the period April 1, 2012, through March 31, 2017, the School District's budgeted amounts are higher than the actual amounts received from PPA. The poor communications from PPA to the School District resulted in shortfalls ranging from approximately \$120,000 to \$5.4 million.

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#### School District Budget versus Actual Amount of PPA Payments

Fiscal Year Ended <sup>a/</sup>	Amount Budgeted <sup>a/</sup>	Amount Received	Shortfall/(Excess)
March 31, 2013	\$13,384,000	\$13,263,733	\$ 120,267
March 31, 2014	\$ 9,914,000	\$ 9,722,797	\$ 191,203
March 31, 2015	\$16,500,000	\$11,062,997	\$5,437,003
March 31, 2016	\$11,100,100	\$10,279,437	\$ 820,563
March 31, 2017	\$ 9,500,000	\$10,274,136	(\$ 774,136)

a\ The amounts budgeted by the School District are for its fiscal years that end June 30, which is different than PPA's fiscal years which end March 31.

*Source: Budget and Actual amounts provided by the School District. While the amounts received by the School District were confirmed with the amounts paid by PPA, the School District's budgeted amounts provided by their management are of undetermined reliability as noted in Appendix A. However, this data is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.*

The \$16.5 million budgeted by the School District in fiscal year ended March 31, 2015, was based upon the former PPA Executive Director's inaccurate/misleading testimony to Philadelphia City Council that there would be an increase in funds available to send to the School District as a result of an increase in meter fees. See Finding 5 for further details. As a result of relying on the information provided by the former Executive Director, the School District did not receive nearly the funding anticipated/budgeted. Management stated that they had to make an adjustment to the budget when it did not receive the amount indicated by the former Executive Director. Additionally, School District management indicated that due to the volatility of the annual payments from PPA, the School District will not designate these funds for any type of recurring expenses.

Unless the current language of the statute is amended, the amount that the City receives each year will be protected but the School District will continue to only receive the amount that remains after PPA has paid the City and all of the On-Street expenses. Therefore, it is critical that PPA management ensure that only transactions necessary to On-Street operations are approved. Additionally, to allow School District staff to accurately budget for the amount of funds to be received from the PPA On-Street Division, PPA management must continue to meet regularly with School District staff. PPA management should provide School District staff with useful, detailed information and adequately respond to their questions with more than just high-level responses. By providing an improved level of communication and detailed information on revenue and expenses, PPA management will assist School District staff in being able to better budget for revenue amounts to be received from PPA On-Street to assist the School District in meeting its mission to educate the children of its district.

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#### Recommendations for Finding 1

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We recommend that PPA:

1. Continue to ensure payments to the City and School District are made in compliance with the formula outlined in the statute.
2. Provide City and School District with budget information as early as possible each year with expected funds to be available.
3. Continue providing updated financial reports to and meetings with the City and School District on a regular basis regarding funds expected to be available to allow them to make adjustments to their budgets, if necessary, and to provide an opportunity for staff to ask additional questions regarding amounts being charged to the On-Street Division.
4. Provide the City and School District with detailed and meaningful information to any questions or concerns that may arise over On-Street revenues, related expenses, and/or expected funds to be available.

We recommend that the Pennsylvania General Assembly:

5. Revisit the statute and consider amending the language so that **both** the City and the School District are guaranteed to receive, at a minimum, an established amount of the net revenue. This will help to ensure that the School District receives the additional funds that it so greatly needs to educate the children of Philadelphia.

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**Finding 2 – During the period April 1, 2012, through August 31, 2017, over \$1.17 million of incorrect, questionable, or excessive expenses were charged to the PPA’s On-Street Division; including \$322,232 of specific incorrectly charged expenses, thereby decreasing the monies paid to the School District of Philadelphia.**

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As noted in Finding 1, the Philadelphia Parking Authority’s (PPA) On-Street and administrative expenses have a direct effect on the amount of funds the School District of Philadelphia (School District) receives each year.<sup>29</sup> Any increases to these expenses directly decreases the payment amount to the School District, which is in a poor financial condition. Therefore, it is imperative for PPA to ensure all of its operating and administrative expenses related to On-Street parking are appropriate, prudent, reasonable, and properly classified in all instances so that when the calculation is made to determine the amount to be paid to the School District, no errors are included which would reduce the final disbursement.<sup>30</sup>

However, during our review of On-Street and related administrative expenses for the period April 1, 2012, through March 31, 2016, including follow-up through August 31, 2017, unless otherwise noted, we found that:

- PPA improperly charged expenses to the On-Street program, decreasing the amounts paid to the School District by a total of \$322,232.
- PPA had questionable expenses which reduced the amounts paid to the School District by a total of \$35,569.

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<sup>29</sup> Expenses directly related to On-Street parking are coded and charged to the On-Street Division. Administrative support indirect expenses are allocated across all divisions, including On-Street, based upon a formula which calculates the amount to be allocated to each division based on the respective division’s total direct expenses as a percent of all of PPA’s direct expenses. This methodology was adopted by PPA based on a November 1999 letter from the City of Philadelphia’s Director of Aviation to the then PPA Executive Director which outlined this method to allocate PPA’s administrative support expenses for parking facilities at the Philadelphia Airport. PPA then adopted this allocation method across all divisions. Using this method for the four-year period April 1, 2012, through March 31, 2016, approximately 57 percent of PPA’s administrative support costs were allocated to the On-Street Division.

<sup>30</sup> Section 6109 of the Vehicle Code, added by Act 84 of 2012 (Omnibus Transportation amendments), provides that the City of Philadelphia receives at least \$35 million each year from PPA taking into account any monthly remittances to the City; however, the amount cannot decrease from the prior year. Therefore, we focused our attention on the impact PPA’s expenses have on the amount available to forward to the School District. *See* 75 Pa.C.S. § 6109(g)(2)(i) and (3). Section 6109(g)(3) of the Vehicle Code states, in part: “No adjustment shall be made if the gross revenue generated by the system of on-street parking regulation did not increase over the prior fiscal year.” *Ibid.*

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- PPA had policies in place during this time period that allowed for excessive salary increases, leave balances, and tuition reimbursements, all of which negatively impacted the payment amount to the School District.
- PPA did not have adequate written policies and procedures in place for processing of payments and recording of expenses, and consequently, expenses were being improperly charged to the On-Street program.

In order to test whether PPA expenses related to On-Street parking were appropriate and reasonable, we focused our review on expenses directly charged to the On-Street Division along with administration support expenses (support), a portion of which is allocated to the On-Street Division. We performed separate evaluations of payroll expenses and operating expenses for both On-Street and support. The following chart shows the total On-Street and support payroll and operating costs for the four-year period April 1, 2012, through March 31, 2016.

PPA Division	FYE March 31, 2013 <sup>b/</sup>	FYE March 31, 2014 <sup>b/</sup>	FYE March 31, 2015 <sup>b/</sup>	FYE March 31, 2016 <sup>b/</sup>
Total Payroll Costs <sup>a/</sup> – On-Street	\$38,020,939	\$41,097,486	\$44,429,170	\$45,832,197
Operating Expenses – On-Street	\$14,048,788	\$10,902,209	\$11,838,518	\$12,929,832
Total Payroll Costs <sup>a/</sup> – Support	\$12,059,050	\$14,032,124	\$16,073,157	\$17,998,615
Operating Expenses – Support	\$ 3,081,540	\$ 3,368,354	\$ 4,263,865	\$ 3,964,747

<sup>a/</sup> - Total payroll costs include payroll, fringe benefits, pension, and post-employment benefits.

<sup>b/</sup> - PPA's fiscal years cover the period April 1 through March 31.

*Source: This table was compiled by the staff of the Department of the Auditor General based on IS2 reports provided by PPA.*

To evaluate payroll costs, we selected salary and wage expenses for one month—July 2015. We found these expenses related to 574 On-Street employees and 168 support employees. We compared these employees' names to a PPA employee listing that included employee names and job titles. We judgmentally selected 86 On-Street employees and 37 support employees for whom we could not readily determine whether their jobs related to these respective areas. For the employees selected, we requested additional information to determine whether their job responsibilities reasonably related to On-Street or support. We found this to be the case for all but two of the employees reviewed. The two exceptions were for On-Street employees and are described in detail below and also noted in the table of exceptions that follows.

To evaluate operating costs, we obtained a data file of On-Street and support operating expense transactions for the four-year period April 1, 2012, through March 31, 2016. We analyzed this file and selected 181 expense transactions for testing, including 113 On-Street and 68 support transactions. We randomly selected 27 transactions (all from On-Street) and judgmentally

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selected 154 transactions. Our judgement included selecting transactions with larger dollar amounts, vendor names, or descriptions that seemed associated with other divisions or not associated with parking operations, professional fees, miscellaneous expense accounts, and vague descriptions. Our review of the 181 expense transactions found 129 of the expense transactions to be reasonable, properly charged to On-Street or support, and properly approved; however, we found exceptions for 52 transactions, or 29 percent of the transactions reviewed, as summarized in the following table and described in detail below.

Exception Description	Number of Exceptions	Reduction in Dollars to School District per Transaction Tested	Reduction in Dollars to School District per Additional Follow-Up <sup>a/</sup>	Total Reduction in Dollars to School District
<b>Erroneously Charged to On-Street:</b>				
<b>Payroll</b>	2	\$19,171	\$193,534	\$212,705
<b>Not On-Street expenses</b>	14 <sup>b/</sup>	\$17,497	-	\$ 17,497
<b>Tuition not in compliance with policy</b>	5	\$16,981	-	\$ 16,981
<b>Over-allocation of audit costs</b>	1	\$ 1,782	\$ 73,267	\$ 75,049
<b>Total Errors</b>	<b>22</b>	<b>\$55,431</b>	<b>\$266,801</b>	<b>\$322,232</b>
<b>Questionable Expenses:</b>				
<b>No support documents</b>	4	\$ 1,351	-	\$ 1,351
<b>Gift Cards as rewards</b>	1	\$ 2,800	\$ 4,800	\$ 7,600
<b>Golf Outing</b>	1 <sup>b/</sup>	\$ 500	\$ 1,311	\$ 1,811
<b>Events</b>	6	\$ 3,990	-	\$ 3,990
<b>Donations</b>	4	\$ 3,705	\$ 285	\$ 3,990
<b>Catered Meals</b>	9	\$ 3,560	\$12,267	\$15,827
<b>Van Rental/Driver</b>	1	\$ 832	-	\$ 832
<b>Excessive Travel Reimbursement</b>	1	\$ 56	\$ 112	\$ 168
<b>Total Questionable</b>	<b>27</b>	<b>\$16,794</b>	<b>\$18,775</b>	<b>\$35,569</b>

**Additionally, we noted five expense transactions not included in the exceptions above which did not have appropriate management or Board approvals.**

<sup>a/</sup> - In certain instances, we determined through follow-up with PPA management that the exception for the transaction reviewed occurred with other transactions throughout various time periods which is discussed in the details for each of the exceptions in the sections to follow.

<sup>b/</sup> - The questionable expense for a golf outing was also erroneously charged directly to On-Street rather than support; however, we did not include this exception under erroneously charged to On-Street to avoid duplication.

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#### **Expenses erroneously charged to On-Street.**

##### **Two employees' salary and benefits were inappropriately charged to On-Street.**

We found that two employees' salaries or a portion of their salaries totaling \$19,171 were inappropriately charged to On-Street during our review month of July 2015. PPA management stated the job responsibilities for the two employees in question changed on September 1, 2014, from On-Street in nature to administrative support related; however, their salaries and benefits continued to be charged directly to On-Street. Management responded to our follow-up regarding this error that it is the responsibility of the Controller<sup>31</sup> to review payroll allocations; however, PPA does not have written procedures regarding the process of allocating salaries across the multiple divisions within PPA. As a result of PPA not ensuring the proper allocation of the two employees' salaries and benefits, we calculated, and PPA management agreed, that On-Street expenses were overstated by a total of \$212,705 during the period September 2014 through March 2017, and in-turn reduced the payment to the School District by this amount over this time period.

##### **Fourteen On-Street expense transactions should not have been charged directly to On-Street.**

PPA management agreed with our review that 14 transactions totaling \$20,256 were not On-Street related. Seven of the transactions totaling \$15,415 should have been posted to either the Airport or Garage divisions, and therefore, none of that amount should have been charged to On-Street. The seven remaining transactions totaling \$4,841 should have been posted to support, with 57 percent being allocated to On-Street, or \$2,759. Therefore, On-Street expenses were overstated by \$17,497, reducing the payment to the School District.

While these expenses were approved by management, management's review did not catch and/or correct the account coding errors. Additionally, we noted that PPA did not have up-to-date formal written procedures for ensuring expense account coding accuracy during the period April 1, 2012, through December 8, 2016, as discussed in a section later in this finding.

##### **Five expense payments for tuition reimbursement of two employees were not in compliance with policy.**

We reviewed a total of 20 support expense transactions that were tuition reimbursements for six different PPA employees. Our review of supporting documentation found non-compliant tuition reimbursements for five payments made to two of the employees as discussed below.

One employee, a customer service representative, received a single tuition reimbursement payment in January 2014 of \$16,316 for courses related to a culinary arts major, which is clearly

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<sup>31</sup> The Controller in place during the period in question is no longer an employee of PPA.

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not related to her professional job duties at PPA. PPA tuition reimbursement policy requires that the course work relates to job duties. This payment was approved by four management employees, including the former Executive Director and current Director of Human Resources. When we questioned the appropriateness of this payment, PPA management agreed that the approval of the tuition reimbursement was not consistent with the provisions in its policy. Management stated that of the four management employees that approved the reimbursement payment, three are no longer employees of PPA and the fourth, the current Director of Human Resources, has no recollection of this particular request for payment.

Another employee received four tuition reimbursement payments between July 2013 and January 2014 totaling \$13,475 for courses taken at an association that is not an accredited institution, which is a requirement per PPA's tuition reimbursement policy. When questioned, PPA management justified the payment by stating that the association is a professional certification institution directly related to his job responsibilities and that participation in the program enhanced the employee's skills in the performance of his duties, and therefore, was determined to meet the criteria for reimbursement. While we agree that the courses reimbursed appear to be job related, the provider did not meet PPA's policy, nor was there any documentation on file to show approval of an exemption from this requirement in PPA policy.

These tuition reimbursements in question were charged to administrative support, and therefore, the costs were allocated at approximately 57 percent to the On-Street Division, or \$16,981, and in-turn reduced the amount provided to the School District to educate its students.

#### **One transaction over allocated audit costs to On-Street.**

One On-Street transaction reviewed, totaling \$7,957, was a monthly journal entry that PPA accounting staff posts to the On-Street Division for its estimated share<sup>32</sup> of PPA's annual audit fees. We reviewed PPA documents and calculated the On-Street Division's actual share to be only \$6,175, or \$1,782 less than the estimated amount posted to the On-Street Division. Since this is a recurring monthly entry, we calculated the share for the On-Street Division of the total audit cost for all four years of our audit period April 1, 2012, through March 31, 2016. We then compared our calculated amount to what PPA allocated to On-Street each month during all four fiscal years and determined that PPA over-allocated a total of \$75,049 to On-Street. PPA management agreed with our calculation and stated that the reason for the error was an oversight by the former Finance Director and the Controller not performing a year end reconciliation and correction to properly account for the difference between the estimated and actual audit fees. Allocating a monthly estimated amount is a normal business practice; however, when PPA finance staff failed to conduct a year end reconciliation to ensure the accuracy of their estimates, it resulted in an over allocation to the On-Street Division. This not only erroneously reduced the amount provided to the School District by over \$75,000, but it also raises the question regarding

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<sup>32</sup> According to current PPA management, the amount of the On-Street Division's share of audit fees is calculated using the same percentage (57 percent) as is used to allocate Support costs to each division of PPA.

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the accuracy of other estimated expenses that PPA finance staff allocate each month to the On-Street Division.

#### **Questionable expenses**

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##### **No support documents for four transactions.**

PPA was unable to locate documents to support four On-Street expense transactions. These transactions totaled \$1,351. Based upon the description posted in the general ledger, three of the transactions were customer refunds and one payment was to a catering company. Without supporting documentation, we were unable to determine the validity or reasonableness of these transactions.

##### **One transaction for gift cards purchased as rewards for PPA staff.**

One On-Street expense transaction selected for review was for the purchase of gift cards in December 2015 totaling \$2,800. PPA management explained that the gift cards were given to PPA On-Street employees, Parking Enforcement Officers (PEO) for “exemplary and sustained superior performance” and for employee morale. Upon further inquiry, we found that PPA also expended \$2,400 in December of 2013 and \$2,400 in November of 2014 on gift cards for PEOs. Although employee morale needs to be considered by management, we question whether PPA, as a government agency, should purchase gift cards for On-Street Division employees, which reduces funds available to help educate the students in the School District.

##### **One transaction for golf outing.**

One On-Street expense transaction was a payment of \$500 for four PPA management employees to attend a charity golf outing on behalf of PPA. Subsequently, we searched PPA’s file of expenses and found four additional charges totaling \$2,300 for golf outings charged to administrative support. Of that amount, \$1,311, or 57 percent, would have been allocated to the On-Street Division. PPA is a government agency, not a privately-run firm, and therefore, management should be prudent regarding what events they attend and the associated cost since every dollar spent equates to less money for the School District to spend on its students.

##### **Six transactions for questionable events.**

We reviewed six support expense transactions totaling \$7,000 that were for events that PPA management attended on behalf of the PPA. Events included a retirement dinner and a dance event held by local unions and other breakfasts/dinners and celebrations for local community agencies. While attendance at community events may have value to PPA in its relationship with the community, we question the necessity of PPA paying for management employees to attend these events, especially two functions hosted by local unions. With 57 percent of these costs

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allocated to the On-Street Division, these costs ultimately reduce the amount of funds available to send to the School District. As a government agency, PPA management should give great consideration as to the necessity of paying to have PPA management employees attending these types of events.

#### **Four transactions for donations.**

We noted four support expense transactions that were donations totaling \$6,500 made by PPA to local Philadelphia organizations that appear to be personally related to members of PPA management and the PPA Board.<sup>33</sup> One \$500 donation, made in June 2012, was to a local church. Upon further review, we found two additional payments totaling \$500 to this same church in 2013. The support documents for these payments included a note from the PPA Board Chair to the former Executive Director requesting PPA consider making a donation. PPA is a government agency, not a privately-run firm. Therefore, management should be much more prudent regarding making donations in the name of PPA and what events they pay for management to attend and the associated cost since every dollar spent on luncheons and donations to local organizations equates to less money for the School District to spend on the children in the district.

#### **Nine transactions for catered meals of the Board and employees.**

Three support payments reviewed were to companies that catered meals for 25 people attending PPA Board of Directors (Board) meetings. On two separate occasions, payments of approximately \$625 each, or \$25 per person, were to a company that catered meals at two Board meetings during the fiscal year ended March 31, 2013. The invoices included pastries and coffee/tea for breakfast, plus lunches that included chicken and beef kabobs, crab cakes, and salmon, along with side dishes, which appear to be very extravagant for a government agency. The third payment of \$185 was to a different company that catered the Board meeting in June 2013 and provided less extravagant meals also for 25 people. As a result of further inquiry, PPA provided us with a listing of Board meeting catering expenses for the period April 1, 2012, through August 31, 2017, totaling \$22,958.

Additionally, six other support payments reviewed totaling \$4,810 were for catered meals provided to PPA staff over a five-day period in April 2013 when they were preparing to move to the new PPA offices.

Since 57 percent of every support dollar spent reduces the funds going to the School District, PPA should scrutinize the necessity of providing the Board and employees meals.

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<sup>33</sup> The four donations included a \$5,000 reward for a missing child, \$500 to sponsor a local softball team, \$500 to a local theater company, and \$500 to a local church.

