

C
I
T
Y

O
F

F
O
R
T

L
A
U
D
E
R
D
A
L
E

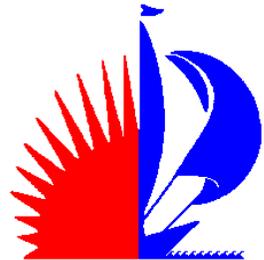
Management Review

of the

**Parking and Fleet Services Unclaimed Property
from Parking Citations with Credit Balances**

Report of Audit 06/07-XX-02

February 15, 2007



Office of Management and Budget

Internal Audit

MEMORANDUM NO. 07-25

DATE: February 15, 2007

TO: Director of Parking and Fleet Services/John Hoelzle
Director of Finance/Betty Burrell

SUBJECT: *Review of Parking and Fleet Services Unclaimed Property from
Parking Citations with Credit Balances*

Enclosed is the “subject” Final Report of Audit.

Allyson C. Love
Director, Office of Management and Budget

Attachment - Final Report of Audit No. 06/07-XX-02

c: City Commission
City Manager/George Gretsas
Assistant City Manager/Kathleen Gunn
Assistant City Manager/David Hebert
Assistant City Manager/Stephen Scott

ACL/te

REPORT OF AUDIT NO. 06/07-XX-02

DATE: December 13, 2006

TO: Director of Parking and Fleet Services/John Hoelzle
Director of Finance/Betty Burrell

FROM: Assistant Internal Audit Director/Renee Foley

SUBJECT: *Review of Parking and Fleet Services Unclaimed Property from Parking Citations with Credit Balances*

BACKGROUND

In June of 2006, the Director of Finance requested an audit of unclaimed property as it relates to parking citations. The City of Fort Lauderdale (City) is required by Chapter 717, Florida Statutes (F.S.), to file an unclaimed property report by May 1 of each year based on the preceding calendar year-end balances of inactive accounts with amounts due to others. Unclaimed property includes uncashed vendor and payroll checks, accounts with credit balances, etc., which have been dormant for at least a year. The Finance Department prepares and files an annual unclaimed property report for the City, but has not previously included parking citations with credit balances. The Finance Department requested Internal Audit validate the parking citation credit balances before including them with the annual unclaimed property report due to the significance of the unreported amount (\$120,327).

SCOPE

The overall objective of this review was to determine if the City complied with Chapter 717, F.S., for unclaimed property as it relates to parking citations. We also evaluated the effectiveness of management procedures and internal controls to govern compliance. Furthermore, we verified if revenue from unpaid parking citations had been accrued and reported in the City's Comprehensive Annual Financial Report (CAFR). We judgmentally selected parking citations over a year old to validate the accuracy of the accounts with credit balances. The review covered transactions and documents from March 1997 through April 2005, and was completed during July through October 2006. The review was completed in accordance with generally accepted government auditing standards.

REPORT OF AUDIT NO. 06/07-XX-02

OVERALL EVALUATION

The City is not in compliance with Chapter 717, F.S., since parking citations with credit balances as unclaimed property have never been reported to the State of Florida or other states as applicable.¹ The City does not have a system in place for reporting and complying with unclaimed property requirements. Immediate improvement is needed for the City to establish written procedures for controlling, identifying, and processing/reporting *all* unclaimed property. Furthermore, the City has never at year-end accrued revenue from unpaid parking citations and reported citation accounts receivable in the City's CAFR. The accounts receivable function is fragmented and lacks centralized monitoring and accountability. Internal controls are not adequate to effectively manage and monitor the accounts receivable function. The City also does not have written policies and procedures to guide and direct staff in writing-off uncollectible accounts and processing credit balances.

FINDING 1

The City has not reported or remitted parking citations with credit balances totaling \$120,327 as Unclaimed Property to the State of Florida contrary to Chapter 717, F.S. Furthermore, non-compliance with these requirements may result in the assessment of penalties and interest.

Section 717.113, F.S., Property held by courts and public agencies states, "All intangible property held for the owner by any court, government or governmental subdivision or agency, public corporation, or public authority that has not been claimed by the owner for more than 1 year after it becomes payable or distributable is presumed unclaimed...."