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#### **One transaction to pay for rental van and driver.**

One support expense transaction reviewed was for a \$1,460 payment made in December 2014 to a vendor for a van rental and driver services to transport eight individuals to Massachusetts in order to view a potential product for use in a PPA construction project. We questioned PPA management as to why they paid for a rental vehicle instead of having a PPA employee drive a vehicle from the PPA fleet. Management responded that neither of the employees that arranged and approved this expenditure currently work for PPA, and therefore, they could not answer the question. This appears to be another example of a lavish expenditure which further reduced the amount provided to the School District by \$832, or 57 percent of the \$1,460 payment charged to support.

#### **One transaction for travel reimbursement exceeded rates recommended by GSA.**

One support transaction reviewed included reimbursement to a PPA employee for meals during a business trip to Reno, Nevada in October 2015. We noted that the employee was paid \$75 per diem for meals for each of the six days of the trip. However, the meal and incidental rate for Reno, Nevada during this period as established for federal guidelines by the General Services Administration (GSA) was only \$64 per day,<sup>34</sup> including only \$48 per day for the first and last day of travel.<sup>35</sup> Therefore, PPA's meal reimbursement rate was higher than the rates recommended by the GSA by \$11 and \$27 per day, respectively. PPA management indicated that they did not know who at the PPA initiated this rate, but it had been in effect since the early 1990s and was the rate that was utilized regardless of the travel destination. In this one transaction, PPA paid the employee \$98 more than the GSA recommended rates. We also noted in the documentation provided by PPA that two other employees, who were not part of our testing, were also on the trip and were reimbursed the same amount. As a result, for this one trip, employees were paid a total of \$294 over the recommended GSA rates. While this may seem like a small amount for this one reimbursement, it is only one of many travel or per diem reimbursements made by PPA to employees. Given the length of time that PPA has been using this rate in excess of government recommended guidelines, the total excessive spending could be large and reduces the amount of funds available to the School District.

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<sup>34</sup> [https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup/?action=perdiems\\_report&state=NV&fiscal\\_year=2016&zip=&city=Reno](https://www.gsa.gov/travel/plan-book/per-diem-rates/per-diem-rates-lookup/?action=perdiems_report&state=NV&fiscal_year=2016&zip=&city=Reno) (accessed October 4, 2017).

<sup>35</sup> <https://www.gsa.gov/travel/plan-book/per-diem-rates/meals-and-incidentals-breakdown> (accessed October 4, 2017).

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#### **Excessive raises and benefits**

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##### **Excessive salary increases and leave benefits.**

In a separate performance audit of the PPA's employment policies and procedures covering the audit period July 1, 2014, to April 30, 2017, we analyzed salary increases for 30 senior-level management employees and found that these employees collectively received salary increases of approximately \$621,000, or a 19.4 percent increase, over a 28-month period of July 1, 2014, through October 31, 2016, which appears to be excessive. Payroll for senior management working directly for On-Street or indirectly in administration support reduce the funds available to the School District to help educate its students. We calculated that approximately \$344,500 of this salary increase for the 30 senior-level management employees was posted or allocated to the On-Street Division.

Additionally, while an employee upon separation would be entitled to at least a payout of unused vacation leave up to a reasonable allowed carryover amount, we noted that the former Executive Director used his position to manipulate compensatory and vacation leave balances for his own personal gain as well as for the gain of certain senior-level management. For example, the effect of the excessive salary increases and leave balances was evident when the former Executive Director received a \$227,228 leave payout in December 2016 after he resigned. Of this amount, we calculated that approximately \$129,520 would be allocated to the On-Street Division for the FYE March 31, 2017, reducing the payment to the School District by this same amount.<sup>36</sup>

PPA management should be prudent and reasonable when considering salary increases and leave benefits and be cognizant that these policies have a direct impact on the amount of funds paid to the School District. Although PPA amended its policies in May 2017, which did scale back some benefits to be more in line with other government agencies, PPA should continue to review and evaluate the excessiveness of any policies, and make amendments accordingly, going forward.

##### **Excessive tuition reimbursement policy.**

During the period April 1, 2012, through May 31, 2017, PPA paid \$720,869 for tuition reimbursements to PPA employees. As reported in the chart below, PPA's tuition reimbursement policy at the beginning of our audit period had a lower amount limit per year, with a lifetime maximum. However, on November 26, 2012, the PPA Board approved an increase in the allowable annual amount and removed the lifetime maximum restrictions. It was

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<sup>36</sup> Upon further review of the work that PPA performed in determining the payout amount to the former Executive Director, we found that PPA also paid a law firm \$13,790 to review the former Executive Director's leave payout prior to making the payment. PPA charged this expense to their Support account, and therefore, approximately \$7,860 was allocated as an expense to the On-Street Division for this cost, further lowering the payment to the School District.

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not until May 2017, after commencement of our audit, that the PPA Board approved a revision to the tuition reimbursement policy that reduced the annual allowable amount and once again implemented a lifetime limit, although the limit was still much higher than prior to November 27, 2012.

Time Period	Tuition Reimbursement Amounts	Tuition Reimbursement Lifetime Limits
April 1, 2012 – November 26, 2012	\$1,800 per year	\$ 7,500
November 27, 2012 – May 31, 2017	\$7,875 <sup>a/</sup> per calendar year	None
May 31, 2017 to Current	\$5,250 per calendar year	\$35,000

<sup>a/</sup> - \$5,250 plus an additional reimbursement of up to fifty percent of the annual limit for employees with perfect attendance and an overall performance rating of Above Average or higher in their last annual performance evaluation.

Source: Developed by Auditor General staff from PPA's tuition reimbursement policy in its Employee Manual and amendments made to this policy during our audit period.

We inquired of PPA management regarding why PPA's tuition reimbursement policy was increased in 2012. Management responded that the tuition reimbursement limits had been in place since at least 1987. The Executive Director prior to the most recent former Executive Director regularly waived the limits in the prior policy to encourage employees to further their education and thereby enhance their contribution to the PPA. As part of a review of personnel policies, the former Executive Director suggested the tuition reimbursement policy be revisited to clearly state benefit levels and remove the ability to waive limits at the discretion of the Executive Director. Although PPA's assistance in furthering the education of its employees is admirable, it was not prudent for PPA to offer such an excessive tuition reimbursement policy beginning in November 2012, with no lifetime maximum amounts, to its employees at the expense of reducing funds available to go towards educating the students of the School district. Of the \$720,869 reimbursed to employees, approximately \$349,510<sup>37</sup> was charged to the On-Street Division.

### **Inadequate management controls**

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#### **Lack of written procurement procedures during the majority of the audit period.**

As part of our audit, we requested that PPA provide us with its procurement policies and procedures regarding (1) processing and approving transactions for payment and (2) methodology for allocating costs or portions of costs from one division within PPA to another. PPA management responded that they do not have written policies or procedures regarding the process to allocate costs between divisions.

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<sup>37</sup> This total includes \$16,981 that we tested as part of our review of 181 expense transactions and determined to be in non-compliance with tuition reimbursement policy. The \$16,981 is included in the amount of expenses improperly charged to On-Street.

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PPA management provided us with a purchasing procedures document that it said was updated prior to 1989. This document outlined the procedures for completing and obtaining required approvals for purchase requisitions, requesting price quotes, purchase orders, and receiving reports. However, it did not include procedures regarding processing of payments, required check signers, or coding the expenses to the applicable PPA division and expense account. Additionally, management provided us with a copy of slides that it said were presented in a procurement seminar held in approximately 2010. The slides contained information on completing purchase requisitions which included requiring the account codes that the expense should be charged to and preparing the packet of required documents (i.e., purchasing documents, invoice, receiving reports) in preparation for payment. However, no information was included regarding the review process that occurs during the check signing process or how many check signers are required on a check.

PPA management stated that up-to-date procurement procedures were not placed into writing until the spring 2016, and they were not presented to PPA staff until December 8, 2016, after we made our request on November 17, 2016. The document included procedures regarding preparing purchase requisitions and requirement of an account code<sup>38</sup> being assigned to the purchase, obtaining competitive price quotes, and selection of vendor to utilize, review and processing of vendor invoice for payment, and required check signatures. Management stated that the procedures described in the document, prepared in spring 2016, were in place for the entire audit period but were not codified in a single place, nor were they approved by the PPA Board. Therefore, there were no up-to-date procedures in writing for PPA staff to refer to during the portion of our audit period from April 1, 2012, to December 8, 2016.

Up-to-date written procedures are an integral part of management internal controls to provide specific guidance to staff to ensure that processes are performed properly, consistently, timely, and are adequately documented. PPA's failure to have written internal procedures increased the risk of PPA staff improperly processing payments and recording expenses. With the lack of up-to-date written procedures, we interviewed PPA's finance staff in order to gain an understanding of PPA's process of coding transactions to an expense account and division within PPA, along with the review and approval process that occurs when transactions are being processed for payment. Coding expense transactions to the correct division is critical since every dollar that is charged to the On-Street Division reduces the amount of funds available to be transferred to the School District.

PPA finance staff stated that the requestor of the goods or services to be purchased initially determines what expense account and division code will be assigned to a transaction. The purchase request document, which includes the account to which the transaction is coded, is then approved by the director of the applicable department or a higher level management official.

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<sup>38</sup> Reference to account code in document was only regarding account code should be included on the documents. Procedures did not give guidance on how to determine which account code to assign the transaction.

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PPA finance staff stated that the accuracy of the coding is also reviewed by the procurement department when the transaction is posted to the electronic accounting software and then again by two executive staff as they review the documents and prepare to sign the checks for payment. Although PPA staff stated that the accuracy of coding expense transactions is reviewed at multiple levels, the results of our testing of expenses charged to the On-Street Division revealed that PPA needs to improve its procedures. As noted above, our tests of a selection of transactions revealed 22 exceptions (2 payroll and 20 operating) totaling \$322,232 of expenses being improperly charged to the On-Street Division along with another 27 exceptions involving questionable expenses. We also noted for five of the expense transactions tested, proper Board or management approval was not obtained as discussed in the sections to follow.

#### **The former Executive Director agreed to a settlement without any additional approval for four payments totaling \$92,953.**

According to current PPA management, in April 2015, the former Executive Director, without formal approval from the Board, verbally agreed to a settlement which obligated PPA to pay \$92,953. Four payments were made, with two from the On-Street Division totaling \$41,903 and two from support totaling \$51,050. These payments were in addition to \$11,275 paid from a worker's compensation claim. PPA management staff that we interviewed recall the former Executive Director discussing a portion of the support payment (\$50,000) with some of the Board members but does not recall where the discussion occurred. We questioned management as to why Board approval was not obtained since the settlement agreement was greater than \$25,000. Management stated that Board approval was not required because there was no rule addressing agreements other than contracts. Although there was no written agreement regarding the settlement, this does not eliminate the need for the full Board to be made aware of commitments of this magnitude being made on behalf of the PPA. Management indicated that it is currently developing a policy to present to the Board regarding this type of settlement agreement.

#### **One expense invoice was not approved.**

The invoice for one On-Street expenditure was not approved. Upon inquiry we learned that the purchase was not made through the procurement department but rather was made by an employee utilizing his personal credit card. The employee then submitted the invoice for reimbursement. The items purchased were for a vacuum and related supplies totaling \$449. Allowing employees to make purchases and circumventing purchasing procedures increases the risk that purchases are not being made in the best interest of PPA. Additionally, all purchases should be approved by an appropriate official to ensure that the procurement was appropriate and necessary to PPA operations.

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#### Conclusion

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As discussed in this finding and throughout the report, the amount of funds available for PPA to forward to the School District for the benefit of its students is directly impacted by the expenses charged either directly or allocated to the On-Street Division. With the examples identified in this audit report over the period April 1, 2012, through August 31, 2017, of improperly charged expenses, questionable expenses, excessive salary increases for senior-level management, excessive leave policies allowing for large leave payouts, and excessive tuition reimbursement policies totaling over \$1.18 million charged to the On-Street Division which directly reduced the payment to the School District, PPA must make it a priority and improve its policies, processes, and controls to ensure that expenses impacting the On-Street Division are appropriate, prudent, reasonable, and properly classified.

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#### Recommendations for Finding 2

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We recommend that PPA:

1. Ensure that formal written procedures for processing payments, recording expenses, and allocating costs across the various divisions within PPA are maintained and up-to-date. These procedures should include not only the allocation method but also the process for reconciliation once actual costs have been determined.
2. Establish a procedure to ensure that when an employee's job duties change from one PPA division to another, Human Resources notifies the Finance Department so that appropriate payroll allocation changes can be made, if necessary.
3. Ensure that a detailed review is done of all expenses prior to being charged to PPA divisions either through a direct charge or an allocation. A thorough review should be performed, in particular to On-Street and support expenses as they both have a direct impact on the amounts available to be forwarded to the School District of Philadelphia.
4. Ensure that all transactions are closely reviewed and approved by appropriate officials prior to being processed for payment.
5. Assign responsibility to the PPA Internal Auditor, or another appropriate PPA staff member, to perform a post-audit review of a sample of transactions coded to On-Street to ensure that the transactions are in fact On-Street related and appropriate.
6. Ensure supporting documentation is maintained for all payments and expenses incurred.

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7. Evaluate all costs which may impact the payment to the School District, including goods and services, employee awards, golf outings, events, donations, catered meals, etc., ensuring not only that the costs are necessary, but also that they are reasonable *and* not extravagant.
8. Continue to evaluate the excessiveness of policies for salary increases, leave benefits, tuition reimbursements, and other employee benefits, giving careful consideration to the costs negatively impacting the amount of funds available to forward to the School District.
9. Ensure that all requests for reimbursements from PPA employees meet all criteria outlined in policies prior to approving payments.
10. Review current PPA reimbursement policies, for example travel reimbursements, for reasonableness of the rates established by PPA to ensure that they are in-line with amounts established in state and federal policies.

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#### **Finding 3 – Lack of written procurement policy and procedures resulted in an informal and inconsistent contracting process.**

According to the Philadelphia Parking Authority’s (PPA) mission, as part of providing the City of Philadelphia (City) with comprehensive parking management services, PPA is to support its economic development by “maximizing revenues to the City through the efficient and effective management of PPA activities.”<sup>39</sup> One of the key ways to accomplish this goal is to properly control expenses,<sup>40</sup> which stems, in part, from effectively managing contracting and procurement activities.

Before we discuss the results of our contracting and procurement testing, we describe the culture of the PPA during most of the audit period. As noted in our PPA Employment Policies and Procedures performance audit report, which generally encompasses the same audit period and is being released simultaneously, we found that the PPA Board of Directors (Board) took a very hands-off approach to managing the day-to-day operations of the PPA and failed to oversee the activities of the former Executive Director.<sup>41</sup> As a result, the former Executive Director was able to manipulate leave records, allow employment policies to not be revised, not provide adequate training to employees, and be in complete control of the hiring of all employees. Therefore, the former Executive Director did not operate the PPA appropriately, but instead took advantage of his position and weaknesses in management controls for his personal benefit.

Subsequent to the resignation of the former Executive Director on September 28, 2016, and as our audits progressed, it should be noted that PPA began to make what appears to be some positive changes to help address the longstanding concerns that existed at the PPA during his tenure. With regard to our audit objective related to determining the effectiveness of PPA’s contracting and procurement policies and procedures and whether PPA contracts were awarded in compliance with those policies and procedures, PPA’s Board approved a Procurement Policy in September 2017. We completed our audit testing prior to the issuance of the new policy and did not assess the adequacy of the policy.

Before we report on the results of our testing, the following briefly describes the contracting and procurement processes that existed during the audit period.

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<sup>39</sup> <http://www.phila.gov/phils/docs/inventor/graphics/agencies/A172.htm> (accessed April 24, 2017).

<sup>40</sup> We discuss On-Street expense testing in Finding 2.

<sup>41</sup> PPA’s former Executive Director held this position from January 2006 until his resignation on September 28, 2016, following publicized occurrences of alleged sexual harassment in the workplace.

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#### Contracting and Procurement Processes

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PPA procured supplies, services, and construction through either its Procurement Department or Contract Administrator depending on the value of the procurement need. PPA's Procurement Department was overseen by a Procurement Director who was responsible for making purchases (small procurements) below the competitive bid threshold (threshold)<sup>42</sup> as well as sole source<sup>43</sup> and emergency procurements. PPA's Contract Administrator was responsible for publicly advertising competitive solicitations for procurements over the threshold.

With regard to small procurements, PPA departments needing to make a small procurement would complete a purchase requisition form, obtain approval from appropriate personnel, and then send it to the Procurement Department for processing. The Procurement Department would obtain three price quotes from vendors and summarize the quotes for review and approval by the requesting department's director. The department director would select the vendor, and, if necessary, would document the reason(s) why the low bidder was not chosen and submit the selection documentation to the former Executive Director for approval. Once approved, the documentation would be sent back to the Procurement Department to make the purchase.

PPA's Procurement Department is also responsible for processing sole source and emergency procurements. According to PPA officials, sole source procurements must have written justification to support why the purchase cannot be competitively procured. Officials further indicated that emergency procurements rarely occur.

With regard to the contracting process, prior to November 18, 2016, the Contract Administrator generally issued competitive solicitations through the Request for Proposals (RFP)<sup>44</sup> process to procure supplies and services or the Bidding process, which PPA now calls the Invitation for Bid (IFB)<sup>45</sup> process for construction projects.<sup>46</sup> However, on November 18, 2016, the Deputy Executive Director of PPA's Legal Division and General Counsel notified the Contract Administrator via email to use the IFB process for all procurements unless there is a practical and advantageous reason to opt to use the RFP process.

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<sup>42</sup> During the audit period, the thresholds were as follows for each calendar year: January 1, 2014: \$25,800, January 1, 2015: \$26,200, January 1, 2016: \$26,200, and January 1, 2017: \$26,600. These thresholds are consistent with Section 5511 (relating to Competition in award of contracts) of the "Parking Authority Law" because they meet or exceed the required thresholds. *See* 53 Pa.C.S. § 5511.

<sup>43</sup> A sole source procurement is a non-competitive procurement of goods or services that PPA management has determined can only be provided by one vendor.

<sup>44</sup> The competitive sealed proposal method, referred to as the Request for Proposals (RFP) process which was used by PPA to procure supplies and services during the audit period allows more subjectivity when evaluating proposals submitted by vendors rather than focusing solely on the best offer and do not require a public opening.

<sup>45</sup> The Invitation for Bid (IFB) process used by PPA during the audit period to procure construction contracts required bids to be publicly opened and read aloud and selections were based on the lowest price once vendor responsibility was determined. A responsible vendor is one that is responsive, meaning that the bid conformed to IFB requirements and is capable of performing the contract requirements.

<sup>46</sup> To avoid confusion, we refer to the bidding process as the IFB process throughout this finding.

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After the Contract Administrator received notification, either verbally or through email, that a public solicitation was necessary, the contracting process would commence. According to the Contract Administrator, the RFP or IFB documents would be drafted by PPA's legal department with the assistance of the department requiring the supplies or services, and after approval by the Executive Director, Deputy Executive Directors and Senior Director of Administration, the Contract Administrator would publicly advertise in the local newspaper or the Pennsylvania Bulletin and post to PPA's website. Meetings may be held with interested vendors prior to vendors submitting proposals/bids to PPA and documented by a court reporter.

According to the Contract Administrator, proposals (responding to RFPs) were opened in the presence of at least one other PPA staff member and bids (responding to IFBs) were opened and read aloud at a public bid opening at a time and place designated in the IFB documents.

Proposals/bids were then reviewed to ensure all required documentation was submitted (administrative compliancy) and then evaluated by a selection panel. Once a selection was made, *Request for Board Action* documents were prepared and signed by the Executive Director that summarized proposals/bids received and listed the recommended vendor. The Board Action documents were then presented to the PPA Board for approval in accordance with PPA bylaws.