Florida Department of Financial Services Reporting Requirements Section 3, paragraph 3.1 states, annual reports and remittances of unclaimed property are due no later than April 30th each year. Non-compliance with these requirements can result in penalties and interest being assessed against the holder.

¹ Florida has reciprocal reporting relationships with 26 other states, which allow unclaimed property for these states to be reported directly to the State of Florida if the amount is less than \$1,000. If the last known address of the owner is in a non-reciprocal state or if the unclaimed amount is greater than \$1,000, then these claims must be reported directly to those other states.

REPORT OF AUDIT NO. 06/07-XX-02

Section 717.117, F.S., Report of unclaimed property: Paragraph (3) states, "The report must be filed before May 1 of each year. The report shall apply to the preceding calendar year. The department may impose and collect a penalty of \$10 per day up to a maximum of \$500 for the failure to timely report or the failure to include in a report information required by this chapter." Paragraph (4) states, "Holders of inactive accounts having a value of \$50 or more shall use due diligence to locate apparent owners. Not more than 120 days and not less than 60 days prior to filing the report required by this section, the holder in possession of property presumed unclaimed and subject to custody as unclaimed property under this chapter shall send written notice to the apparent owner at the apparent owner's last known address informing the apparent owner that the holder is in possession of property subject to this chapter, if the holder has in its records an address for the apparent owner which the holder's records do not disclose to be inaccurate."

Our review of 107 (2%) of 6,926 parking citations with credit balances aged one year totaling \$120,327 revealed the following areas of non-compliance and/or internal control weaknesses (**Schedule 1**).

- Unclaimed property from parking citations with credit balances had never been included in the Unclaimed Property Report the City's Finance Department filed with the State of Florida each year (***Appropriate Mechanisms to Monitor Requirements***).
- No written procedures were established for controlling, identifying, and processing/reporting *all* unclaimed property to fully comply with Chapter 717, F.S (***Written Policies/Procedures***).
- No evidence was provided to date to show due diligence efforts were conducted to locate owners of inactive accounts \$50 or greater (***Asset Accountability/Statute Compliance***).

In September 2006, the Parking Services Financial Administrator (PSFA) indicated refund letters would be sent for all citation accounts with credit Balances > \$50 if they had registered owner contact information. In October 2006, the PSFA stated instead of sending the refund letters, the overpayments were going to be refunded to the registered owners by November 17, 2006; thus, eliminating the need to perform due diligence. As of November 20, 2006; however, we have not received any notice/update from the PFSA concerning the status of the refunds.

- AutoCITE² Citation form was not efficiently designed to give clear notice to the violator concerning the due date of the fine; and the specific dates when late fees would be applied to encourage prompt and accurate payments.

² AutoCITE is the software used on the handheld computers by the Parking Enforcement Specialists to generate the majority of all parking citations.

REPORT OF AUDIT NO. 06/07-XX-02

Late fees are due in 20 and 35 business days, which is more difficult to determine/calculate than calendar days. Furthermore, prior to March 12, 2005, the language in the header portion of the citation read "Payment is required within 20 business days to avoid penalty." However, the illustration of the delinquent amount in the body of the citation read "After 20 Days" and an amount. There was no specific mention in the body of the citation that "After 20 Days" meant business days. If a violator didn't first read the header, a casual reader could easily misinterpret the due date as 20 calendar days. The majority of the citations tested pre-date March 12, 2005, before Parking Services changed the language in the body of the citation to remove "After 20 Days" (*Asset Accountability*).

The PSFA was not aware of Parking Services' responsibility to report parking citations with credit balances as unclaimed property until the PSFA attended a Florida Government Finance Officer's Association conference in May 2005. Furthermore, the City Controller stated Parking Services' citations with credit balances were not included in the Unclaimed Property Report that was filed annually with the State of Florida, as they were unsure if the information was reliable. Thus, Finance requested an audit of the process and controls.

Establishment of comprehensive written procedures to control, identify and process/report all unclaimed property will assist the City to meet compliance requirements of Chapter 717, F.S., and avoid unnecessary penalties and interest.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Finance* should:

Recommendation 1. *Establish written procedures to control, identify and process/report all unclaimed property Citywide to meet compliance requirements of Chapter 717, F.S., and avoid unnecessary penalties and interest. Furthermore, conduct a comprehensive review to ensure all unclaimed property Citywide is reported to the State and none overlooked.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Finance agrees with the recommendation to establish written procedures to control, identify, and process/report all unclaimed property Citywide to meet compliance requirements of Florida statutes. Finance will make every reasonable effort to ensure that no unclaimed property that should

REPORT OF AUDIT NO. 06/07-XX-02

be reported is overlooked effective with the submittal due to the State by May 1, 2007.” **Estimated completion date April 30, 2007.**

The *Director of Parking and Fleet Services* should require the *Assistant Parking Services Manager* to:

Recommendation 2. *Coordinate activities with the City Controller and update the AutoProcess Report of Citations with Credit Balances through December 31, 2006,³ via Crystal Report Writer, and prepare to report and remit these citation accounts with credit balances as applicable to the State with the 2006 Annual Unclaimed Property Report by May 1, 2007.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Management concurs with providing the report to Finance and is ready to do so when required. However, the citations with credit balances must be aged one year or longer to be reportable as unclaimed property. Therefore, the report will include citations with credit balances as of December 31, 2005 instead of 2006.” **Estimated completion date April 30, 2007.**

Recommendation 3. *Develop written policies and procedures to integrate with the Finance Department’s Citywide policy for processing unclaimed property from Parking Services, including but not limited to, minimization/prevention of citation accounts with credit balances and coordinating the seamless flow of data from AutoProcess to the State’s HRS Pro software.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Management concurs and will prepare the policies that coordinate with Finance’s policies and procedures when they are transmitted by Finance. In the interim, Parking has been proactive with regards to reducing both delinquent citations and overpayments. We have had a delinquent citation collection agency under contract for over two years (Law Enforcement Systems, Inc.) and are experiencing a collection rate nearly twice that of the former collection agency, Penn Credit. In 2005, we began issuing refunds proactively instead of waiting for a request from a customer. In FY05/06, we issued over 1,700 refunds; we have issued over 1,000 refunds in this fiscal year already. Approximately six months ago, we implemented a policy of returning duplicate payments received in this office, thereby reducing overpayments to be refunded. March 6, 2007 will be the first reading of an Ordinance change proposal that will

³ Final Report of Audit revised for clarification of “through December 31, 2006,” meaning update report through December 31, 2006, aged one year or more.

REPORT OF AUDIT NO. 06/07-XX-02

restate the citation payment due date from 20 business days to 30 calendar days. The intent is to reduce the confusion regarding the payment due date and the number of refunds attributable to payment of a penalty that was not assessed.” **Estimated completion date May 6, 2007.**

Recommendation 4. *Direct the PSFA to either process refunds or send due diligence letters (Sample) to all owners of inactive accounts with credit balances of \$50 or more by December 31, 2006.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Management concurs and this has actually been underway for several months and was completed January 5th. However, the Unclaimed Property rules state “Holders of inactive accounts having a value of \$50 or more shall use due diligence to locate apparent owners *not more than 120 days and not less than 60 days* prior to filing the report required by this section” (Section 717.117(4), F.S.). Accordingly, due diligence should be done between approximately January 1, 2007 and the beginning of March, 2007 to fit within the window of not more than 120 and not less than 60 days before reporting at the end of April. It should be noted that it is possible to run a report on any payment-related data such as accounts with credit balances on one day and get a different result weeks later because a payment was recorded in the interim. Therefore, we will continue to monitor the credit balances in this category to ensure that they are refunded promptly or due diligence is performed on an on-going basis.” **Estimated completion date January 5, 2007.**