After approval, the Contract Administrator issues notice letters (award and rejection) to vendors that submitted proposals/bids. PPA also required that the vendor who was awarded the contract to submit a signed Conflict of Interest Policy or an Affidavit of Non-Collusion.

Finally, the contracts are drafted by PPA's legal department and executed by a PPA representative (Board Chair, Executive Director, or Deputy Executive Director) and vendor.

### **No formal written procurement policy existed during the audit period, and no written standard operating procedures existed until 2016.**

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As part of our audit, we requested that the PPA provide us with written procurement policies and standard operating procedures related to the procurement process. PPA provided us with two documents: 1) Purchase Requisition/Purchase Order Process, and 2) Contract Administration Standard Operating Procedures (SOPs). The Purchase Requisition/Purchase Order Process was drafted in the spring of 2016 and the Contract Administration SOPs were drafted in the summer of 2016 because the PPA was implementing a new accounting system. However, the former Executive Director never distributed the Purchase Requisition/Purchase Order Process to the staff and it was not until after his resignation that the staff received the Purchase Requisition/Purchase Order Process in December 2016.

The Contract Administration SOPs were prepared by the Contract Administrator and forwarded to her immediate supervisor for review but not distributed to staff because they were intended only for her use since she is the only staff member of PPA's Contract Administration Department. Based on interviews, however, these written documents accurately explained the procurement and contracting processes that existed throughout the audit period. Therefore, the

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testing described in the next section included a determination of whether the PPA complied with key requirements in these documents.

These documents, however, did not address emergency and sole source procurements. According to PPA management, there was an unwritten policy that there should be written justification to support why a sole source procurement was necessary and appropriate. PPA management further indicated that prior to the approved Procurement Policy, PPA had an unwritten policy whereby all small procurements needed three quotes and the former Executive Director had to approve all requisitions.

With regard to procurement policy, PPA provided no formal written policy document until September 27, 2017, when the PPA Board approved a Procurement Policy. According to PPA officials, the approved Procurement Policy also includes the SOPs for both the Procurement Department and the Contract Administrator. However, as previously noted, we did not evaluate the language in the new policy due to the timing of completing our audit testing.

Failure to have a formal, board approved, and written procurement policy, as well as written standard operating procedures for all types of procurements, increases the risk that procurements will not be performed properly, consistently, and timely, which could result in increased costs or could result in inappropriate or suspicious activity.

Further, as described below in our contract testing results, we noted that the majority of the contracts we tested lacked documentation regarding the evaluation of proposals/bids. Without this documentation, an independent party cannot be assured that all procurements were properly evaluated and the best vendor was selected.

### **Results of our Contract Testing**

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As part of our audit procedures, we conducted interviews and corresponded with contracting and procurement management, as well as judgmentally selected and tested 28 (23 competitive solicitation contracts and 5 sole source contracts) of the 174 contracts that were assigned a contract number<sup>47</sup> during the period January 1, 2014 to October 6, 2016.<sup>48</sup> We selected contracts with potential issues as reported in newspaper articles, contracts brought to the attention of the Auditor General, and contracts for legal services. We also selected contracts that originated from each of the competitive solicitation methods – the IFB process and the RFP process.

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<sup>47</sup> Although PPA started the process for these 174 procurements, 14 were not fully processed and executed with a signed contract. We ensured that the 28 contracts we tested had been executed during the audit period.

<sup>48</sup> Although we obtained an understanding of how procurement purchases supplies and services that cost less than the competitive bidding threshold, we decided not to test any small procurements as part of our contracting objective.

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Based on our testing of the 23 competitive solicitation contracts, we found the following deficiencies:

- PPA did not provide any proposal/bid evaluation documentation for 19 contracts.
- PPA did not select the vendor who received the highest evaluation score for one contract.
- PPA did not convene an evaluation panel for one contract.
- PPA did not provide documentation for 14 contracts to demonstrate that it verified proposals included all required administrative documents.
- PPA's consultant improperly disqualified a proposal for one contract.
- PPA did not consistently research prices in COSTARS and did not document when PPA did research prices in COSTARS.
- PPA failed to ensure that an emergency snow removal contractor provided two required bonds prior to executing the contract.

We describe each of these deficiencies below:

#### **PPA did not provide any proposal/bid evaluation documentation for 19 contracts.**

Of the 23 competitive solicitation contracts tested, we reviewed the related RFP/IFB documents and found that all 23 contained a requirement for a selection panel to evaluate the proposals/bids submitted to the PPA, via three different methods of evaluations: general,<sup>49</sup> rated,<sup>50</sup> and weighted.<sup>51</sup> However, PPA could only provide evaluation documentation for 4 of the 23 contracts (discussed in the next section). The Contract Administrator admitted that PPA did not in many cases evaluate all proposals/bids according to the method of evaluation as presented in the RFP/IFB. Based on past practice and how the Contract Administrator was trained, most evaluations were performed using the general evaluation method no matter what method was identified in the RFP/IFB.

Further, the Contract Administrator indicated that normal practice was not to document the evaluation discussions or the recommendations decided by the evaluation panels that used the general evaluation method. Instead, the most senior management member on

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<sup>49</sup> The general evaluation method included: assessing the qualifications and work experience of the vendor; the vendor's ability to fulfill the terms of the contract within the specified time line; and the price proposed by the vendor.

<sup>50</sup> The rated evaluation method included evaluating criteria factors on a scale of "0" to "3", such as the qualifications of the vendor and the price proposal. The rating system used: 0 = does not meet the requirements, 1 = marginally meets the requirements, 2 = fully meets the requirements, 3 = exceeds the requirements. Based on these ratings, a composite rating will be determined for each proposal.

<sup>51</sup> The weighted evaluation method contained percentage specifications for factors, such as project understanding, staff experience, use of minority subcontractors, and price proposal. In other words, some factors could have more importance than other factors; therefore, the important factors would have a higher percentage when evaluating all the factors together.

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the evaluation panel would draft the *Request for Board Action* based on the discussions. However, without the results of the evaluation panel being separately documented and retained, an external reviewer cannot verify that the recommendation(s) reported on the *Request for Board Action* was, in fact, the actual recommendation(s) decided by the panel. The Contract Administrator did state that since our audit began, she developed a meeting notes template to use to document the selection of a contractor.

Finally, the Contract Administrator noted that PPA did not routinely document and retain who was on each evaluation panel. She indicated that she could find the panel members through email history, but she would not know who was on each evaluation panel prior to her tenure (December 2014). This lack of formal documentation precludes an external reviewer from verifying whether the selected panel members were appropriate. PPA needs to ensure that evaluation panel members have no conflicts of interest with the respective proposals being evaluated as well as the appropriate knowledge.

For one of the contracts (a mobile parking payment system) we tested in which PPA did not perform the required weighted evaluation method, we found PPA had to terminate the contract in April 2017. PPA management stated that it terminated the contract due to the vendor's default in payments to the PPA and issues with the vendor's creditors. The vendor owes PPA approximately \$99,000<sup>52</sup> and as of August 28, 2017, negotiations are on-going.

The panel members that evaluated the proposals for the mobile parking payment system were provided with a scoring and evaluation document to use during their review in accordance with the RFP. Proposals were to be evaluated based on qualifications and experience, quality of proposal, and pricing. However, the Contract Administrator stated that the scoring and evaluation documents were not used by the selection panel. Instead, the factors were discussed verbally. As a result, there is no written documentation to support the selection panel's decision.

Although the *Request for Board Action* indicates the selected vendor proposed the lowest transaction fee and presented the PPA with the option to generate additional revenues through shared advertising proceeds, a thorough review of this proposal may have identified the vendor's financial problems. Our review of the vendor's financial statements submitted to the PPA as required by the RFP showed losses for the years ended December 31, 2010, 2011, and 2012. Properly vetting the vendors through the weighted evaluation method may have resulted in the PPA contracting with a more responsible and financially-sound vendor.

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<sup>52</sup> Specifically, the vendor owes PPA \$106,170 in On-Street revenue plus \$16,990 for labor costs related to sign installation and PPA acknowledges that it owes the vendor \$20,863 for data overages and \$3,369 in convenience fees.

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#### **PPA did not select the vendor who received the highest evaluation score for one contract.**

As stated above, although all 23 contracts selected for testing required evaluations, PPA was only able to provide written evaluations for four of the contracts. We found for one of the four contracts, PPA did not select the vendor who received the highest evaluation score through using the rated method. There were three vendors that submitted proposals for receipt paper for the PPA's parking meter kiosks. PPA provided documentation on the testing and rating of samples provided by the vendors. The vendors scored 14 points, 11 points, and 9 points, respectively out of a possible score of 21 points. We found by reviewing the *Request for Board Action*, however, that the vendor who scored the 14 points was not recommended. Instead the vendor with 11 points was recommended.

Upon inquiry, the Contract Administrator stated that although there is no written documentation, those who were involved in the evaluation panel indicated that the paper quality and the rate that the receipts fell (i.e., the time it takes for the receipt to be generated and transferred to the customer) from the kiosks were more heavily weighted in the panel's decision despite the evaluation panel using the rated method. However, by disregarding the outcome of the rated system scores, PPA failed to abide by the scoring method established in the RFP and ultimately awarded the contract to a vendor with a lower score, who happened to be PPA's prior vendor for receipt paper. Not documenting the reasons behind the decision to award the contract to a vendor with a lower score, could give the appearance that inappropriate or unethical activity occurred.

#### **PPA did not convene an evaluation panel for one contract.**

Rather than PPA convening an evaluation panel to complete a weighted evaluation on proposals received for professional services of an on-call architect as required, we found that one person performed the evaluation. Specifically, the author of the RFP, PPA's Senior Director of Engineering and Design, solely reviewed the proposals, applied the selection criteria, sent a confidential review memo to the Deputy Executive Director, and sent a formal recommendation memo to five members of PPA's management team. The review memo and formal recommendation memo did not include a weighted evaluation and disqualified one of the firms that submitted a proposal. The Contract Administrator at the time this contract was processed is no longer employed by the PPA and the current Contract Administrator has no further information regarding why PPA did not convene an evaluation panel. According to the Senior Director of Engineering and Design, he could not recall there being any discussions about having an evaluation panel to review these proposals. Therefore, it appears that the intent was to just have the Senior Director of Engineering and Design review the proposals, which was not what was required by the RFP. Having only one individual perform the review of these proposals, however, could lead to a biased conclusion.

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#### **PPA did not provide documentation for 14 contracts to demonstrate that it verified proposals included all required administrative documents.**

Although PPA's SOPs require an evaluation of administrative compliancy with respect to RFP and bid requirements, the SOPs do not require that PPA maintains written documentation to ensure that proposals/bids received met administrative requirements, such as submission of statements of insurance, affidavits of non-collusion, and financial statements, as outlined in the RFP/bid documents. We found that PPA maintained written documentation of the administrative evaluation for 9 of the 23 contracts, but did not for the remaining 14 contracts that we selected for testing. Without this documentation, PPA cannot demonstrate that all vendors complied with these administrative requirements, which could have disqualified their proposals for consideration.

#### **PPA's consultant improperly disqualified a proposal for one contract.**

PPA had an on-call architect, who was a contracted vendor, evaluate the adequacy of the administrative forms that were provided by bidders related to replacing a fire alarm system at one of PPA's off-street parking garages instead of leaving the responsibility to PPA's Contract Administrator to perform these duties. We found, however, that the architect erroneously disqualified the bidder that submitted the lowest-priced bid. Although the architect's bid review indicates that the bidder failed to submit a statement of insurance, we located the statement of insurance that was supposedly not provided within the documentation PPA provided to us. The Contract Administrator was unaware of this error until we brought it to her attention and acknowledged that this was the only reason why the bidder did not meet the bid requirements. As a result of the error by PPA's on-call architect and PPA's lack of oversight, we determined that the most responsive and responsible bidder was not awarded the contract to replace the fire alarm system. The contract entered into totaled \$130,000, which was \$1,778 higher than the bid that was inappropriately disqualified from contention by the on-call architect.

#### **PPA did not consistently research prices in COSTARS and did not document when PPA did research prices in COSTARS.**

As previously discussed, PPA did not have written SOPs until the summer of 2016, but PPA indicated that PPA's contracting procedures during the audit period were generally the same. As a result, in accordance with the SOPs, we evaluated whether PPA researched the prices in COSTARS prior to issuing the RFPs (IFBs for construction projects did not require researching COSTARS). Of the 19 contracts we tested that were issued through the RFP process, we did not find any documentation to support that COSTARS had been researched. In response to this deficiency, the Contract Administrator acknowledged that neither she nor her predecessors always investigated

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COSTARS when issuing RFPs, even though it was indicated as such in the SOPs. In fact, she acknowledged that for 12 of the 19 contracts, COSTARS was not investigated.

Additionally, the SOPs did not require COSTARS to be investigated for IFBs, only for RFPs. However, we believe that it would be prudent for PPA to research COSTARS for every procurement need before executing a contract with a vendor that submitted a proposal/bid for any competitive solicitation. Without researching COSTARS, PPA may be paying more for goods and services than it needs to.

#### **PPA failed to ensure that an emergency snow removal contractor provided two required bonds prior to executing the contract.**

During our review of the proposal documentation submitted in 2015 for emergency snow removal services at the Philadelphia International Airport, we found that only one contractor submitted a proposal. We then reviewed the requirements of the RFP in order to determine if there were any unusual terms that would have precluded a contractor from submitting a proposal. We noted that the selected contractor, prior to the full execution of the contract, was to furnish a performance bond and a labor and material payment bond each in the amount of \$200,000. While the requirement to furnish bonds was reasonable and may not necessarily preclude contractors from submitting a proposal, when we requested copies of the bonds, the Contract Administrator could not locate them.

The Contract Administrator, who was responsible for ensuring that the selected contractor provided copies of the bonds, incorrectly assumed that the bonds were sent to PPA's Legal Department with the signed contract. When the Contract Administrator contacted the vendor to obtain copies of the bonds for our request, she was informed that the contractor never obtained new bonds when the contractor canceled the bonds from its previous contract with PPA in 2012 to provide emergency snow removal services. The contractor cited an administrative error and provided documents showing that the contractor was in the process of obtaining the bonds.

Since the purpose of the performance bond and labor and material bond is to secure the contractor's promise to perform the contracted services in accordance with the terms and conditions, it is essential that the Contract Administrator ensures that the awarded contractors provide copies of the required bonds during the execution stage of the contract.

Based on our testing of the five sole source contracts, we found the following deficiencies:

- PPA had no upfront written and approved justification to support the need for a sole source procurement for the five contracts.

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- PPA had no *Request for Board Actions* to support justification and approval for two sole source contracts.
- PPA's *Request for Board Actions* for two contracts did not include justification for the sole source procurement.
- PPA failed to renew one of the contracts for government relations consulting.

We describe each of these deficiencies below:

#### **PPA had no upfront written and approved justification to support the need for a sole source procurement.**

As previously noted, according to PPA officials sole source procurements must have written justification to support why the purchase cannot be competitively procured; however this requirement was not in writing. Our audit procedures revealed that PPA had no upfront written and approved justification to support the need for any of these sole source contracts. Instead, management from PPA's Legal Department stated that the *Request for Board Action* would contain the justification for the sole source procurement (see results of *Request for Board Action* testing later); however, these documents are developed at the end of the procurement process. Therefore, PPA did not have a procedure in place during the audit period to document at the beginning of the process that a sole source procurement was warranted, approved, and adequately justified.

#### **PPA had no *Request for Board Actions* to support justification and approval for two sole source contracts.**

Although PPA's Legal Department stated that the *Request for Board Action* would contain the justification for the sole source procurement, for two contracts tested we found that no *Request for Board Action* existed.

One sole source contract did not have a *Request for Board Action* to support the sole source procurement because the sole source procurement was at the request of the PPA Board to hire legal counsel for the Chairman of the Board. However, the Deputy Executive Director of PPA's Legal Division and General Counsel acknowledged that PPA's internal legal staff could provide the same services. Therefore, not only was there no sole source justification, it appears that this contract was not necessary. Between February 1, 2016, and February 16, 2017, PPA paid this attorney \$36,460. Based on this acknowledgement, we compiled the total amount of dollars PPA paid for external legal services between April 2012 and February 16, 2017 and found that PPA had spent approximately \$2,034,000 for outside legal counsel. PPA needs to ensure that external legal services are only contracted when internal legal staff cannot provide the necessary services. Extraneous expenses affect the amount of dollars going to the School District of Philadelphia as discussed in Finding 2.

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Another sole source contract did not have a *Request for Board Action* to support the sole source procurement because the sole source procurement was not to exceed \$25,000, and therefore no Board action was required.

As a result, both of these contracts had no written and approved justification to support the non-competitive sole source procurement.

#### **PPA's Request for Board Actions for two contracts did not include justification for the sole source procurement.**

Although PPA's Legal Department stated that the *Request for Board Action* would contain the justification for the sole source procurement, for two contracts tested we found that *Request for Board Actions* did not include any sole source justification. As a result, the PPA Board was not made aware as to why these procurements were not competitively bid.

#### **PPA failed to renew one of the contracts for government relations consulting.**

As part of testing this contract, we discovered through our review of PPA's check registers that PPA was paying this consultant past the termination date of December 31, 2015. However, we did not see an additional contract listed on PPA's contract listing. Based on our inquiry, PPA acknowledged that although the contract we tested terminated on December 2015, the PPA did not enter into a new contract with the consultant even though the PPA Board approved the continued use of the consultant in 2016 and 2017. According to the Deputy Executive Director, he cannot recall why PPA did not enter into a new contract in 2016 and stated that PPA "dropped the ball" on requesting that PPA's legal department execute a new contract for 2017. Failure to execute a new contract prevents the parties from being bound by the contract as well as prevents recourse if the parties do not abide by the contract.

**Contract testing conclusion:** Overall, we found several deficiencies related to contract testing for both competitive and noncompetitive procurements. Lack of documentation supporting PPA's decision making regarding the evaluation panels and lack of sole source justifications demonstrates a lack of transparency and accountability in its contracting process. PPA must have a contracting process that is written, contains adequate controls to ensure that contracts are procured in accordance with well composed and clear-cut contracting policies and procedures, ensures contracting decisions are documented and maintained, and ensures that the contracting decisions are made in an ethical and professional manner.

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**An agreement with a contractor to fill a deputy director position allows him to receive PPA employee benefits of health care, leave, and retirement benefits while collecting a city pension since 2005. This contractor agreement may violate Internal Revenue Service requirements for treating contractors as employees.**

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In addition to the five sole source contracts we tested, we obtained information related to a sole source contract reported by the media. Specifically, since January 2005, PPA has utilized a sole source contract identified as “consulting services” to fill the position of Deputy Director of its Taxicab and Limousine Division. A spokesman for PPA was quoted in the newspaper saying that the contract was not bid because “employment agreements” do not require it and since [the individual] is unquestionably an employee of PPA for purposes of Pennsylvania law.<sup>53</sup> Further, it was reported in the article that this individual also collects a city pension of \$47,592. The article further reports that by being an independent contractor, he circumvents the restriction on employees collecting a city pension while working at PPA.<sup>54</sup> It appears that this contract arrangement allowed this individual to obtain all the benefits afforded a PPA management employee, while at the same time enabled him to collect his City pension.

For the five calendar years 2012 through 2016, PPA reported the individual’s compensation annually on a 1099-Misc form,<sup>55</sup> which collectively totaled \$575,645. According to the PPA, this compensation included contributions to a retirement account for five years and health care benefits for three years. In addition to the paid compensation, PPA management stated that he is eligible for compensatory time for work beyond his required schedule and that he accrues other leave benefits, as outlined in PPA’s Employee Handbook, at the same rate as full-time employees. The agreement between this individual and PPA also includes lavish provisions for him that are not offered to other contracted vendors. These provisions include receiving healthcare, dental, vision, and prescription insurance equal to or greater than that provided to PPA administrative employees for the individual and his spouse; and annual contributions to a retirement account ranging from \$6,000 to \$8,000. PPA is offering this individual the same type of compensation and benefits that it offers its full-time employees but is identifying him as a contracted vendor. PPA’s current arrangement with the individual may violate contractor requirements of the Internal Revenue Service, and it calls into question whether this individual should have collected more than 10 years of pension from the City, while simultaneously receiving annual pension contributions from the PPA.