Recommendation 5. *Contact the Citation Management software vendor and perform a cost benefit analysis to determine if newer versions of the software and hand held AutoCITE devices have the capability of reporting the initial due date for the fine and the dates and amounts of the citation after the first and second level late fees have been applied. If the analysis reveals it would not be cost effective to acquire this new equipment, the due dates for penalties should be changed in the Traffic Ordinance, Section 26-91 Schedule of Fines paragraph (b), from 20 and 35 business days to an equivalent number of calendar days (e.g., 30 and 50 calendar days) to avoid misinterpretation resulting in overpayments.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “We made this inquiry approximately 6 months ago and found that reprogramming the AutoCites to calculate the citation due date at the time of issuance would be cost prohibitive and most likely could not be done at all with current equipment. However, about 6 weeks ago, we initiated the

REPORT OF AUDIT NO. 06/07-XX-02

Ordinance change recommended and the first reading is scheduled for March 6, 2007. The Ordinance will change the due date from 20 business days to 30 calendar days and will restate the penalty dates in the same manner.” **Estimated completion date May 6, 2007.**

FINDING 2

The City is not in compliance with GAAP⁴ since an estimated \$1,521,215 in collectible unpaid parking citations have not been accrued and reported in the City’s CAFR resulting in understated Proprietary Fund receivables and revenues.

According to Chapter 6 of the 2001 Edition of the GAAFR⁵ – Proprietary Funds, page 87, “Proprietary funds are used to account for a government’s business-type activities.... proprietary fund types use the economic resources measurement focus and accrual basis of accounting.”⁶

According to page 77 of the 2005 Edition of the GAAFR, “Fines and Forfeitures should be recognized when they are legally enforceable. A fine is considered legally enforceable either when the party pays the fine (thus acknowledging the liability) or when imposed by a court. In the latter case, revenues should be recognized net of estimated refunds resulting from appeals, if material.”

The City’s Code of Ordinance, Chapter 2, Administration, Article V. Finance, Sec. 2-147 (b)(4) Department Head, duties, requires the Director of Finance, either personally or through employees in the Finance Department, to perform the following duties and exercise the following powers...and keep regular records and accounts of all assets and liabilities of the City, which shall at all times show the financial condition of the City.

Our review of the Citation Aging Report in AutoProcess as of October 24, 2006, revealed an estimated \$1,521,215 in collectibles. These revenues have never been accrued in the City’s CAFR (**Schedule 2**). The AutoProcess Citation Management Program does not interface with the City’s general ledger in Financial Accounting and Management Information System.

⁴ GAAP is the acronym for Generally Accepted Accounting Principles and represents authoritative guidance primarily from the Government Accounting Standards Board about how financial transactions should be recorded and reported by the government.

⁵ GAAFR is the acronym for Governmental Accounting, Auditing and Financial Reporting, which is also known as the “Blue Book,” a technical reference book published by the Government Finance Officers Association (GFOA) that prescribes GAAP compliance for governmental accounting.

⁶ A method of accounting that recognizes the financial effect of transactions, events and interfund activities when they occur regardless of the timing of related cash flows.

REPORT OF AUDIT NO. 06/07-XX-02

The accruing of citation revenues was first identified by the PSFA in October 2002, in a memorandum sent to the Director of Finance asking for approval to book a September 30, 2002, fully reserved accounts receivable balance of \$2,463,451 in the Parking Fund. However, the City Controller stated a large percentage of the outstanding citations might not be collectible; and therefore, the Finance Department never accrued the revenue/receivables from citations.

GAAP reporting compliance and proper disclosure of all revenues and receivables will enhance the accuracy/quality of the CAFR and assist Financial Statement users in making informed decisions based on complete information.

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Finance* should:

Recommendation 6. *Conduct a comprehensive Citywide review to ensure all revenue/receivables that should be are accrued and reported in the City's CAFR.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Finance agrees that all revenue/receivables should be properly accrued and reported in the City's CAFR. Finance is working toward recruiting and hiring an Accounts Receivable Manager who will be responsible for monitoring revenue/receivables. The Accounts Receivable Manager recruitment and hiring process should be completed by June 1, 2007." **Estimated completion date June 1, 2007.**

The *Director of Finance* should require the:

Recommendation 7. *City Controller to record and report unpaid/outstanding parking citations on a GAAP accrual basis (receivables and revenues) beginning with the fiscal year ended September 30, 2006. Furthermore, review an analysis of aged citations receivable prepared by the PSFA and book the net realizable amount as revenue and receivables.*

Management Comment. *Management non-concurred with the recommendation and stated:* "It is the position of the Finance Department that it is not proper under GASB guidelines to book these parking receivables. Parking citations are considered to be fines. The GFOA's blue book (GAAFR) explains it this way: *"Fines and forfeitures should be recognized when they are legally*

REPORT OF AUDIT NO. 06/07-XX-02

enforceable. A fine is considered to be legally enforceable either when the party pays the fine (thus acknowledging liability) or when imposed by a court." In other words, we should record the revenue for undisputed parking tickets only when the fine is paid. For disputed tickets we should record revenue only when a court rules that the fine is enforceable." **This item is open.**

Recommendation 8. *City Treasurer to establish a written Citywide refund and write-off policy for uncollectible receivables, including parking citations determined uncollectible.*

Management Comment. *Management concurred with the finding and recommendation and stated:* "Finance agrees with the recommendation that a written policy should be developed and implemented Citywide for refunds and write-offs for all uncollectible receivables. Once the new Accounts Receivable Manager is hired, this will be among the priorities for that position, with an expected implementation date of December 31, 2007." **Estimated completion date December 31, 2007.**

The *Director of Parking Services* should require the *Assistant Parking Services Manager* to:

Recommendation 9. *Direct the PSFA to perform maintenance in AutoProcess to write-off uncollectible account balances that satisfy the write-off criteria established above.*

Management Comment. *Management concurred in principal with the recommendation and stated:* "Every reasonable attempt to affect these write-offs will be made. However, management had considered this action but made the decision not to do this in the past because the 'archiving' process in AutoProcess does not allow us to 'flag' an uncollectible citation and remove it from A/R ageing and other reports. Instead, to affect the balance of an ageing report, it effectively removes citations from the database (along with their histories), preventing application of payments that are subsequently collected and preventing Customer Service Clerks from viewing a citation if a customer calls with an inquiry. Moreover, mass archiving can actually remove some of the very limited leverage we have in collecting delinquent citations: booting and DMV holds on registration. For example, if a violator has 4 unpaid citations and that vehicle is on the boot list, we may eventually collect on all 4 citations if the vehicle is parked again in the City. If the oldest citations are archived, it will release the vehicle from the list of 'bootables'. Similarly, removal of an old citation may release a vehicle from the DMV hold that requires full payment of all outstanding citations prior to release.

REPORT OF AUDIT NO. 06/07-XX-02

Further, because we receive high-volume electronic payment files from various sources (Intuition, LES, the Web- and phone-based payment systems) daily, we must proceed cautiously with archiving citation records to avoid 'dropped' transactions when payments on old citations are received and the labor-intensive process of reconciling discrepancies between cash deposits and amounts posted to AutoProcess. Once the criteria for such write-offs have been established, we will create Crystal reports that will show the extent of the DMV holds and boots to decide how best to handle "write-offs" via the archive process. **Expected implementation date of December 31, 2007.**"

FINDING 3

The City has not collected \$7,798,552 in outstanding accounts receivable with \$4,574,690 (60%) representing amounts delinquent for more than 3 years, \$1,907,197 (24%) over 1 year past due, and \$1,316,665 (16%) less than 1 year past due. Furthermore, Parking Services has not obtained/reviewed all reports made available on-line by the collection agency; therefore, has not objectively evaluated their performance.