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<sup>53</sup>[http://www.philly.com/philly/news/20161004\\_Parking\\_authority\\_manager\\_got\\_a\\_perk\\_a\\_contract\\_and\\_a\\_pensi\\_on.html](http://www.philly.com/philly/news/20161004_Parking_authority_manager_got_a_perk_a_contract_and_a_pensi_on.html) (accessed February 1, 2017).

<sup>54</sup> Ibid.

<sup>55</sup> For tax purposes, entities report the amount paid to independent contractors on a 1099-Misc form.

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### Recommendations for Finding 3

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We recommend that the PPA's Board:

1. Review its Procurement Policy to ensure that the deficiencies noted in this finding are adequately addressed.
2. Require the Procurement Policy to be reviewed and updated on an annual basis.

We recommend that PPA:

3. Establish management controls to ensure that its Procurement Policy is properly followed.
4. Ensure that the evaluation panel uses the same evaluation method that is established by the RFP/IFB.
5. Ensure that all evaluation documentation is written and retained to document the conclusions reached by the evaluation panel.
6. Ensure that the Request for Board Action agrees with the conclusions reached by the evaluation panel.
7. Only select the vendor to receive the contract that has the highest evaluation score unless adequate written justification exists for selecting a different vendor.
8. Establish an evaluation panel for all proposal/bid reviews.
9. Establish a checklist or other mechanism for ensuring that all required administrative documents have been submitted for each proposal/bid and retain this documentation.
10. If a consultant performs the administrative compliancy, perform oversight to ensure that the consultant properly performed this function.
11. Consistently research COSTARS for all goods and services and maintain documentation to support this research.
12. Ensure that required bonds are received from vendors prior to contract execution.
13. Require upfront written and approved justification to support the need for a sole source procurement.

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14. Require the *Request for Board Action* to include the sole source justification.
15. Ensure contracts that should be renewed are executed in a timely manner.
16. Consider utilizing PPA's internal legal staff to act as legal counsel for the Board Chairman.
17. Ensure that contracted legal services are warranted (i.e., cannot be performed by PPA's internal legal staff).
18. Regarding the independent contract with its Deputy Director of the Taxicab and Limousine Division, treat him as a contractor and retract the lavish benefits including compensatory time, healthcare, dental, vision and prescription insurance equal to or greater than that provided to PPA administrative employees for this individual and his spouse; and annual contributions to a retirement account.

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**Finding 4 – Since 1990, PPA has failed to collect more than \$580 million in outstanding parking tickets and associated fees, including nearly \$108 million just over the past five years. PPA needs to improve its efforts for collecting outstanding parking tickets and associated penalties and also needs to verify that it collects all parking revenue paid via credit cards.**

The Philadelphia Parking Authority (PPA) On-Street parking operations involve the collection of parking meter revenue and the enforcement of most parking laws and ordinances in the City of Philadelphia (City). Sources of revenue generated from the On-Street Parking Division include amounts collected from parking tickets, parking meters, parking permit registrations, booting, towing, and storage fees, and vehicle auctions. The amount of On-Street revenue reported by PPA during the five-year period April 1, 2012, through March 31, 2017 totaled \$588,256,452. Refer to the Introduction and Background section of this report for further details.

For purposes of our audit, we focused on the two largest sources of revenue; parking tickets and parking meters, and based on our audit procedures, we found:

- Since 1990, PPA has not collected more than \$580 million in unpaid parking and associated penalties, including nearly \$108 million (19 percent) issued during the five-year period April 1, 2012, through March 31, 2017.
- PPA is unable to reconcile most parking meter kiosk credit card payments to ensure the accuracy of \$84 million of its \$183.5 million (46 percent) parking meter revenue processed during the five-year period April 1, 2012, through March 31, 2017.

These issues are further discussed in the sections to follow.

**Since 1990, PPA has not collected more than \$580 million in unpaid parking and associated penalties, including nearly \$108 million (19 percent) issued during the five-year period April 1, 2012, through March 31, 2017.**

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#### **Parking Ticket Revenue Collection Process.**

PPA contracts with a third party vendor (vendor) to process tickets issued by Parking Enforcement Officers and to collect the revenue from parking ticket violation fines and any additional penalties assessed.<sup>56</sup> As outlined in its contract with PPA, the vendor sub-contracts certain services involved in the ticket collection process, including customer service for the PPA

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<sup>56</sup> See the parking ticket revenue collection process outlined in the Introduction and Background section of this report.

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Parking Violations Bureau, lockbox processing, and walk-in cashiering at three facilities throughout the City.

In April of 2012, PPA entered into its current seven-year contract with the vendor to develop, produce, provide, and install a ticket processing and enforcement support system known as eTIMS. The eTIMS system is essentially a parking ticket processing system that supports all aspects of the parking ticket lifecycle from issuance to final collections. The contract also requires the vendor to train PPA employees to use and operate the eTIMS system and provides maintenance, support, and system update services. The eTIMS system serves as the primary means by which PPA monitors all facets of the ticket revenue collection process. The table below shows the number of tickets issued by PPA and the amount of ticket revenue collected for each fiscal year during the audit period.

#### Number of Parking Tickets Issued and Revenue Collected by PPA for the Past Five Years

Fiscal Year Ended	Tickets Issued	Revenue <sup>a/</sup>
March 31, 2013	1,521,004	\$ 78,190,819
March 31, 2014	1,467,777	\$ 76,510,431
March 31, 2015	1,498,932	\$ 78,055,872
March 31, 2016	1,590,618	\$ 80,151,797
March 31, 2017	1,246,215	\$ 82,922,680
<b>Totals</b>	<b>7,324,546</b>	<b>\$395,831,599</b>
<sup>a/</sup> Amounts are comprised of actual collections during the fiscal year regardless of when the original ticket was issued. These amounts do not include applicable ticket refunds and processing fees as reported in the ticket revenue amounts included in the chart in the Introduction and Background section of this report.		
<i>Source: Developed by Department of the Auditor General staff. The information was obtained from both the PPA and the vendor. While the revenue amounts were agreed to the IS2 Reports provided by PPA, the number of tickets issued provided by contracted vendor are of undetermined reliability as noted in Appendix A. However, this is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.</i>		

Despite the revenue that PPA generates through the ticketing process, we found that as of June 12, 2017, nearly \$108 million of parking ticket fine and penalty revenue went uncollected for tickets issued throughout our five-year audit period as shown in the following table.

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#### Unpaid Parking Tickets and Total Outstanding Dollar Amount as of June 12, 2017

Fiscal Year Ended	# of Unpaid Tickets	Total Amount Due (Fines and Penalties)
March 31, 2013	170,819	\$ 16,963,037
March 31, 2014	167,320	\$ 17,089,209
March 31, 2015	170,007	\$ 18,297,149
March 31, 2016	197,117	\$ 21,393,542
March 31, 2017	328,975 <sup>a/</sup>	\$ 34,186,605
<b>Totals</b>	<b>1,034,238</b>	<b>\$107,929,542</b>

<sup>a/</sup> - The increase in the number of unpaid tickets for fiscal year ended March 31, 2017 is due in part to the timing of only one year of collection efforts at the time of the report, but there was also a change to credit reporting rules. Unpaid tickets may be referred to collection agencies for further collection efforts. These agencies previously reported the debt to credit reporting agencies. However, effective June 2016, which occurred during fiscal year ended March 31, 2017, credit reporting agencies no longer report debt that “did not arise from any contract or agreement to pay” such as traffic tickets and government fines. According to PPA officials, this change has negatively impacted PPA’s ability to collect unpaid tickets.

Source: Developed by Department of the Auditor General staff. The information was obtained from a PPA contracted vendor. The data is of undetermined reliability as noted in Appendix A. However, this is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our finding and conclusions.

As time passes, the odds of collecting unpaid tickets and associated penalties decreases. In fact, a report provided by the vendor indicated that since January 1, 1990, through June 25, 2017, PPA has not collected a total of approximately \$275 million in unpaid parking tickets plus approximately \$307 million in associated unpaid penalties, or approximately \$582 million. All outstanding revenue not collected is lost revenue for the City and the School District of Philadelphia (School District). Every effort should be made to collect unpaid ticket revenue in order to increase the amount that can be used to educate the School District’s children. PPA’s monitoring of the effectiveness of the contracted vendor’s process for collecting unpaid tickets is discussed in the below section.

#### **PPA’s Monitoring of Uncollected Parking Tickets.**

In our discussions with PPA officials, we found that the collection of all unpaid tickets less than four years old is the sole responsibility of the vendor. During this four-year period, the vendor utilizes collection service agencies to assist in its collection efforts. Once unpaid parking tickets mature past four years, they are then referred to a collection agency contracted by PPA. PPA management indicated that it would like to shorten the vendor’s four-year term because the collection agencies hired by PPA charge a lower collection rate than the rate charged by the vendor’s collection agency.

PPA officials stated that every day, approximately 12 reports are received from the vendor via email showing ticketing information such as the prior day’s ticket collection amounts. PPA senior staff are responsible for reviewing these reports. However, we found that although the

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PPA can access monitoring reports through the eTIMS system, there are no formal policies or procedures related to the monitoring of the vendor's collection efforts. During interviews, PPA staff indicated that if the ticket revenue amount is not what they believe it should be based on historical trends, they will have a meeting with the vendor's Project Manager. One PPA official stated that although no formal review of the daily reports is performed, they would notice anomalies during their review of these reports.

Management stated that they believe they are doing well with an average ticket collection rate around 80 percent.<sup>57</sup> However, this percentage, although it may be reasonable, should not preclude PPA from continuing to proactively seek better methods for additional collections, especially for the sake of the School District's children. Management should develop formal policies and procedures to monitor collection efforts and work with the vendor to make every effort to evaluate ticket collection rates in order to collect as much ticket revenue as possible. With the large number of unpaid parking tickets and penalties totaling nearly more than \$580 million, including \$108 million in outstanding revenue during the period April 1, 2012, through June 12, 2017, additional collection efforts could significantly increase the money available for PPA to provide to the School District to help educate children.

**PPA is unable to reconcile most parking meter kiosk credit card payments to ensure the accuracy of \$84 million of its \$183.5 million (46 percent) of parking meter revenue processed during the five-year period April 1, 2012, through March 31, 2017.**

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#### **Parking Meters and Kiosk Revenue Collection Process.**

There are approximately 9,000 single-space parking meters located throughout the City. This type of parking meter is the traditional coin-only operated parking meter. There are also approximately 1,030 multi-spaced parking kiosks located throughout the City. Unlike single-space meters, kiosks accept multiple forms of payment including coins, bills, and credit/debit cards. PPA utilizes two types of kiosks (subsequently referred to in this finding as Type 1 and Type 2) kiosks.<sup>58</sup> Approximately 95 percent of PPA's kiosks are Type 1.<sup>59</sup>

Management indicated that meter revenue is collected by PPA collection staff six days a week (Monday through Saturday). Each day, two collectors and a meter security officer are randomly

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<sup>57</sup> Based on information provided by the collection vendor, we noted an aggregated ticket collection rate of 86 percent for the five-year period April 1, 2012, through March 31, 2017. Since 1990, the vendor collection reports show an aggregated collection rate of 77 percent. For the latest fiscal year ended March 31, 2017, the ticket collection rate was only 74 percent as of June 12, 2017.

<sup>58</sup> PPA purchased parking meter kiosks on two separate occasions. Based on the results of the contract bidding process, different vendors/kiosks were selected each time, and therefore, PPA utilizes two types of kiosks.

<sup>59</sup> There are approximately 980 Type 1 and 50 Type 2 kiosks.

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### Philadelphia Parking Authority

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assigned to a route to ensure that staff are not working on the same routes, in the same vehicles, or with the same partners every day. Those collectors who are not assigned a collection route are assigned the task of counting the meter revenue that was collected for the previous day.

#### **PPA's Monitoring of Meter Revenue.**

We selected two days during fiscal year ended March 31, 2016, and traced, without exception, the amounts reported as to the collections (both cash and credit card) for each day to the deposit amounts in PPA's bank statement and to PPA's On-Street Division income statement. The daily collection amounts used in testing were obtained from PPA reports of the cash collected from parking meters that were counted by PPA staff for those days and from reports obtained from the contracted vendor that processes credit card payments for PPA. We noted that PPA staff review the daily cash count reports for reasonableness and initial the documents to indicate the review was performed. Additionally, PPA staff document the reconciliation between the amounts collected according to the cash and credit card collection reports and the amounts deposited according to the bank statements.

In addition to our review of the cash and credit card collection process that PPA uses to post meter collection amounts to its financial records, we also reviewed PPA's controls for the collection of cash from both the single-spaced parking meters and the multi-spaced parking kiosks. These controls include 1) locks on the coin canisters and 2) security staff viewing the counting process. PPA staff utilize cash counting machines and PPA analysts review daily cash counts for fluctuations from normal collection trends.

Based upon our review, we concluded that PPA has adequate procedures in place over the collection of cash from the parking meters and kiosks and to record meter revenue collections. However, we found that PPA management does not have a procedure in place to verify the accuracy of the amount of Visa and Mastercard credit card payments remitted to them from the Type 1 parking kiosks.

When an individual pays the parking meter fee with a credit card at either type of kiosk, that information is sent through a gateway<sup>60</sup> to a vendor that PPA has contracted to process credit card transactions. The contracted vendor provides PPA with daily reports on the gross or total amount of credit card payments (Visa, Mastercard, and American Express) processed through the kiosks and the total amount of credit card payments that will be remitted to PPA after credit card transaction fees have been deducted. PPA's revenue control staff confirm the net credit card amounts reported on the contracted vendor's daily reports to the amounts recorded as deposited on PPA's bank statement. However, PPA's revenue control staff are not able, as explained further below, to run daily detailed collection reports from the Type 1 kiosks to verify that the

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<sup>60</sup> A gateway is the connection between the kiosk and the vendor that PPA contracts with to process credit card payments.

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contracted vendor is properly reporting the gross amount of credit card payments. Revenue control staff can run reports available directly from American Express to verify that portion<sup>61</sup> of the credit card transactions but is unable to run reports on the daily amounts processed by either Visa or Mastercard because of the large number of merchants that issue these credit cards. Revenue control staff can run daily collection reports from the Type 2 kiosks to perform the reconciliation process with the amounts reported by the contracted vendor.

Within the kiosk revenue collection process, verifying the proper collection of credit card payments is a crucial management control. During the period April 1, 2012, through March 31, 2017, approximately \$99.4 million of the \$183.5 million (54 percent) in total meter revenue collections was processed from credit card payments. Of the amount of \$99.4 million total credit card payments, approximately \$84 million, or 85 percent, were Visa and Mastercard payments remitted through Type 1 kiosks which PPA could not verify were properly remitted.

PPA's Director of Revenue Control stated that the PPA is unable to access reports from the Type 1 kiosks in order to confirm the totals provided by the credit card processing vendor because PPA's computer server does not have the capacity to run a summary report of the combined activity of all the kiosks. Although the server is able to run individual reports from each kiosk, it is too time consuming<sup>62</sup> to run the reports and summarize the data. Therefore, PPA staff are unable to perform procedures to verify the accuracy of the Type 1 kiosk parking meter revenue remitted by the credit card processing company which will continue to be an ongoing concern of for PPA.

PPA On-Street management stated that they have been aware of this control weakness for several years and, as of June 19, 2017, they are still looking into ways of addressing the issue. Failure to generate the daily Type 1 kiosk reports prohibits PPA from verifying that all credit card payments are properly remitted to PPA. This, in turn, could result in less money being provided to the School District.

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### Recommendations for Finding 4

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We recommend that PPA:

1. Seek to amend the contract terms with its ticket processing vendor to reduce the four-year time frame given to the vendor to collect unpaid tickets to allow PPA to use other contracted collection agencies which may have better success rates and or charge a lower collection rate to PPA.

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<sup>61</sup> American Express credit card transactions account for only approximately \$9.7 of the \$94 million (10 percent) total credit card transactions through the Type 1 kiosks during the period April 1, 2012, through March 31, 2017.

<sup>62</sup> PPA management stated that it would take over 16 hours to run the daily reports for over 980 kiosks. Additional time would be required for PPA staff to summarize the data.

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2. Develop formal policies and procedures for monitoring the contracted vendor and documenting the monitoring of parking ticket revenue collections, especially the collection of older unpaid tickets, to ensure that personnel are properly and consistently performing this process to reduce the risk of financial loss and contract non-compliance.
3. Actively evaluate additional methods to collect as much parking ticket revenue as possible, including working with its contracted vendor to increase unpaid ticket collection efforts.
4. Prioritize updating the computer server to ensure that it has the ability to run reports necessary for PPA operations, including the capability to run reports from parking meter kiosks in order to provide management with the tools to verify the accuracy of the dollars remitted by the credit card processing vendor.
5. Request collection reports for a sampling of Type 1 kiosks from the contracted vendor that processes the credit card transactions until its computer server is updated to implement our Recommendation #4. For those kiosks, PPA should run collection reports to compare the amounts to the kiosk specific reports requested from the contracted vendor. This will allow management to confirm credit card transaction amounts provided by the contracted vendor on a sample basis.
6. Once summary reports can be produced to verify the accuracy of remitted credit card payment dollars for Visa and Mastercard, ensure that PPA staff daily perform the reconciliation to ensure that all revenue is properly being collected from On-Street parking.

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**Finding 5 – Based on corroborating evidence, the former PPA Executive Director misled the Philadelphia City Council and the School District in 2014 regarding a \$7.5 million increase to the School District’s annual payment. PPA also lacks formal methodology and procedures for determining the necessity of rate and fee increases which effect its contributions to the School District.**

In order to determine the reasonableness of the Philadelphia Parking Authority’s (PPA) parking prices related to the On-Street Parking Program, we focused on two of the main sources of parking revenue in the On-Street Parking Program which include: 1) parking meter rates and 2) residential parking permit fees.<sup>63</sup> These rate and fee amounts are proposed by PPA management and then require approval by the Philadelphia City Council (City Council) and an ordinance signed by the Mayor. PPA’s current hourly parking meter rates were approved based on an ordinance<sup>64</sup> which was signed by the Mayor in June 2014 (during our audit period). PPA’s current residential parking permit<sup>65</sup> annual rate was in effect during our entire audit period. Therefore, for purposes of our audit, we only discuss PPA’s procedures for proposing changes to the parking meter rates.

We found that while PPA’s meter parking rates and parking permit fees are comparable to other large cities, PPA does not have a formal methodology and written procedures for determining when rate and fee increases are necessary and at what amounts. Additionally, PPA could not provide evaluation and decision-making documentation supporting the former Executive Director’s recommended rate increases proposed to City Council in 2014. In his testimony to City Council, he erroneously stated that the rate increases would provide the School District of Philadelphia (School District) with an additional \$7.5 million. However, the School District never received the additional \$7.5 million projected by the former Executive Director after the rate increases were passed. These issues are discussed in the following sections.

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<sup>63</sup> Revenue sources for the On-Street parking program include the following: parking meters; parking permits; parking tickets; and booting, towing, storage, and auction fees.

<sup>64</sup> Bill Number 140207, Amending Title 12, entitled "Traffic Code," to revise the fee for the use of parking meters; all under certain terms and conditions. The ordinance was passed by City Council on May 15, 2014, and signed by the Mayor on June 4, 2014. This increased the meter rates by fifty cents (.50) per hour in the areas included in the ordinance. See certified copy of the ordinance: <https://phila.legistar.com/LegislationDetail.aspx?ID=1685713&GUID=EA132925-25B1-49EB-A31E-777C9737B6EA&Options=ID|Text|&Search=140207> (accessed October 23, 2017).