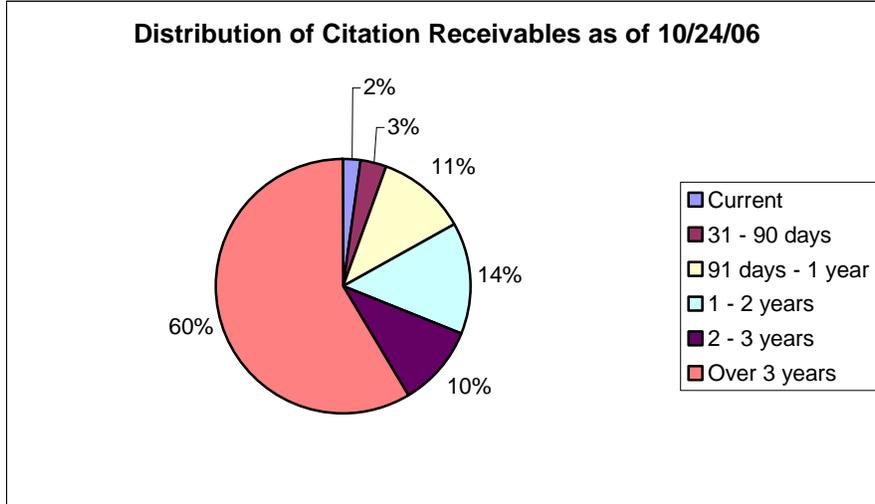
The City's Code of Ordinance, Chapter 2, Administration, Article V. Finance, Sec. 2-147 (b)(4) Department Head, duties, requires the Director of Finance, either personally or through employees in the Finance Department, to perform the following duties and exercise the following powers...and keep regular records and accounts of all assets and liabilities of the City, which shall at all times show the financial condition of the City.

Government Finance Officers Association recommended practice advises that ...delinquent accounts become more difficult to collect as they age, it is imperative that appropriate steps are taken as soon as possible after an account becomes delinquent or, if possible, before an account becomes delinquent...A decentralized collection process often leads to a fragmented and less efficient collection operation, particularly in collecting delinquent revenues.

According to the contract with Law Enforcement Systems, Inc. (LES), Section 1.1.d "Reporting" on page 13-14 states, "The Contractor shall make the following reports available on-line and in printable format: (1) Acknowledgement Report; (2) Client Status Report; (3) Payment Analysis Summary, by month; (4) Client Cancellation Report; (5) Monthly Statement."

During our analysis of the Citation Aging Report in AutoProcess as of October 24, 2006, we noticed \$7,798,552 in outstanding accounts receivable as follows.

REPORT OF AUDIT NO. 06/07-XX-02



A comparison of the former (Penn Credit Corporation) and current (Law Enforcement Systems, Inc. (LES)) collection agencies revealed the following.

Service	Penn Credit (Prior to August 2004)	LES (August 2004 to present)
Collection letter is sent to Registered Owner requesting payment	Yes	Yes
Collection agency specializes in collecting parking citations	No	Yes
Collection agency has access to DMV data to enhance identification of registered owners	No	Yes

DMV = The Department of Motor Vehicles

According to the PFSA, much of citation receivables over 3 years old include old/legacy data from their prior citation software (Tresun) with limited potential for collection. The PFSA further stated this data was uploaded into AutoProcess during program set-up in January 2002; however, should have been written-off/purged from the system. The collection of citation receivables has been enhanced since August 2004 when the City contracted with LES. The City does not have collection staff and all unpaid citations are referred to outside agencies for collection after 90 days. Parking Services did not obtain/review any of the monthly reports available on-line from LES to ascertain Contractor’s performance rate.

Effective management and an aggressive collection program of all City accounts receivable will strengthen accountability and maximize payments ultimately received for services provided, in a timelier manner, and result in an increased control of cash flow.

REPORT OF AUDIT NO. 06/07-XX-02

RECOMMENDATIONS AND MANAGEMENT COMMENTS

The *Director of Finance* should require the *Treasurer* to:

Recommendation 10. *Accept full responsibility and accountability for centralized administration, billing and collection of Citywide accounts receivable.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Finance agrees with the recommendation that the Treasurer accept full responsibility for centralized accounts receivable functions, including developing and implementing applicable and comprehensive policies and procedures. However, the City Manager’s Office must be involved in the decision whether to centralize all accounts receivable. If centralization is accomplished, those human resources currently performing these functions in other departments most likely will need to be redeployed to work directly with and for Finance to accomplish this goal. Finance intends to meet with the City Manager to seek his guidance on this recommendation by June 1, 2007.” **Estimated completion date June 1, 2007.**