<sup>65</sup> PPA issues parking permits for residents, contractors, and for loading and valet zones. However, for purposes of our audit, we focused on residential parking permits.

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#### **PPA lacks formal policies, methodology, and written procedures to determine when a change in parking meter rates is necessary and in what amounts.**

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PPA management indicated there is a process in place to determine when a change in parking meter rates is necessary and at what amounts; however, they acknowledged that there are no formal policies, methodology, or written procedures for this process. While PPA has training materials for employees to complete parking surveys (described later in the finding), which is a part of the process to determine potential rate changes, PPA does not have written procedures regarding the frequency of completing the parking surveys or the use of the parking survey results in order to determine if parking rates should be adjusted.

PPA management stated that in order to determine whether a proposal to change parking meter rates should be presented to City Council, the process begins with PPA's Planning and Analysis Department (department) staff completing a parking survey. Management stated that comprehensive<sup>66</sup> surveys are performed approximately every three years. Department staff gather information by visually inspecting each parking spot and documenting the time of day, the parking regulation for that parking spot (i.e., meter parking, permit parking, etc.) and whether the spot is filled as follows:

- If the spot is filled, staff record the vehicle's license plate number and whether the vehicle is legally parked (i.e., parking meter rate was paid, valid permit, etc.).
- If the vehicle is not legally parked, staff note whether a ticket was issued for the vehicle.

The City of Philadelphia's (City) streets are grouped into areas, and department staff make multiple passes of each area and record the above information over the course of the day from 10:00 a.m. to 10:00 p.m. From the information gathered, department staff calculate the occupancy rate of each area during the morning, afternoon, and evening hours. Additionally, violation rates are calculated to determine how successful parking enforcement officers are in issuing tickets to vehicles that are parked in violation of parking guidelines.

Based on the results of the survey, department staff and management determine whether rates need to be adjusted. PPA management stated that according to industry standards, parking meter rates should be at a level to create a vacancy rate range of 10 to 15 percent.<sup>67</sup> Vacancy rates indicate how frequently parking spaces are available for use. According to PPA officials, executive management will review the information provided by department staff and conclude on the dollar amount of the potential rate changes to be recommended. Once the decision is

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<sup>66</sup> A comprehensive survey is city-wide as compared to surveys that are periodically done that only cover a certain section of the city, usually done at the request of the community and/or business owners in that area.

<sup>67</sup> Articles available on the International Parking Institute's (an association of professionals in parking) web-site ([www.parking.org](http://www.parking.org)) support PPA management's response of an industry standard of a 10 – 15 percent vacancy rate (accessed October 22, 2017).

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made, PPA analysts will then perform calculations to determine the corresponding effect on revenue and PPA executive management will meet with staff from the City to outline proposed rate changes. Once a response has been received from City management, PPA executive management will determine whether to introduce a rate change proposal to City Council.

To ensure any proposed rate increases are necessary and fully supported, formal written policies, methodology, and procedures are critical to determine the necessity for rate changes to include the amount of change and effect on revenues. Documented support for the necessity of rate changes should be provided to the PPA Board of Directors (Board) for approval of any rate increases that executive management plans to propose to City Council. Having formal guidelines and Board approval will help ensure the effects of any proposed increase, including additional funds available to the School District, are reasonably accurate and valid.

**PPA could not provide documentation to support the need for the proposed parking meter rate increases in 2014. The former Executive Director testified this increase would provide the School District with an additional \$7.5 million of funding, which never materialized.**

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In order to evaluate PPA's process for determining the necessity for proposing changes in parking meter rates that PPA management verbally outlined to us as discussed in the previous section, we examined PPA's process for proposing the current hourly meter rates<sup>68</sup> in the City that went into effect in 2014, with the prior authorized rate increase occurring in 2009.<sup>69</sup> The City Council Committee on Streets and Services (committee) minutes reported that PPA's former Executive Director made the recommendation regarding the meter rate increase that occurred in 2014. We requested PPA's documentation supporting the recommendation for the meter rate increase; however, management was unable to locate documents in the former Executive Director's files that he utilized when developing his recommendation.

PPA's department staff conducted a parking survey in 2013 that covered the Philadelphia center city core and fringe areas; however, our review of the survey documentation noted PPA made no conclusions on the vacancy and occupancy rates, nor did it make suggested changes to parking spaces or meter rates. The department only gathered and summarized the data from the surveys and PPA management could not state with certainty who received the survey results or how the results were used to formulate the recommended rate increases proposed by the former Executive Director to City Council. Additionally, PPA management stated that the Board was not asked to approve the request, but recalled that the former Executive Director informed the Board of the

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<sup>68</sup> \$3.00 in the Center City Core, \$2.50 in the Center City Fringe and University City areas, and \$1.00 in the Neighborhood areas.

<sup>69</sup> Up to \$3 in the Center City Core, up to \$2 in the Center City Fringe and University City areas, and up to \$.50 in the Neighborhood areas. Although PPA was authorized to charge up to \$3.00 in the Center City Core, PPA only charged \$2.50. The rate was then increased to \$3 when the other area rate increases went into effect in 2014.

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proposed rate increases in an executive session. Therefore, there is no documented evidence that the Board was ever aware of this rate increase request prior to it being made to City Council in 2014.

The lack of formal policies, methodology, and decision-making documentation was especially problematic with the former Executive Director’s proposal for a rate increase in 2014 because, per minutes of the committee, PPA’s former Executive Director testified that, “Virtually all of the additional revenue from this adjustment will go to the School District of Philadelphia. *When fully implemented, we believe this will result in an additional \$7.5 million for the public schools.*” (Emphasis Added.) He further stated, “This is a reasonable proposal from a parking management perspective and provides additional funding for the schools, which face significant financial challenges.” He claimed that the rate structures in the Center City fringe area, University City, and neighborhood areas of the city<sup>70</sup> “do not provide enough turnover to ensure adequate parking availability.”

However, after the City Council and Mayor of Philadelphia approved the bill to increase meter rates in May and June 2014, respectively, the School District did not receive the expected annual increase of **\$7.5 million** in funds for the fiscal year ended March 31, 2015, as suggested by the former Executive Director as shown in the following chart:

Fiscal Year Ended	PPA Payments to the Philadelphia School District	Amount PPA Calculated as due to the City <sup>a/</sup>
March 31, 2014	\$ 9,722,797	\$37,253,132
March 31, 2015	\$11,062,997	\$36,647,905 <sup>b/</sup>
March 31, 2016	\$10,279,437	\$37,462,804
March 31, 2017	\$10,274,136	\$38,947,538

<sup>a/</sup> - Adjustments are made to the calculated amount based upon other payments due to and from PPA and the City of Philadelphia.

<sup>b/</sup> - The calculated threshold amount decreased in fiscal year ended March 31, 2015, due to the change in statute that reset the threshold to \$35 million.

*Source: Developed by the Department of the Auditor General staff from PPA IS2 Reports and supporting calculations.*

The total increase in funds paid to the School District in fiscal year ended March 31, 2015, was only **\$1,340,200**. The increased meter rates were not in effect for this entire fiscal year;

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<sup>70</sup> Title 12 of The Philadelphia Code, entitled “Traffic Code,” defines the meter areas as Center City Core area bounded by Arch Street, 4<sup>th</sup> Street, Locust Street and 20<sup>th</sup> Street; Center City Fringe area bounded by Spring Garden to Bainbridge Street, the Schuylkill River and the Delaware River, excluding the Center City Core areas; University City bounded by the Schuylkill River on the east, University Avenue/Woodland Avenue on the south, 40<sup>th</sup> Street on the west and by a line along Filbert Street, between 40<sup>th</sup> Street and 34<sup>th</sup> Street, along 34<sup>th</sup> Street to Arch Street, along Arch Street, between 34<sup>th</sup> Street and the Schuylkill River, on the north; and Neighborhood Commercial Corridors. See Bill Number 140207.

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however, the expected increase also did not occur in the following fiscal year ended March 31, 2016, after the increased meter rates was in effect for the full fiscal year. In fact, the amount paid to the School District decreased by more than \$780,000. Although the amount due to the City decreased during fiscal year ended March 31, 2015, the first year after the meter rates increase, the amount it received increased in the two subsequent years. As noted in a footnote in the chart above, the amount to the City decreased in fiscal year ended March 31, 2015, due to a change in the statute.

PPA management stated the reason as to why the School District did not receive the increase of \$7.5 million in funds as promised by the former Executive Director was due to revenues being negatively impacted by severe winter weather and the Papal visit to the city, both of which decreased the number of days that parking meter requirements were enforced. More importantly, two members of PPA management indicated that the **former Executive Director misspoke in his testimony**. The former Executive Director testified that virtually all of the additional revenue from an increase in meter rates would go the School District. However, PPA management explained that although the increase in meter rates would increase the total revenue collected by PPA, only a portion of the total revenue collected would ultimately go to the School District due to the calculation method established by statute which takes PPA expenses into consideration.<sup>71</sup> See Finding 1 for further details regarding the formula to calculate the payment to the School District. An increase in expenses has a direct negative impact on the amount paid to the School District. As seen in the below chart, although meter revenue<sup>72</sup> did increase from the fiscal year ended March 31, 2014, to the fiscal year ended March 31, 2015, by approximately \$3.0 million, expenses during that same time period increased by approximately \$4.5 million or by \$1.5 million more than the revenue increase realized by PPA. PPA management stated that the increase in expenses was primarily due to an increase in pension expenses.

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<sup>71</sup> See 75 Pa.C.S. § 6109(g)(2)(i) and (ii) (Act 84 of 2012). Act 84 amended Section 6109 of the Vehicle Code by adding Subsection g which sets out the formula requiring the PPA, beginning in fiscal year 2015, to transfer the revenues of the system net of the operating and administrative expenses of the system as follows: “(2)…(i) Up to \$35,000,000 in the aggregate after taking into account any monthly remittances to the City of Philadelphia. (ii) In the event the **net annual revenue** of the system of on-street parking regulation exceeds \$35,000,000, the authority shall **transfer all of the excess** to the general fund of the Philadelphia School District.” [Emphases added.]

<sup>72</sup> Although meter revenue is not the only type of revenue used in the calculation of the amount due to the City and School District, it is the main revenue source that was discussed in the former Executive Director’s testimony to City Council.

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Fiscal Year Ended	Meter Revenue	Total Expenses
March 31, 2013	\$35,063,567	\$65,632,972
March 31, 2014	\$34,633,109	\$67,153,652
March 31, 2015	\$37,682,295	\$71,700,206
March 31, 2016	\$37,831,227	\$75,119,793
March 31, 2017	\$38,300,989	\$80,210,582

*Source: Developed by the Department of the Auditor General staff from PPA IS2 Reports*

With no policies in place regarding the need for a parking meter rate change (increase or decrease), PPA staff have no restrictions or guidance on how to evaluate whether there is justifiable need to request a change in parking rates and the dollar amount of a rate change.

### **PPA’s parking meter rates and residential parking permit fees are comparable with other cities.**

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In order to determine how PPA’s established rates for On-Street parking, which includes meter parking and residential parking permits, compares to other cities, we conducted research on seven cities that PPA management stated they consider, and we agreed, to be comparable to Philadelphia. The comparable cities, along with their respective hourly parking meter rates and annual residential parking permit fees, are shown in the below chart:

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Comparative City	Hourly Meter Rates <sup>73</sup>		Residential Parking Permits <sup>74</sup>
	Highest Rate	Lowest Rate	Annual Fees
<b>San Francisco, CA</b>	\$6.50	\$0.25	\$127.00
<b>Chicago, IL</b>	\$6.50	\$2.00	\$ 25.00
<b>Los Angeles, CA</b>	\$6.00	\$0.50	\$ 34.00
<b>Boston, MA</b>	\$3.75	\$1.25	\$ 0.00 <sup>75</sup>
<b>New York, NY</b>	\$3.50	\$1.00	No Permits Issued
<b>New Orleans, LA</b>	\$3.00	\$2.00	\$ 70.00
<b>Washington, DC</b>	\$2.00	\$0.75	\$ 35.00
<b>Averages</b>	\$4.46	\$1.11	\$ 48.50
<b>Philadelphia, PA</b>	\$3.00	\$1.00	\$ 35.00

Source: Developed by the Department of the Auditor General staff from the sources shown in the footnotes below which are from the best available sources.

<sup>73</sup>Philadelphia, along with the other comparable cities, have established different levels of meter rates dependent upon the area of the city in which the parking is available.

San Francisco:

[https://www.sfmta.com/sites/default/files/pdfs/2016/ParkingMeters\\_Citywide2016\\_MTAtemplate\\_0.pdf](https://www.sfmta.com/sites/default/files/pdfs/2016/ParkingMeters_Citywide2016_MTAtemplate_0.pdf) (accessed June 9, 2017).

Chicago: <http://chicagometers.com/cost-hours/> (accessed June 9, 2017).

New Orleans: <http://www.nola.gov/dpw/parking/> (accessed June 9, 2017).

Washington DC:

[http://dmv.dc.gov/sites/default/files/dc/sites/ddot/publication/attachments/dc\\_parking\\_meter\\_rates\\_and\\_hours\\_of\\_operation\\_map.pdf](http://dmv.dc.gov/sites/default/files/dc/sites/ddot/publication/attachments/dc_parking_meter_rates_and_hours_of_operation_map.pdf) (accessed June 9, 2017).

New York: <http://www.nyc.gov/html/dot/html/motorist/parking-rates.shtml> (accessed June 9, 2017).

Boston: <http://www.boston.gov/departments/parking-clerk/how-do-parking-meters-work> (accessed June 9, 2017).

Los Angeles: <http://laexpresspark.org/wp-content/uploads/2015/04/APRIL-2015-Overall-Rate-Changes-Average-Hourly-Rates.png> (accessed June 9, 2017).

Philadelphia: Bill number 140207 Amended Title 12 of The Philadelphia Code, entitled “Traffic Code” was passed by City Council on May 15, 2014 and signed by the Mayor on June 4, 2014.

<sup>74</sup> San Francisco: <https://www.sfmta.com/services/permits-citations/parking-permits/residential-area-permits/renew-your-parking-permit> (accessed June 14, 2017).

Chicago: <http://chicityclerk.com/city-stickers-parking/about-parking-permits> (accessed June 14, 2017).

New Orleans: <http://www.nola.gov/dpw/documents/rpp-permit-application-form-may-2016/> (accessed June 14, 2017).

Washington DC: <https://dmv.dc.gov/book/vehicle-fees/parking-permit-reciprocity> (accessed June 14, 2017).

New York: New York City does not restrict/reserve parking on City streets to New York City residents only, so there is no Residential Parking Permit. Information provided via email on May 6, 2017, from the Manhattan Borough Engineer in New York City’s Division of Transportation Planning & Management.

Boston: <https://www.boston.gov/departments/parking-clerk/how-get-resident-parking-permit> (accessed August 24, 2017).

Los Angeles: [https://prodpci.etimspayments.com/pbw/include/laopm/annual\\_permit.html](https://prodpci.etimspayments.com/pbw/include/laopm/annual_permit.html) (accessed June 14, 2017).

Philadelphia: Bill number 30564 Amending Chapter 12-2700 of the Philadelphia Code, entitled “Permit Parking Districts” was passed by City Council on October 10, 2013 and signed by the Mayor on October 23, 2013.

<sup>75</sup> Boston does not charge for resident parking permits.

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As reported in the above chart, PPA's highest hourly meter rate is tied for the 6<sup>th</sup> highest in the comparison with the seven cities, and its lowest hourly meter rate is tied for the 4<sup>th</sup> highest rate. Its highest and lowest hourly parking meter rates are both below the average of the other seven cities.

Regarding residential parking permits, PPA's annual fee is tied for the 3<sup>rd</sup> highest of the six cities in the comparison; however, its annual fee is below the average of the six cities. Based on the analysis performed, PPA's current On-Street hourly parking meter rates and residential parking permit fees appear to be reasonable with comparable cities.

Although we found that PPA's parking meter and residential parking permit rates were comparable with other cities, PPA should have formal, clearly defined policies and procedures for determining the necessity and amounts of any changes to rates. This evaluation should be documented and provided to the PPA Board for approval. In this way, PPA can ensure that any rate increases proposed to City Council are necessary with accurate information regarding the effects of the increases. This was not the case in 2014 with PPA having no written policies and procedures, decision-making documentation, or proper Board approval, allowing the former Executive Director to mislead City Council and the School District regarding a then proposed rate increase that he claimed would provide an additional \$7.5 million for the School District each year which never materialized.

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### Recommendations for Finding 5

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We recommend that PPA:

1. Develop formal written policies, methodology, and procedures for determining the necessity for changes to On-Street parking rates and fees, including:
  - Frequency in which comprehensive parking surveys should be conducted.
  - Process of analyzing the results from parking surveys to include target percentages for each category of rates (i.e., occupancy, vacancy) to be used to determine whether rates need to be adjusted.
  - Guidelines for executive management's review of parking survey results when determining how much rates need to be adjusted, if necessary.
  - Procedures for calculating the estimated effect of any rates changes on revenue, including any potential impact on the annual payment to the Philadelphia School District.
  - Requirements for documenting the actual process in determining the necessity for changes in parking rates and fees, including supervisory oversight.
2. Ensure evaluation and conclusions for proposing changes to parking rates and fees is documented and maintained. This documentation should support the necessity for

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proposing changes in rates and fees and the effects on revenue, including funds available for the School District.

3. Inform the Board of any proposal for rate and fee changes and obtain Board approval prior to submitting the proposal to City Council.

We recommend that the Pennsylvania General Assembly:

4. Closely review Section 6109(g)(2)(i) and (ii) of the Vehicle Code<sup>76</sup> to ensure that the formula for calculating the amount to go to the School District is in line with the General Assembly's actual intent since the current formula allows for the PPA to take its expenses into consideration to the detriment of the School District and its students.
5. Consider adding an explicit requirement to Section 6109 of the Vehicle Code mandating that the PPA must have written policies, methodology, and procedures in place to determine when a change in parking meter rates is necessary and at what amounts.

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<sup>76</sup> 75 Pa.C.S. § 6109(g)(2)(i) and (ii) (Act 84 of 2012).

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#### **Philadelphia Parking Authority's Response and Auditors' Conclusions**

We provided copies of our draft audit findings and related recommendations to the Philadelphia Parking Authority (PPA) for its review. On the pages that follow, we included PPA's response in its entirety. Following PPA's response is our auditors' conclusions.

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## Audit Response from Philadelphia Parking Authority

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701 MARKET STREET  
SUITE 5400  
PHILADELPHIA, PA 19106  
215.683.9600

November 16, 2017

The Honorable Eugene A. DePasquale  
Auditor General  
Commonwealth of Pennsylvania  
Harrisburg, PA 19120-0018

Dear General DePasquale:

Attached is the response of the Philadelphia Parking Authority to the findings and recommendations resulting from your financial audit.

I appreciate the professionalism of your staff and the thoroughness of their review. As you know, for the last fifteen months, the Board and staff at PPA have been focused on a cultural transformation of the agency. In our response to your earlier audit we outlined 26 concrete steps taken to insure that all PPA activities are conducted with the highest ethical standards. Since then, additional steps have been taken to address other issues which are outlined in this report.

Through these actions and others to follow I am sure we will achieve our shared goal of restoring public confidence in the PPA by providing the highest quality services to the public.

Thank you again for joining us in this endeavor.

Sincerely,

  
Joseph T. Ashdale  
Board Chair

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### Philadelphia Parking Authority

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#### Philadelphia Parking Authority Response to the PPA Financial Objectives Prepared by the Pennsylvania Auditor General

As with our response to the Human Resources Performance Audit, we begin with the Philadelphia Parking Authority Mission statement because that is the foundation of our program goals.

The mission of the Philadelphia Parking Authority is to enhance the quality of life for all those who live, work and visit Philadelphia through our strategic partnership with the Commonwealth of Pennsylvania and the City of Philadelphia. That is accomplished by supporting the region's economic vitality through the provision of comprehensive parking, regulatory and transportation services. A focus on improved access, greater mobility, and increased vehicular and pedestrian safety are the guiding principles of our program.

#### On-Street Parking

The responsibility for managing on-street parking in the City of Philadelphia, was assigned to the PPA in 1983 through an act of the General Assembly, Ordinance by City Council and agreements of cooperation with the City. Our mission has remained constant since that time. We are charged with managing a scarce, limited resource – on-street parking spaces – in a manner that supports “the region's economic vitality.” That means establishing regulations that provide parking opportunities for those needing access to our businesses, institutions, health care facilities, and homes. That is the core of our mission; from that all business decisions must flow. By establishing hours of parking regulations, time limits, parking meter rates, violation fines, permit fees, towing fees, penalties for failure to pay, we hope to affect motorist behavior to achieve those larger goals.

While precise formulas to determine certain outcomes work wonders in science, human response to changes in parking rates or fines cannot be so easily determined. Parking professionals, including the PPA, evaluate parking vacancy rates in order to increase access to on-street parking spaces by adjusting time limits and meter rates. However, even the most thorough analysis may not achieve the intended result. There is also a public relations component to managing parking. The creation of a more welcoming experience through the mitigation of concerns about excessive enforcement activity or the expense of parking in Philadelphia must also be a core consideration of our overall parking policies.

The net revenue from our On Street Parking Program has been designated by the General Assembly to be paid first to the City of Philadelphia and when a certain threshold is met then to the School District of Philadelphia. We take very seriously our financial obligation to those entities and work to manage our operations efficiently to maximize those payments, consistent with our mission. While our contributions to those entities are small in comparison to their overall budgets [\$40 million to the City's \$4.4 billion budget (1%) and \$10 million to the School District's \$3 billion budget (0.3%)], we recognize that every dollar we contribute helps to provide essential services for the City's residents and students.

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While the audit Report focuses on PPA's payments to the School District, it also recognizes that the General Assembly gave priority to the City, sometimes to the disadvantage of the School District. That is a statutory issue to be addressed by the Commonwealth, the City and the School District. Our responsibility is to manage our programs in a manner that addresses our public policy mandate and directs strong revenue to both the City and School District. Of course, one must recognize that these are often competing goals. A massive increase in fines and parking fees will temporarily benefit the City and School District, but its impact on commerce may be regressive.

In the five year audit period, the PPA On-Street Parking Program generated \$187.6 million dollars for the City and \$54.6 million for the School District. That represents 38% of gross revenue. For some context, during the prior five-year period, the combined payments to the City and School District was \$196.6 million from \$543.9 million in gross revenue or 36%. For the ten years prior to the audit period, the combined payments to the City and School District were \$292.4 million from \$949.3 million in gross revenue or 30%. We have made consistent progress in returning a larger percent of our gross revenue to the City and School District.

In October 2016, the PPA Board initiated a series of reforms, many of which are addressed in our response to the Human Resources audit being released with this Report. Additional reforms are highlighted in our response to this Report as well. We recognize that those reforms must produce results and we believe they already have.

For example, in October 2016 the PPA's budgeted payment to the School District was \$8 million but we were only tracking to pay \$6 million. At that point the Executive Director and On-Street management team convened weekly meetings to improve operations. As a result of their efforts, for the fiscal year ending March 31, 2017 the PPA was able to make a payment of \$10.2 million to the School District (28% over budget). That work continues to bear results. At the mid-point of the current fiscal year the On-Street Parking Program revenue available for payment to the City and School District is \$5.7 million above the same period last year.

The Board and PPA management team remain focused on providing quality parking management services with the highest degree of integrity. The reforms already implemented are only the beginning of a culture change within the agency. It has not always been easy and success is not guaranteed. However we believe the steps taken in the last year demonstrate our commitment to honesty, integrity and transparency in all of our operations.

We appreciate the Auditor General's review and the recommendations for improvement. Of 44 recommendations in the Report, PPA has already implemented 31 (70%). Six (14%) are in the process of implementation. Four (9%) are being reviewed. Three (7%) are legislative matters beyond the Authority's control.

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#### PPA Response to the Auditor General's Findings and Recommendations

**Finding 1** – Historically poor communication from PPA management to the School District of Philadelphia inhibited the School District from ever knowing the correct excess net revenue amounts they would receive from year to year which sometimes led to much smaller amounts than they were led to believe.

**PPA Response** – With regard to historic communication, in 2015 the School District was invited to participate in the on-going, bi-monthly meetings with the City to facilitate consistent and transparent communications. The Report notes that the formula for the allocation of net On-Street Parking revenue was established by the General Assembly. The Report also notes that the PPA has properly calculated those payments during the audit period. Furthermore, the report recognizes that the formula protects the City's share of the proceeds from the On-Street Parking program while the School District receives only that which is left after the City receives a base amount. As a result, under the formula, fluctuations in revenue and/or expenses impacts only the School District portion of the revenue. Additionally, the threshold amount to be paid to the City increases by the percent increase in gross revenue to the program but is never decreased if there is a dip in revenue.

**PPA has provided \$436.7 million to the City and School District over the last ten years**

Since 2008, the PPA has delivered \$346.4 million to the City and \$90.3 million to the School District. During only the five year audit period, PPA contributed \$187,561,511 to the City and \$54,603,100 to the School District from the On-Street Parking Program. While the PPA is committed to continually improving these numbers, we concur with the report when it notes that volatility in the payment to the School District "is a direct result of the way in which the formula in the statute was written."

**PPA provides detailed information each month regarding the On-Street Parking Program**

Each month the PPA sends a statement of operations and financial details on the On-Street Parking Program to the City Director of Finance. Those statements includes actual and budget amounts for 48 line items of both revenue and expenses for the current month and the fiscal year to date. In addition to the monthly reporting, it is standard practice for the PPA to meet bi-monthly with the City Finance Director and the School District to discuss and answer questions related to the On-Street Parking Program's financial issues.

**PPA meets regularly with the City and now the School District to review finances**

During PPA's meetings with the City, the City used to pose questions on behalf of the School District regarding expected payments to the District. The PPA always provided a response to those questions using the best available data. The Authority was not aware of any communication issues related to the School District until its Finance Director testified at a

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City Council Hearing in April 2015 and opined that the School District was somehow disconnected from the flow of information.

Upon learning of the feelings of the School District Finance Director, the PPA immediately requested that the City Finance Director include the School District Finance Director in our bi-monthly meetings. Since that time, the School District Finance Director has occasionally attended and a School District staff member has always attended.

According to the Report, the School District has indicated that it did not receive information regarding anticipated payments for each fiscal year. On-Street budgets have always been provided to the City Finance Director each year. That information includes the expected payment amounts for both the City and School District from the On-Street Parking Program. The School District also receives that information at our bi-monthly meetings.

Since the School District began attending our meetings with the City, we have not received a single suggestion or complaint about the specificity of the On-Street Parking Program information provided. As you would expect, questions have been raised during our meetings. Sometimes those questions require further investigation, but PPA has always attempted to gather the information requested in a timely manner. We have never been told that our responses were inadequate.

We encourage the School District to continue to participate in these meetings and to keep an open and direct line of communication with the Authority to avoid any sense of budgetary or operational confusion. We are all working toward the same goal and must engage in transparent and good faith dialog.

#### Recommendations for Finding 1

1. Continue to ensure payments to the City and School District are made in compliance with the formula outlined in the statute.

**PPA Response – Agreed.** The PPA is pleased that the Report confirms the accuracy of our payments the City and School District. We will continue to follow the statutory formula

2. Provide City and School District with budget information as early as possible each year with expected funds to be available.

**PPA Response – Agreed.** PPA has and will continue to provide budget information to both the City and School District as early as possible.

3. Continue providing updated financial reports to and meetings with the City and School District on a regular basis regarding funds expected to be available to allow them to make adjustments to their budgets, if necessary, and to provide an opportunity for staff to ask additional questions regarding amounts being charged to the On-Street Division.

**PPA Response – Agreed.** PPA will continue to be completely transparent with both the City and School District.

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4. Provide the City and School District with detailed and meaningful information to any questions or concerns that may arise over On-Street revenues, related expenses, and/or expected funds to be available.

**PPA Response** – Agreed. PPA will continue to provide information with whatever degree of specificity required to clearly articulate the financial status of the On-Street Parking program. We will further develop a process for documenting information requests from both the City and School District and PPA's response to them.

5. Revisit the statute and consider amending the language so that both the City and the School District are guaranteed to receive, at a minimum, an established amount of the net revenue. This will help to ensure that the School District receives the additional funds that it so greatly needs to educate the children of Philadelphia.

**PPA Response** – This issue must be resolved by the General Assembly after discussion with both the City and the School District. We believe it is not appropriate for the PPA to initiate comment on this.

**Finding 2** – During the period April 1, 2012, through August 31, 2017, over \$1.18 million of incorrect, questionable or excessive expenses were charged to the PPA's On-Street Division; including \$322,232 of specific incorrectly charted expenses, thereby decreasing the monies paid to the Philadelphia School District.

**PPA Response** – Over the last year, the PPA has worked diligently to implement policies which clearly set forth both standards of ethical conduct as well as standard operating procedures to ensure the allocation of revenue and expenses are appropriate. During the audit period, total expenses applied to the On-Street Parking Division were \$409.2 million. The Report identified expenses in the amount of \$1.18 million (0.3% of total expenses) that it believes were miscoded to the On Street Parking Program or appear in amounts higher than anticipated. PPA will work to ensure that all expenses are both reasonable and applied correctly to the proper department.

#### PPA embraces reform

Below we respond to each of the items listed related to expenses charged to the On-Street Division. We acknowledge that some of these concerns are founded. However, for over one year now the Board and staff have enacted significant reforms addressing the issues raised and has put polices in place to ensure the problems are addressed.

The Report breaks down the categories of these expenses as follows:

- “PPA improperly charged expenses to the On-Street program, decreasing the amounts paid to the School District by a total of \$322,232.”

**PPA Response** – The PPA certainly understand that every penny counts and has instituted policies that reflect that understanding. For purposes of perspective, this figure represents 0.07% of total expenses broken down as follows:

- When two employees changed jobs from On-Street positions to administrative positions, their salary allocation was not properly changed. This

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resulted from a failure to inform the Payroll and Finance Departments of the personnel action. All Human Resources Personnel Action Forms now require that the appropriate account code(s) be included for all hires, promotions or reassignments. Copies of the forms will be given to both the Payroll and Finance Directors as part of the Human Resources Standard Operating Procedures.

- Incorrect coding of transactions resulted in overstating On-Street expenses by \$17,497. The PPA began the process of implementing new financial software in 2015. As part of the Standard Operating Procedures for the new processes, employees are required to check account codes for each transaction at multiple steps of the process to ensure they are accurately applied.
  - One employee received tuition reimbursement for classes unrelated in any manner to her PPA responsibilities. PPA agrees that payment should not have been approved and On-Street was charged \$9,300 incorrectly.
  - Another employee was approved for certification courses directly related to his job however the fees were not from an accredited college or university as stated in the policy. The amount charged to On-Street was \$7,681. While a waiver of the accredited institution should have been documented, we believe these were appropriate, job related expenses.
  - Audit costs were overcharged to On-Street by \$75,049. This is correct and new Standard Operating Procedures require a year-end review of accrued expenses to insure the accruals are consistent with actual expenses.
- PPA had questionable expenses which reduced the amounts paid to the School District by a total of \$35,569 (.009% of total expenses). They include:
    - Documentation of expenditures totaling \$1,351 could not be located. We acknowledge that the documentation for these expense could not be located. It should be noted that the nature of the expenses indicates that they were appropriately charged to On-Street.
    - Gift cards purchased over a three year period for \$7,600 were charged to On-Street expenses. These were \$25 gift cards given to On-Street Parking staff for exemplary performance. On-Street staff perform their duties in a professional manner, often under stressful conditions. These small tokens of appreciation were used to boost employee morale and recognize exemplary performance. At the time, this seemed to be an appropriate investment. The program ended in July 2017.
    - Payments for participation in a golf outing for a community organization as well as donations to various labor, community and civic groups, totaling \$5,801, were charged to On-Street expenses. While the Authority offered support to these organizations on a limited basis in the past, the practice was halted in January 2017.
    - Catered meals totaling \$15,827 were charged to On-Street expenses. Since October 2016 the Authority now spends \$181 for food for each monthly Board meeting.

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- Payments for van rental/driver totaling \$832 were charged to On-Street expenses. This was for eight people to make a site visit to a factory to insure the product being offered was consistent with our need. This cost was significantly less expensive than airfare to Massachusetts for eight people.
- Excessive Travel Reimbursement in the amount of \$168 was charged to On-Street expenses. PPA will review the travel reimbursement policy.
- Excessive Raises and Benefits. For more than one year now the PPA has successfully implemented numerous operational improvements and policy reforms. That progressive agenda has resulted in the reduction of total payroll costs in the amount of \$1.7 million compared to the same period last year. Under Standard Operating Procedures approved by the Board, a documented review process is now used to ensure that each vacant or proposed new position is necessary to the PPA's mission. The Authority also publically advertises the availability of these positions to increase competition. We fully reviewed this subject in our response to the Auditor General's Performance Audit of Human Resources policies and procedures and we incorporate those responses here.

As to the former Executive Director's payout for accrued leave benefits, the Report acknowledges that PPA "scaled back some benefits." We believe that is an unfair characterization of the broad and substantive reductions to the benefits now available to administrative employees.

For example, the vacation leave carryover amount was cut by more than half (from 150 days to 70 days). The previous policy permitted unlimited sick leave carryover; the new policy matches the City of Philadelphia limit of 200 days. Compensatory time was eliminated completely for the Executive Director and Deputy Executive Directors and was limited to 240 hours for other management positions and only in the case of an emergency declared by the Mayor or the Executive Director with the approval of the Board Chair. Also, the conversion of unused sick leave for retirement health benefits was reduced from 100% to 30% when fully implemented over the next five years. This significantly cuts the amount of health benefits available to retiring employees. These are major changes and clearly demonstrate a commitment by the Board and management staff to transformational change. The Report notes that the former Executive Director would be entitled to at least a payout of unused vacation leave. However, the Report then classifies that unused vacation leave payout as an erroneous reduction to On-Street Parking revenue that would have gone to the School District.

We again emphasize that the accrued leave time policies have been changed. Under the new policy enacted by the Board, which is identical to the City of Philadelphia policy for leave carry over amounts, the former Executive Director would have been entitled to be paid for seventy vacation days. The amount cited in the report assumes that the entire vacation time payment was in error. We do not understand the conclusion based upon the supporting information.

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- **Excessive Tuition Reimbursement Policy**  
We believe a reasonable tuition reimbursement policy assists employees in the performance of their duties and pays dividends in employee performance and professional development. Along with other benefit reductions, the Board set a lower annual cap and restored the lifetime cap on tuition reimbursement. The policy also now requires an employee to reimburse all or a portion of tuition benefits paid if the employee leaves PPA employ within two years of receiving the reimbursement.
- **Lack of written procurement procedures during the majority of the audit period.**  
PPA agrees that there were inadequate written procedures in place, however there were policies in place. At all times, the PPA followed the procurement provisions of the Parking Authority Law. In 2015 the PPA contracted for new financial software and began the process of documenting procurement policies and procedures in order to have the system programmed properly. That process was completed and comprehensive procurement policies and standard operating procedures were approved by the Board on September 27, 2017.
- **The former Executive Director agreed to a settlement without any additional approval for four payments totaling \$92,953.**  
This was a settlement with the family of an employee killed in the line of duty. In the future, settlements of this nature will require Board approval.
- **One invoice was not approved.** The PPA requires pre-approval for all purchases.

#### Recommendations for Finding 2

1. Ensure that formal written procedures for processing payments, recording expenses and allocating costs across the various divisions within PPA are maintained and up-to-date. These procedures should include not only the allocation method but also the process for reconciliation once actual costs have been determined.  
**PPA Response – Agree.** Finance Department Standard Operating Procedures are being updated to include all elements of this recommendation and will be presented to the Board for approval within 60 days.
2. Establish a procedure to ensure that when an employee's job duties change from one PPA division to another, Human Resources notifies the Finance Department so that appropriate payroll allocation changes can be made, if necessary.  
**PPA Response – Agreed and in place.** The Human Resources Personnel Action Form has been amended to include the appropriate account code(s) for each new hire, promotion or transfer. Copies of the form will be provided to both the Payroll and Finance directors.
3. Ensure that a detailed review is done of all expenses prior to being charged to PPA divisions either through a direct charge or an allocation. A thorough review should be performed, in particular to On-Street and support expenses as they both have a

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direct impact on the amounts available to be forwarded to the School District of Philadelphia.

**PPA Response – Agreed and in place.** This provision is already included in the training for the new financial software to insure multiple checks of assigned account codes for each transaction. Additionally, as part of the year end close out, Finance staff will review all accrued expenses and reconcile the accruals with actual amounts paid and adjust the accruals accordingly.

4. Ensure that all transactions are closely reviewed and approved by appropriate officials prior to being processed for payment.

**PPA Response – Agreed and in place.** New financial software has built-in approval requirements prior to permitting payments.

5. Assign responsibility to the PPA Internal Auditor, or another appropriate PPA staff member, to perform a post-audit review of a sample of transactions coded to On-Street to ensure that the transactions are in fact On-Street related and appropriate.

**PPA Response – Agreed.** PPA has begun the evaluation process for an internal compliance auditor. Part of that person's duties will be to test financial transactions across all PPA departments to ensure expenses are applied properly.

6. Ensure supporting documentation is maintained for all payments and expenses.

**PPA Response – Agreed and in place.** This is standard procedure for all transactions under the new Procurement Policy and Finance Department Standard Operating Procedures.

7. Evaluate all costs which may impact payment to the School District, including goods and services, employee awards, golf outings, events, donations, catered meals, etc., ensuring not only that the costs are necessary, but also that they are reasonable *and* not extravagant.

**PPA Response – That process is in place.**

8. Continue to evaluate the excessiveness of policies for salary increases, leave benefits, tuition reimbursements, and other employee benefits, giving careful consideration to the costs negatively impacting the amount of funds available to forward to the School District.

**PPA Response – Agreed and as documented in the response to the Auditor General's Report on Human Resources policies and procedures,** the PPA has adopted new policies regarding leave balances, management employee compensatory time, evaluation of vacant positions to ensure they are necessary to fulfill the PPA's mission, tuition reimbursement, hiring and promotions, nepotism, sexual harassment and many others. In addition, on November 17, 2017, the Board will consider a recommendation to contract with a human resources consultant to evaluate the compensation of non-represented employees.

9. Ensure that all requests for reimbursement from PPA employees meet all criteria outlined in policies prior to approving payments.

**PPA Response – Agreed and the policy is in place.**

10. Review current PPA reimbursement policies, for example travel reimbursements, for reasonableness of the rates established by PPA to ensure that they are in-line with amounts established in state and federal policies.

**PPA Response – Agreed.** PPA will review the travel reimbursement rates.

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**Finding 3** – Lack of written procurement policy and procedures resulted in an informal and inconsistent contracting process.

**PPA Response** – While the PPA did not have a consolidated, written procurement policy during most of the audit period, the PPA did follow the procurement provisions of the Parking Authority Law and had written standard operating procedures. In 2015 the PPA contracted for new financial software which required a comprehensive review of our procurement and accounts payable procedures, as well as other associated financial processes. At that time, the PPA began drafting procedures for the procurement process which resulted in the Procurement Policy and Standard Operating Procedures approved by the Board on September 27, 2017. The PPA will continually review its Procurement Policy to make certain it addresses the issues raised in the Report and as changes become prudent or necessary in the future.