Recommendation 11. *Ensure written policy and procedures are established, issued and implemented to provide direction and guidance for managing, billing and collection of Citywide accounts receivable. The policy should specifically address capturing the true value of all accounts receivable and recording the value in the City's financial reports.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “This recommendation duplicates Recommendation 10 unless Recommendation 10 is not implemented. If Recommendation 10 is not implemented, Finance agrees that policies and procedures need to be developed and distributed as guidance for accounts receivable functions performed by other departments, including specific guidelines related to appropriate accounting for financial reporting purposes.” **Estimated completion date June 1, 2007.**

Recommendation 12. *Obtain monthly aging reports for Citywide accounts receivable to assist in the assessment of the collectibility of past due accounts.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Finance agrees with the recommendation that monthly aging reports should be developed. Finance further understands that

REPORT OF AUDIT NO. 06/07-XX-02

analysis of these reports is required, not only to assess the collectibility of the outstanding accounts, but also to further pursue collection before accounts become too old to collect. Finance will begin compiling aging reports for receivables by September 30, 2007.” **Estimated completion date September 30, 2007.**

Recommendation 13. *Establish a written policy to define/determine when past due accounts, not covered specifically by statute and after all available efforts have been made, should be deemed uncollectible and written-off. Furthermore, designate authority and responsibility to write-off accounts.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Finance believes that this recommendation is a duplication of Recommendation 10.” **Estimated completion date June 1, 2007.**

Recommendation 14. *Immediately require staff to prepare documentation to charge off accounts deemed uncollectible against an appropriate general ledger allowance account.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Finance agrees that uncollectible accounts should be written off properly. Finance disagrees that this action must be taken immediately. Finance believes a more strategic method of approaching this issue is in order. Finance will begin analyzing and documenting the accounts that should be charged off as uncollectible by September 30, 2007.” **Estimated completion date September 30, 2007.**

The *Director of Parking Services* should require the *Assistant Parking Services Manager* to:

Recommendation 15. *Direct the PSFA to obtain from LES the contractually required reports and establish a process and objective criteria to evaluate/monitor the Contractor’s performance. Inadequate performance should be communicated in writing to the Director of Parking Services and formal written follow-up should be initiated with the Contractor to correct any noted performance deficiencies and maintained in their files.*

Management Comment. *Management concurred with the finding and recommendation and stated:* “Management concurs with the spirit of this recommendation but differs as to the level of monitoring being done and the operational necessity or desirability to obtain all of the contractually required reports. For example, when the RFP was created, it stated that the Contractor

REPORT OF AUDIT NO. 06/07-XX-02

should make available a report on each account, including the status of amounts due, paid, collection efforts, etc. That report is available but Parking has chosen not to take it. Each month's report is 190,000 pages and we could not possibly store it or even review it. Parking does, and always has monitored the effectiveness of the Contractor's performance, using revenues as the benchmark compared to the predecessor Contractor and on a continuing basis compared to prior months. The current Contractor's collections are nearly twice that of the previous agency and they have provided a consistent level of return, with the exception of the first few months, when the massive referral was done of all citations that were outstanding at the time, and the revenue stream reflected that mass referral. We have continuing dialogue with LES regarding collections and they have made recommendations to assist with the level of collections, such as reporting unpaid accounts to credit reporting bureaus, allowing LES to escalate penalties, and getting the City Attorney involved in the collection efforts as is done with some of their other clients. None of these suggestions are currently politically feasible, but we will continue to evaluate the possibility of implementing them.

We collect approximately 76% of all citations issued in the same year they are issued, about 2% above the benchmark for the industry. It should be noted that Fort Lauderdale's Parking Services goes beyond the standard practices in this industry by issuing two letters to customers prior to the citation being referred for collection. This practice prevents subsequently paid accounts from being referred for collection and saves the City the commission on each account. The first Courtesy letter informs the customer a citation has been issued, the amount due, and the penalties for late payment. According to the Contractor and a survey of similar parking programs, Fort Lauderdale is nearly unique in this practice. Parking also issues a second (Late) notice, informing the customer that the citation is overdue, two penalties have been applied, and that failure to pay will result in referral to collections. Together, these two actions make subsequent referrals for collection less likely to be successful because two 'collection' actions have already been taken. LES gets only the most recalcitrant accounts.