As a result of contract testing the Report finds the following deficiencies:

- PPA did not provide any proposal/bid evaluation documentation for 19 contracts. While PPA staff did evaluate the proposals/bids it is correct that there is no documentation of the evaluation. We note in each case that the lowest proposer/bidder was selected. The new Procurement Policy adopted by the Board requires an evaluation form for each public solicitation.

- PPA did not select the vendor who received the highest evaluation score for one contact.

The evaluation process in this procurement was flawed in that the panel should have used a weighted evaluation method if it felt one of the factors required a higher level of importance. The PPA's Procurement Policy requires use of a formal scoring process that must comply with identified requirements made known to potential offerors through the RFP documents. The selection panel is required to use that scoring process with appropriately weighted evaluation criteria, to select a successful offeror.

- PPA did not provide documentation for 14 contracts to demonstrate that it verified proposals included all required administrative documents.

Though the proposals were reviewed to determine if the required documents were submitted, that review did not conclude with a written document. The new Procurement Policy requires the Contract Administrator to prepare a checklist to document that all required documents were submitted. For purposes of clarity, the Authority did have properly executed and written contracts for each of the transactions referenced in this finding.

- PPA's consultant improperly disqualified a proposal for one contract.

This was an error in the evaluation of this proposal. This portion of the proposal review will be completed and documented by the Contract Administrator under the new Procurement Policy.

- PPA did not consistently research prices on COSTARS and did not document when PPA did research prices in COSTARS.

The new Procurement Policy requires COSTARS research first for each procurement.

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- PPA failed to ensure that an emergency snow removal contractor provided two required bonds prior to executing the contract.

When discovered, the contractor provided the required bonds. The Procurement Policy approved by the Board on September 27, 2017 assigns this responsibility to the Contract Administrator and is part of a required checklist.

The report found the following deficiencies with regard to sole source contracts:

- PPA had no upfront written and approved justification to support the need for a sole source procurement for five contracts.
- PPA had no *Request for Board Action* to support justification and approval for two sole source contracts.
- PPA's *Request for Board Action* for two contracts did not include justification for the sole source procurement.

The PPA Procurement Policy establishes a clear process for determining the need for a sole source contract and the step-by-step process to have such a contract approved.

- PPA failed to renew one of the contracts for government relations consulting. A staff member has been assigned to forward all approved Board actions to the Legal Department to complete the contract process.
- The report raised the issue of compliance requirements related to an agreement with a contractor to fill a deputy director position.

The PPA will review this relationship and provide direction to ensure that we are in compliance with all laws and regulations.

#### Recommendations for Finding 3

We recommend that the PPA's Board:

1. Review its Procurement Policy to ensure that the deficiencies noted in the findings are adequately addressed.

**PPA Response – Agreed and in place.** The Board approved a new Procurement Policy on September 27, 2017 which addresses the deficiencies noted.

2. Require the Procurement Policy to be reviewed and updated on an annual basis.

**PPA Response – Agreed.** PPA will review the policy annually to assure it is in compliance with the law and best practices for governmental procurement and report the findings to the Board.

We recommend that the PPA:

3. Establish management controls to ensure that its Procurement Policy is properly followed.

**PPA Response – Agreed.**

4. Ensure that the evaluation panel uses the same evaluation method that is established in the RFP/IFB.

**PPA Response – Agreed and in place.** PPA's Procurement Policy includes procedures and requirements related to the development of properly weighting scoring criteria.

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5. Ensure that all evaluation documentation is written and retained to document the conclusions reached by the evaluation panel.  
**PPA Response** – Agreed and in place. This is included in the PPA’s Procurement Policy.
6. Ensure that the Request for Board Action agrees with the conclusions reached by the evaluation panel.  
**PPA Response** – Agreed and in place.
7. Only select the vendor to receive the contract that has the highest evaluation score unless adequate written justification exists for selecting a different vendor.  
**PPA Response** – Agreed and in place.
8. Establish an evaluation panel for all proposal/bid reviews.  
**PPA Response** – Agreed and in place.
9. Establish a checklist or other mechanism for ensuring that all required administrative documents have been submitted for each proposal/bid and retain this documentation.  
**PPA Response** – Agreed and in place.
10. If a consultant performs the administrative compliance, perform oversight to ensure that the consultant properly perform this function.  
**PPA Response** – Under the PPA’s Procurement Policy, the Contract Administrator is responsible for ensuring compliance with this requirement even if he/she requires the assistance of a specialist in evaluating the submission.
11. Consistently research COSTARS for all goods and services and maintain documentation to support this research.  
**PPA Response** – Agreed and in place.
12. Ensure that required bonds are received from vendors prior to contract execution.  
**PPA Response** – Agreed and in place. Under the PPA’s Procurement Policy the Contract Administrator is assigned this responsibility and it is part of the required checklist.
13. Require upfront written and approved justification to support the need for a sole source procurement.  
**PPA Response** – Agreed and in place.
14. Require the *Request for Board Action* to include the sole source justification.  
**PPA Response** – Agreed and in place.
15. Ensure contracts that should be renewed are executed in a timely manner.  
**PPA Response** – Agreed and in place. Staff has been assigned to review all Board actions requiring a contract with the Legal Department after each Board meeting.
16. Consider utilizing PPA’s internal legal staff to act as legal counsel for the Board Chairman.  
**PPA Response** - The retention by a board of directors of a special counsel is not unusual. The position can provide the board members with additional perspective separate from that maintained by full-time staff, including in-house counsel. This is particularly true when the special counsel possesses unique and extensive experience valued by the board.
17. The Authority’s Board understands the audit report recommendation related to special counsel. The Board understands the need to monitor and limit the financial impact of this position. At this time, the Board believes that its continuation is in the best interests of the Authority. This issue will be evaluated by the Board on a

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continuing basis and the position will be made subject to a competitive proposal process.

18. Ensure that contracted legal services are warranted (i.e., cannot be performed by PPA's internal legal staff).

**PPA Response** - Over the past several years, the Authority has developed and vigorously used its in-house Legal Department. Indeed, most of the Authority's legal work has been completed by five in-house attorneys for several years.

The Legal Department directly represents the Authority in well over 90% of litigation and other disputes before the courts and other tribunals, including matters covered by our insurers. Our Legal Department also directly represents the City of Philadelphia's Bureau of Administrative Adjudication, Office of Administrative Review, and Philadelphia Municipal Court (Traffic Division) in matters appealed to the Court of Common Pleas and higher appellate courts. Also, nearly all of the Authority's transactional work is completed by the Legal Department.

All of the outside counsel used by the Authority have now been selected through a competitive request for proposal process. When a matter is referred to outside counsel, one of the Authority's in-house attorneys is always assigned to work the case, monitor costs and perform as much work in-house as possible.

19. Regarding the independent contract with its Deputy Director of the Taxicab and Limousine Division, treat him as a contractor and retract the lavish benefits including compensatory time, healthcare, dental, vision and prescription insurance equal to or greater than that provided to PPA administrative employees for this individual and his spouse; and annual contributions to a retirement account.

**PPA Response** – The PPA will review this relationship to insure compliance with both law and regulations. After that review we will determine how to insure compliance going forward.

**Finding 4** – Since 1990, PPA has failed to collect more than \$580 million in outstanding parking tickets and associated fees, including nearly \$108 million just over the past five years. PPA needs to improve its efforts for collecting outstanding parking tickets and associated penalties and also needs to verify that it collects all parking revenue paid via credit cards.

**PPA Response** – As we note below, the PPA's collection rate is 89%. That percentage is significantly higher than industry standards. The aggregate outstanding debt amount cited in this finding includes debts related to people who are deceased and have moved away from this area. We will continue to pursue a higher collection rate, but PPA's historic collection performance does not merit a negative review.

Since 1990, PPA has collected \$1.5 Billion in parking ticket revenue. We continually review collection methods and tools available to improve collection rates. We are limited to some extent by state and local statutes and ordinances as well as other governmental regulations. Also, revised federal regulations no longer permit unpaid parking tickets to be placed on

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credit reports. We have been successful in adding certain collection tools over the years with the approval of either the General Assembly or City Council.

New collection tools include: lowering the boot threshold from six to three tickets, vehicle registration suspension for six or more tickets, requiring payment on all open tickets issued to any vehicle currently or previously owned by a person whose vehicle was towed or booted, combining tickets from multiple vehicles owned by the same person for boot eligibility, contracting with debt collection firms, employing digital license plate recognition technology to improve booting efficiency, requiring less than three open tickets to receive a residential parking or contractor parking permit, etc. The PPA also secured new terms with four collection agencies to pursue this debt at steeply discounted rates. These agreements were reached after a request for proposals process.

While the PPA's collection efforts are certainly robust, they also need to be viewed as reasonable to both the public and their elected representatives. Collection efforts which seem extreme could result in new restrictions on our ability to collect parking ticket revenue resulting in declining revenue.

As a result of these efforts, the Philadelphia Parking Authority's three-year collection rate of 89% is among the highest in the country. The \$580 million of unpaid tickets issued since 1990 does not represent the true amount of revenue that can potentially be collected. Many of the older tickets were issued to individuals who are no longer living, no longer live in the area or not collectable for some other reason. Through the application of the tools mentioned, the PPA went from a 77% collection rate in 1994 to an 89% collection rate for tickets issued in 2015. Of the \$108 million of parking ticket fees outstanding from tickets issued in the last five years, more than half are from tickets issued in the last two years and one third from the current year. The normal ticket collection cycle, including all the collection tools at our disposal, is three years.

The part of this Finding regarding verification of revenue collected through credit cards, refers to reconciliation of credit card payments for meter fees at certain kiosks. This issue is related to a server that supports one of two models of kiosks on the street. To address the issue, on the recommendation of our new IT Director, the Board approved upgrading that server and developing a program to export the required credit card payment information to facilitate reconciliation. In addition, the PPA plans to conduct a public solicitation for new kiosks next year as those on the street are at the end of their useful life and advances in technology will enable more efficient operation with new equipment.

#### Recommendations for Finding 4

1. Seek to amend the contract terms with its ticket processing vendor to reduce the four-year time frame given to the vendor to collect unpaid tickets to allow PPA to use other contracted collection agencies which may have better success rates and or charge lower collection rate to PPA.

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**PPA Response** – PPA will consider changing this provision when the contract for these services is rebid in 2019.

2. Develop policies and procedures for monitoring the contracted vendor and documenting the monitoring of parking meter collections, especially the collection of older unpaid tickets, to ensure that personnel are properly and consistently performing this process to reduce the risk of financial loss and contract non-compliance.

**PPA Response** – Agreed. PPA staff regularly monitors parking ticket collections both current and older tickets as well as compliance with contract provisions. We will begin to formally document those monitoring activities.

3. Actively evaluate additional methods to collect as much parking ticket revenue as possible, including working with its contracted vendor to increase unpaid ticket collection efforts.

**PPA Response** – As mentioned previously, PPA continually explores new collection methods with both the primary vendor as well as with other collection services. On May 31, 2017, the Board approved new contracts with four collection companies at rates significantly below the rate with the single vendor we were using previously. We will continue to monitor performance by each of the vendors and rebalance assigned debt to those with the highest performance. Currently, PPA has a three-year payment rate of 89%, among the highest in the country.

4. Prioritize updating the computer server to ensure that it has the ability to run reports necessary for PPA operations, including the capability to run reports from parking meter kiosks in order to provide management with the tools to verify the accuracy of the dollars remitted by the credit card processing vendor.

**PPA Response** – Agreed and in place. The Board approved upgrading the server used for those kiosks which will be in place shortly. Additionally, the IT Department is developing a customized report to be used by the Revenue Control Department in reconciling those payments.

5. Request collection reports for a sampling of Type 1 kiosks from the contracted vendor that processes the credit card transactions until its computer server is updated to implement Recommendation #4. For those kiosks, PPA should run collection reports to compare the amounts to the kiosk specific reports requested from the contracted vendor. This will allow management to confirm credit card transaction amounts provided by the contracted vendor on a sample basis.

**PPA Response** – Agreed and in process. The Revenue Control Department has begun the process of sampling kiosk transactions and reconciling them with daily credit card transactions.

6. Once summary reports can be produced to verify the accuracy of remitted credit card payment dollars for Visa and MasterCard, ensure that PPA staff daily perform the reconciliation to ensure that all revenue is properly being collected from On-Street parking.

**PPA Response** – Agreed. PPA is upgrading the server to address current issue and will be soliciting bids for new equipment next year to insure full compliance with revenue control requirements.

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**Finding 5** – Based on corroborating evidence, the former PPA Executive Director misled the Philadelphia City Council and the School District in 2014 regarding a \$7.5 million increase to the School District’s annual payment. PPA also lacks formal methodology and procedures for determining the necessity of rate and fee increases which effect its contribution to the School District.

**PPA Response** – In the introductory section of this response, we indicated that our primary mission is to manage on-street parking resources in a manner that supports the City’s economic vitality. We do that by setting regulations, time limits, meter rates, fines and fee structures and enforcement strategies to maximize opportunities for motorists to find a place to park reasonably close to their destination. There are best practices for vacancy rates, turnover rates, and violation rates which lead us to recommend adjustments to any of those parking management tools. There are also public perception and social factors which must be included in that analysis. Adjustments cannot be perceived as just a money grab to the detriment of local businesses or to price out lower income people from access to certain areas of the City.

Additionally, while the PPA can recommend changes in fees and fines, those changes can only be implemented through a City Council Ordinance, approved by the Mayor. Elected officials correctly weigh factors such as the impact of those changes on the public’s perception that our residential and commercial areas are welcoming and accessible.

We take our responsibility to maximize payments to both the City and School District quite seriously. However, setting rates, fines and fees must be done in a manner that is consistent with our parking policy mission. If we are too aggressive in setting prices, there could be a negative impact on business activity or residential quality of life, resulting in creating the perception that Philadelphia is not a desirable place to live or work.

The PPA maintains standards for data collection and evaluation in relation to program operations, though we acknowledge that there is not a comprehensive standard operating procedure that requires surveys at specific intervals. We have also taken a more collaborative approach to recommending changes in fees and fines. We collect data on parking conditions, point out areas where conditions on the street are less than optimal to City leaders and together make a judgement as to the feasibility and timing of making adjustments.

The Report also points to 2014 testimony provided by the former Executive Director in support of a meter rate increase. In that testimony he indicated that the proposed increases would result in an increased payment to the School District of \$7.5 million. While that number was a reasonable estimate for increased revenue from the meter rate increase proposed, it did not take into account other factors which affect the payment to the School District. As the Report stated, increased revenue increases the threshold payment to the City, unanticipated expenses and unusually severe winter weather all contribute to a reduction of funds available for payment to the School District. The testimony provided did

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not address the potential impact of those and other factors in the presentation. The PPA will be more precise in presenting this financial information to City Council.

#### Recommendations for Finding 5

We recommend that PPA:

1. Develop formal written policies, methodology, and procedures for determining the necessity for changes to On-Street parking rates and fees, including:
  - Frequency in which comprehensive parking surveys should be conducted.
  - Process of analyzing the results from parking surveys to include target percentages for each category of rates (i.e. occupancy, vacancy) to be used to determine whether rates need to be adjusted.
  - Guidelines for executive management's review of parking survey results when determining how much rates need to be adjusted, if necessary.
  - Procedures for calculating the estimated effect of any rate changes on revenue, including any potential impact on the annual payment to the Philadelphia School District.
  - Requirements for documenting the actual process in determining the necessity for changes in parking rates and fees, including supervisory oversight.

PPA Response – Agreed and in process. The PPA is in the process of updating all department Standard Operating Procedures. Guidelines for data collection, analysis and action steps will be included in the Planning & Analysis Department document.

2. Ensure evaluation and conclusions for proposing changes to parking rates and fees is documented and maintained. This documentation should support the necessity for proposing changes in rates and fees and the effects on revenue, including funds available for the School District.

PPA Response – Agreed.

3. Inform the Board of any proposal for rate and fee changes and obtain Board approval prior to submitting the proposal to City Council.

PPA Response – Agreed.

4. Closely review Section 6109(g)(2)(i) and (ii) of the Vehicle Code to ensure that the formula for calculating the amount to go to the School District is in line with the General Assembly's actual intent since the current formula allows for the PPA to take its expenses into consideration to the detriment of the School District and its students.

PPA Response – This matter is for the consideration of the General Assembly.

5. Consider adding an explicit requirement to Section 6109 of the Vehicle Code mandating that the PPA must have written policies, methodology, and procedures in place to determine when a change in parking meter rates is necessary and at what amount.

PPA Response – This matter is for the consideration of the General Assembly.

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#### **Auditors' Conclusions to the Philadelphia Parking Authority's Response**

The Philadelphia Parking Authority (PPA) agreed with or will consider 41 of the 44 recommendations contained in the report. The remaining 3 recommendations are legislative matters beyond PPA's control, which we encourage the Pennsylvania General Assembly to consider. PPA's response also indicates that 37 of the 41 recommendations have been implemented or will be implemented in the near future and that the remaining 4 are being reviewed. PPA indicated that it initiated a series of reforms, many of which will address our concerns and recommendations and recognizes that every dollar it contributes to the City of Philadelphia (City) and the School District of Philadelphia (School District) helps to provide essential services for the City's residents and students. We are pleased that PPA is proactively addressing our concerns and believe that implementation of our recommendations will improve PPA's management controls and operations, award contracts with a consistent process, increase funds available to forward to the School District, and ensure any parking rate increases are necessary, adequately evaluated, and approved. However, with regard to PPA's response, the following items require further clarification from findings 1 through 4:

#### **Finding 1**

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In regard to the communication between PPA management and the School District, School District management indicated that they were invited to attend meetings between the City and PPA beginning in 2016 and have received monthly On-Street Division operating statements that provides data on various categories of revenues and expenses. However, when it questions PPA management regarding the data, the PPA responds with high level answers. PPA indicated in its response that it was unaware of the School District's concerns with the information and responses it receives from PPA. We encourage the PPA, City, and School District to continue to participate in regular meetings to discuss the On-Street Division revenues and expenses and that all parties maintain an open line of communication in order to provide the information and level of detail needed to properly budget funds to be provided by PPA.

#### **Finding 2**

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We are pleased that PPA is working to implement policies and procedures to ensure payments and allocation of expenses are reasonable and properly applied to the On-Street Division. In its response, PPA questions the conclusions drawn regarding the former Executive Director's leave payout. As reported in the finding, we acknowledge that an employee upon separation would be entitled to at least a payout of unused vacation leave up to a reasonable allowed carryover amount. However, the former Executive Director used his position to manipulate compensatory and vacation leave balances for his own personal gain as well as for the gain of certain senior-level management, the effects of which lowered the amount of funds available to the School District. We are pleased that PPA has implemented reductions to make benefits available to its management employees more reasonable.

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In regard to PPA's tuition reimbursement policy, management responded that a reasonable tuition reimbursement policy assists employees in the performance of their duties and pays dividends in employee performance and professional development. Although PPA amended its policy effective May 31, 2017, to reinstate a lifetime limit on the amount of reimbursement to employees, the current annual allowable amount is almost as much as the total lifetime maximum amount allowed in 2012. Additionally, the revised lifetime amount is almost five times higher than the limit set in 2012. We reiterate that PPA should consider the reasonableness and necessity of such benefits which reduce the amount of funds available to the School District to educate its students.

#### **Finding 3**

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As we noted in our finding, PPA indicated that while it did not have written procurement policy during most of our audit period, Procurement Policy and Standard Operating Procedures were approved by the PPA Board in September 2017. Due to the timing of the completion of our audit testing prior to the issuance of the new policy, we did not review and evaluate information included in the policy. As such, we cannot comment on the adequacy of PPA's new procurement policy. We are encouraged that PPA states it will continually review its policy and make certain it addresses the concerns raised in our report.

Regarding our recommendation for PPA to consider utilizing PPA's internal legal staff to act as legal counsel for the Board Chairman in lieu of an outside contracted counsel, PPA responded that retention of a special counsel is not unusual but understands the need to monitor and limit the financial impact. PPA indicated that the Board believes that continuing to utilize outside counsel is in the best interests of PPA but will evaluate the issue on a continuing basis and will utilize the competitive proposal process in the future. However, we reiterate that the PPA Board should consider utilizing PPA's internal legal staff in an effort to reduce the amount it pays in legal fees which ultimately reduces the funds available to the School District to educate its students.

#### **Finding 4**

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Although PPA responded that it had an 89 percent collection rate for tickets issued in 2015, this only reflects a small snapshot of one year. Our report noted that during the audit, management stated that it was doing well with an average ticket collection rate of around 80 percent. Based on information obtained from PPA's collection vendor, the aggregated ticket collection rate was 86 percent for the five-year period April 1, 2012, through March 31, 2017, but since 1990, PPA had only an aggregated collection rate of 77 percent. We acknowledge that it is unlikely that PPA will be able to collect on every ticket issued; however, this large amount of outstanding revenue is vital money which could be utilized by the School District to help educate its students. Therefore, PPA management should make every effort to collect as much ticket revenue as possible.

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#### Appendix A

#### Objectives, Scope, and Methodology

The Department of the Auditor General conducted this performance audit with financial objectives in order to provide an independent assessment of the Philadelphia Parking Authority (PPA). Specifically, we evaluated the adherence to and effectiveness of PPA's rules and procedures.

We conducted this audit in accordance with applicable *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### Objectives

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Our audit objectives were as follows:

1. Determine the effectiveness of PPA's contracting and procurement policies and procedures and whether PPA contracts were awarded in compliance with those procurement policies and procedures. [See Finding 3]
2. Determine the reasonableness of PPA's parking prices related to the On-Street Parking Program. [See Finding 5]
3. Determine whether the PPA is properly determining operating and administrative expenses related to the On-Street Parking Program and ensuring that all appropriate net revenue is transferred to the School District of Philadelphia in accordance with applicable law. [See Findings 1, 2, and 4]

#### Scope

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This audit report presents information regarding Objectives 1 and 2 for the period of April 1, 2014, through April 30, 2017, unless otherwise noted, with updates through the report date and information regarding Objective 3 for the period of April 1, 2012, through March 31, 2016, including follow-up through August 31, 2017, unless otherwise noted, with updates through the report date.

PPA management is responsible for establishing and maintaining effective internal controls to provide reasonable assurances of compliance with applicable laws, regulations, contracts, grant agreements, and administrative policies and procedures.

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In conducting our audit, we obtained an understanding of PPA's internal controls, including any system controls, if applicable, that we considered significant within the context of our audit objectives.

For those internal controls that we determined to be significant within the context of our objectives, we also assessed the effectiveness of the design and implementation of those controls as discussed in the *Methodology* section that follows. Any deficiencies in internal controls that were identified during the conduct of our audit and determined to be significant within the context of our audit objectives are included in this report.

### Methodology

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To address our audit objectives, we performed the following procedures:

- Conducted interviews and corresponded with the following PPA management and staff:
  - Deputy Executive Directors
  - General Counsel
  - Contract Administrator
  - Director of Procurement
  - Director of Strategic Planning
  - Senior Director of Engineering and Design
  - Senior Director of Administration
  - On-Street Parking Director
  - Director of Parking Management
  - Director of Revenue Control
  - Finance staff

We did this to obtain an understanding of the processes, practices, and controls including oversight used by PPA regarding our audit objectives, including contracting and procurement, establishing and collection of parking meter rates and fees, attempting to collect unpaid tickets, and recording of On-Street revenue and expenses.

- Interviewed staff from PPA's contracted parking ticket vendor to gain an understanding of the ticketing process from the time the ticket is issued through the collection process including the process of posting ticket information to the electronic ticketing system and work performed by the contracted vendor in its attempt to collect unpaid tickets.
- Interviewed finance staff from both the City of Philadelphia (City) and the School District of Philadelphia (School District) regarding their communication with PPA management regarding On-Street parking operations and obtained documentation regarding PPA's payments to the School District during the audit period.

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- Reviewed the following laws, bylaws, policies, and procedures applicable to PPA operations to determine legislative and policy requirements related to our audit objectives:
  - Title 53 C.S.A. Chapter 55 Parking Authorities §5511, related to competition in award of contracts.
  - Purchase Requisition/Purchase Order Process document pertaining to procurements below the competitive bid threshold (small procurements).
  - Contract Administration Standard Operating Procedures (SOPs) that outline the process PPA follows with regard to competitive solicitations.
  - Commonwealth of Pennsylvania Procurement Code Section 515, “Sole Source Procurement.”
  - Correspondence between PPA management regarding PPA policy for methods utilized for contract bidding requirements.
  - PPA Bylaws, effective November 27, 2006 and updated during the audit period on July 22, 2015 and December 15, 2015 regarding requirements for PPA management to obtain Board approval prior to executing a contract.
  - Notices issued by the Pennsylvania Department of Labor and Industry effective January 1, 2014, 2015, 2016, and 2017 to determine applicable changes during the audit period to the threshold amounts triggering the requirement for public bids for procurement of goods and services.
  - Bill Number 140207, amending Title 12, entitled "Traffic Code." The ordinance, passed by City Council on May 15, 2014, and signed by the Mayor on June 4, 2014, that revised the fee for the use of parking meters.
  - Bill Number 130564, amending Chapter 12-2700 of The Philadelphia Code, entitled “Permit Parking Districts.” The ordinance, passed by City Council on October 10, 2013, and signed by the Mayor on October 23, 2013, that revised the annual fee for resident parking permits.
  - Act 9 of 2004 to determine the requirements for PPA to pay the City and School District from revenue amounts generated from the On-Street parking program, as determined by the formula outlined in the act.

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- Act 84 of 2012 that amended the formula PPA is to use to determine the amounts to be paid to the City and School District.
- Reviewed a November 1999 letter from the City’s Director of Aviation to the then PPA Executive Director which outlined methodology to allocate PPA’s administrative support expenses for parking facilities at the Philadelphia Airport, which was adopted by PPA to allocate administrative support indirect expenses across all PPA divisions.
- Reviewed news articles regarding information relevant to our audit objectives to determine if there was information that would impact our audit procedures.
- Obtained a list of 174 contracts that PPA assigned a contract number to during the period January 1, 2014, through October 6, 2016.<sup>77</sup> Using auditor’s judgment to ensure coverage of contracts executed during each year of our audit period, we selected 28 contracts for testing, including 23 contracts that were above the competitive bid threshold<sup>78</sup> and required a public solicitation and 5 sole source contracts. We selected contracts that covered both competitive solicitation methods – the Invitation for Bid (IFB) process and the Request for Proposals (RFP) process. We also selected contracts that had potential issues as reported in newspaper articles, contracts brought to the attention of the Auditor General, and contracts for legal services.
- Reviewed supporting documentation for the 28 contracts selected for testing to determine if PPA awarded the contracts according to applicable law and PPA SOPs. For those contracts awarded through a competitive solicitation, we reviewed documentation supporting the process from project initiation through contract execution related to management approval of the need for the goods or services, the public advertisement of PPA’s solicitation of bids/proposals from vendors, evaluating the bids and proposals received by PPA, Board approval of contract, awarding of contract to selected vendor, and execution of contract. For the sole source contracts, we determined whether PPA maintained documentation of the justification and approval of the need to enter into a sole source contract, Board approval of contract, and execution of contract.
- Reviewed PPA’s check registers for the period April 1, 2012, to March 31, 2014, for both On-Street and Support expenses and the check register for the period April 1, 2014, to February 16, 2017, for all PPA divisions to determine the amount PPA expended on legal services.

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<sup>77</sup> Although PPA started the process for these 174 procurements, 14 were not fully processed and executed with a signed contract. We ensured that the 28 contracts we tested had been executed during the audit period.

<sup>78</sup> During the audit period, the thresholds were as follows for each calendar year: January 1, 2014: \$25,800, January 1, 2015: \$26,200, January 1, 2016: \$26,200, and January 1, 2017: \$26,600.

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- Reviewed documentation including the sole source contract for consulting services to fill its Deputy Director of its Taxicab and Limousine Division, and related 1099-Misc forms for the five calendar years 2012 through 2016, to determine agreed upon compensation terms and the amount of compensation paid by PPA to the individual during the audit period.
- Reviewed PPA Board minutes from April 23, 2012, through April 19, 2017, to determine if PPA management obtained Board approval for selected contracts, proposed changes to parking meter rates and residential parking permit fees, and selected On-Street and support related expenses.
- Reviewed audit work papers of the firm that audited PPA's annual financial statements for the period April 1, 2012, through March 31, 2016, to gain an understanding of the extent of audit work performed on the On-Street Division's revenues and expenses.
- Obtained PPA's On-Street Division's Profit and Loss statements (IS2 reports) for the period April 1, 2012, through March 31, 2017, to determine the amounts recorded for revenue, payroll, operating expense, and other income and expense categories and reconciling items that PPA management used to calculate the amounts to be paid to the City and School District during that five-year period.
- Recalculated the amounts PPA paid the City and School District for the period April 1, 2012, through March 31, 2017, to confirm PPA's calculations were in compliance with Act 9 of 2004 and Act 84 of 2012, as applicable.
- Reviewed PPA's agreement, effective April 1, 2012, through March 31, 2019, with its contracted ticketing vendor to determine contractor requirements regarding developing and supporting the electronic ticket processing and enforcement support system.
- Reviewed ticketing reports provided by PPA's contracted ticketing vendor to determine the number of parking tickets issued during the audit period and the number of and associated dollar amount of unpaid ticket fines and penalties due to PPA during the period January 1, 1990, through June 25, 2017.
- Obtained supporting documentation for two days, October 14, 2015, and February 11, 2016, regarding PPA's cash and credit card meter collections, respectively. We confirmed that the amounts reported as collected for those days were deposited per PPA's bank statements and posted to the On-Street meter revenue account. We also reviewed documents for initials of PPA staff indicating a review and approval of the document was performed.

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- Reviewed On-Street and support payroll data for July 2015 to determine which employees' payroll amounts were charged to these areas and if their jobs related to these respective areas. We found these expenses related to 574 On-Street employees and 168 support employees. We compared these employees' names to a PPA employee listing that included employee names and job titles. Based on auditor judgment, we selected 86 On-Street employees and 37 support employees for whom we could not readily determine whether their jobs related to these respective areas. For the employees selected, we requested additional information such as the specific area that the employee was assigned to, in order to determine whether their job responsibilities reasonably related to On-Street or support.
- Obtained data of operating expenses from general ledger and accounts payable files extracted from PPA's Sage Platinum for Windows accounting software for the On-Street Division and Support.
- Selected 181 expense transactions from the On-Street and Support general ledger files for the four-year period April 1, 2012, through March 31, 2016, to determine if documentation was available to verify that these expenses were accurately coded to the appropriate area (On-Street or support), approved, and reasonable. Of the 181 transactions, 113 transactions were from the 22,373 transactions posted to the On-Street general ledger and the remaining 68 transactions were from the 10,482 transactions posted to the Support general ledger.

Twenty-seven of the 181 transactions were randomly selected from On-Street and the remaining 154 were judgmentally selected based upon a review of the transactions posted to the general ledger using the following criteria:

- Transaction descriptions that included words that are associated with other non-On-Street divisions within PPA, for example, taxi, garage, and airport. These transactions were selected to determine if expenses from other PPA divisions were coded incorrectly to On-Street or to support.
- Transaction descriptions that did not seem related to On-Street parking operations.
- Transactions with vague or no descriptions.
- Transactions with vendors identified in PPA related news articles.
- Journal entries with high dollar amounts.
- Transactions from seven vendors identified as having a large amount of expenses charged to either the On-Street or Support areas.

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- Transactions coded to accounts with more general descriptions, such as professional fees and miscellaneous expense.
- Transactions coded to the tuition reimbursement account.
- Based upon follow-up with PPA management, we determined that exceptions noted in the 181 transactions selected for testing also occurred in other transactions throughout the audit period. These additional transactions were also reviewed and the results included in the finding.
- Reviewed a listing of the 62 PPA employees who received tuition reimbursement totaling \$720,869 during the period April 1, 2012, through May 31, 2017, to determine if any tuition reimbursement amounts paid to employees exceeded the limit established by PPA.
- Reviewed the Department of the Auditor General's performance audit report of the PPA's employment policies and procedures covering the audit period July 1, 2014, to April 30, 2017, and reported on items that had an impact on expenses charged to the On-Street or Support areas.
- Compared PPA's parking meter rates and residential parking permit fees to the rates and fees charged by seven cities in the United States that are comparable to Philadelphia. The list of comparable cities was provided by PPA management.
- Reviewed the April 28, 2014 and May 27, 2016 meeting minutes from the City's Committee on Streets and Services to determine what testimony was given by PPA management regarding payments to the City and School District from On-Street revenues.
- Obtained copies of parking surveys completed by PPA staff in 2013 to confirm that a survey was completed and parking occupancy and vacancy rates were calculated.

#### Data Reliability

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In performing this audit, we obtained from PPA data files extracted from its Sage Platinum for Windows accounting software regarding On-Street Division revenue and expenses and administrative support (Support) expenses in the form of IS2 Reports, transactions posted to accounts payable and the general ledgers, and transactions recorded in its check registers. We also obtained from PPA's legal counsel a list of PPA contracts that had been assigned a contract number during the audit period in a Microsoft Excel spreadsheet. Additionally, we obtained parking ticket information that PPA's contracted ticketing vendor extracted from its ticketing software.

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*Government Auditing Standards* require us to assess the sufficiency and appropriateness of computer-processed information that we use to support our findings, conclusions, or recommendations. The assessment of the sufficiency and appropriateness of computer-processed information includes considerations regarding the completeness and accuracy of the data for the intended purposes.

In addition to the procedures described in the remainder of this section, as part of our overall process in obtaining assurance of the reliability of computer-processed information and data files obtained from PPA, we obtained a management representation letter from PPA. This letter, signed by PPA management, included a confirmation statement indicating that the information and data provided to us had not been altered and was a complete and accurate duplication of the data from its original source.

In order to assess the completeness and accuracy of computer-processed information and data from PPA's Sage Platinum system, including the On-Street Division and Support IS2 Reports, payroll data files, and operating expense data from general ledger and accounts payable files, we performed the following:

- We interviewed officials responsible for reviewing coding of transactions, including the On-Street Division and Support, and preparing the IS2 Reports to obtain an understanding of the process and of the IT environment.
- Confirmed the total amounts reported as revenue and expenses on the On-Street IS2 Reports for the period April 1, 2012, through March 31, 2016, agreed to amounts reported in PPA's annual audited financial statements.

Note that we could not confirm total amounts reported on the IS2 Reports for the year April 1, 2016, through March 31, 2017, because PPA's respective audited financial statements were not available for us to review during our test work. However, data from the IS2 Reports for this period was used predominantly for background and comparison purposes. We did not select transactions for testing but rather reviewed selected vendor transactions based upon follow-up work related to transactions selected for testing from the period April 1, 2012, through March 31, 2016.

- In regard to the expense data reported on the IS2 Reports for Support, provided by PPA for the period April 1, 2012, through March 31, 2016, we calculated 57 percent of the total Support costs for each year and compared these amounts to the Support amounts recorded on the On-Street Division IS2 Reports for reasonableness.
- Confirmed the amounts PPA reported as paid to the School District with the School District's Chief Financial Officer and to its Comprehensive Annual Financial Reports.

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- Traced amounts reported on daily cash and credit card meter revenue reports for October 14, 2015, and February 11, 2016, to total amounts recorded for each of the two months to the general ledger whose totals were traced to the IS2 Reports and subsequently to PPA's audited annual financial statement.
- In regard to the July 2015 payroll files received for both the On-Street Division and Support that we utilized to verify that employees were being paid from the correct division and account, we confirmed the file totals to the total payroll amounts recorded for that month in PPA's general ledger. The total of the general ledger payroll amount of all the months, April 2015, through March 2016, was confirmed to the total payroll amounts recorded on the IS2 Reports for On-Street and Support.
- In regard to On-Street and Support operating expense data received from PPA's general ledger and accounts payable files for the period April 1, 2012, through March 31, 2016, we performed the following procedures:
  - Interviewed PPA finance department staff responsible for posting transactions to PPA's accounting software.
  - Compared the total operating expense amounts, for each fiscal year, to PPA's On-Street and Support IS2 Reports and followed up on certain recorded differences for reasonableness. As previously stated, IS2 Report amounts were confirmed to PPA's audited annual financial statements.
  - Ensured that the data obtained for the 181 expense transactions (as described earlier in this Methodology section) selected for testing from the On-Street and Support general ledger and accounts payable data files agreed to source documents.
  - Ensured that the payee and amount recorded for 80 of the 181 expense transactions selected from the general ledger and accounts payable data files agreed to the payee and amount posted to PPA check registers for reasonableness.
  - Traced tuition reimbursement payments for 6 of the 63 employees listed on the tuition reimbursement schedule provided by PPA for the period April 1, 2012, through May 31, 2017, to expenses recorded in the general ledger and accounts payable data files, whose amounts, in total, were confirmed to the IS2 Reports and subsequently to the annual audited financial statements.

Based on the above, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that the computer-processed data and information from PPA's Sage Platinum system as described above were sufficiently reliable for the purposes of this engagement.

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In order to assess the completeness and accuracy of the listings of PPA contracts for the period January 1, 2014, to October 6, 2016, utilized to select contracts to test whether they were awarded in compliance with Parking Authority Procurement Law and PPA Contract Administration Standard Operating Procedures, we performed the following:

- Interviewed PPA's Deputy Executive Director, Legal Division and General Counsel with knowledge about the preparation of the contract listing and the source of contract data included in the listing.
- Reviewed the contract listings for completeness of the fields and for gaps in the numerical order of numbers assigned to each contract.
- For the contracts on the listing that were identified by PPA management as not being executed, we examined PPA's check registers to determine if there were any payments made to those vendors over the threshold that requires a competitive solicitation.
- Traced a selection of contracts from the data file to source documents and confirmed accuracy of the information included in the data file.

Based on the above, we found no limitations with using the data for our intended purposes. In accordance with *Government Auditing Standards*, we concluded that PPA's contract listing was sufficiently reliable for the purposes of this engagement.

Data reliability for information regarding excessive salary increases and leave benefits was assessed in the separate performance audit of the PPA's employment policies and procedures covering the audit period July 1, 2014, to April 31, 2017. This report noted that this information was sufficiently reliable, and therefore, we found no limitations with using the data for our intended purposes. Further details regarding the assessment of data reliability for this information can be found in this respective audit report.

We did not perform procedures to validate the accuracy of the:

- Amounts the School District budgeted during the period July 1, 2012, through June 30, 2017 as revenue that it anticipated receiving from PPA's On-Street Division.
- Number of parking tickets issued during the period April 1, 2012, through March 31, 2017, according to PPA's contracted ticketing vendor's ticketing software. However, we did agree ticket revenue to PPA's audited financial statements for reasonableness of the number of tickets issued.
- Number of unpaid tickets and the associated fines and penalties for those tickets that were issued during the period April 1, 2012, through March 31, 2017, according to PPA's contracted ticketing vendor's ticketing software.

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- Amount of unpaid tickets and the associated fines and penalties for those tickets that were issued during the period January 1, 1990, through June 25, 2017, according to PPA's contracted ticketing vendor's ticketing software.

As such, we deemed this information to be of undetermined reliability. However, this is the best data available. Although this determination may affect the precision of the numbers we present, there is sufficient evidence in total to support our findings, conclusions, and recommendations.

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#### Appendix B

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