Beyond sending letters to customers, neither Parking Services nor the Contractor have other tools to leverage its collection efforts. Unlike Utility Billing, Fire Alarms, Special Assessments, etc., Parking cannot lien property, turn off services, report to credit agencies, or otherwise cause violators to make payment. While we do boot vehicles and block DMV registration for multiple outstanding citations, the less frequent violator is not penalized beyond the two \$10.00 additions to the base fine and the small amounts due (typically \$45) do not justify legal action. In addition, because the citation identifies only the vehicle tag number, VIN, and vehicle make and model; we do not always have an address for violators. For

REPORT OF AUDIT NO. 06/07-XX-02

example, roughly 10 states do not provide registered owner information and we therefore cannot identify the vehicle owner. In highly-transient Florida, vehicle owner/responsible party traceability is extremely limited: tags expire, get thrown away when a vehicle is sold or the owner moves out of state, people move and do not report the move to DMV, and owners can simply buy a new tag and discard the old one at any time. All of these factors together contribute to reduced ability to enforce the payment of parking citations.” **This item is closed.**

ADDITIONAL MANAGEMENT COMMENTS

FINDING 1

Parking Service Comment: Of the 58 ‘due diligence’ accounts identified during the audit, all except 7 of the accounts with registered owner information have been refunded or been sent a due diligence letter. That progress was not reported but did in fact occur. The remaining 7 are very old ‘hard cases’ for which we are attempting to find documentation adequate enough to support a refund request.

EVALUATION OF MANAGEMENT COMMENTS

Management comments provided and actions taken and/or planned are considered responsive to the recommendations with the exception of recommendation 7.

Recommendation 7-According to the GFOA's blue book that references footnote 26 of GASB, Comprehensive Implementation Guide, 7.452, it states "Undisputed fines should be recognized when payments are made *or when the statutory time allowed for dispute lapses, whichever occurs first*. Disputed fines should be recognized when the appropriate legal authority (for example, traffic court) rules that the fine is valid (legally enforceable) and should be recognized net of estimated refunds from rulings overturned on appeal." Our analysis of aged receivables included non-disputed citations (i.e., legally enforceable since statutory dispute time lapsed). Disputed citations totaling \$130,614.16 were excluded from the analysis. Thus, parking receivables should be recorded/reported.

Furthermore, we do not concur with the assertion that recommendations 11 and 13 are duplicates of recommendation 10. In recommendation 10 we require the Treasurer to accept full responsibility/accountability for a centralized administration of Citywide accounts receivable; whereas, in recommendation 11 we require written policies and procedures be established. Furthermore,

REPORT OF AUDIT NO. 06/07-XX-02

recommendation 13 states the need for a specific policy to be included on the subject of when an account should be deemed uncollectible and written-off.

**Review of Parking and Fleet Services Unclaimed Property from Citation Accounts with Credit Balances
Summary of Parking Citations Sample/Population and Results of Compliance Testing**

Schedule 1

Category	Parking Citations	Population (records)	% of Population	Total \$	% of \$ Population	Sample Size (records)	Sample Size \$	State of Florida Unclaimed Property Compliance Requirements	
1	Equal to or greater than \$50	52	0.8%	\$ 2,257.50	1.9%	52	\$ 3,828.00	Holders of inactive accounts having a value of \$50 or more shall use due diligence* to locate apparent owners not more than 120 days and not less than 60 days prior to filing the report required by this section. Section 717.117(4), F.S.	
2	Equal to \$10 or less than \$50	5,874	84.8%	114,065.26	94.8%	50	907.00	Items of value under \$50 each may be reported in the aggregate and due diligence is not required. Section 717.117(1)(d) and (4), F.S.	
3	Less than \$10	1,000	14.4%	4,004.00	3.3%	5	45.99	Accounts less than \$10 shall not be presumed unclaimed per Section 717.117(1)(h), F.S., and therefore are not reportable.	
Grand Totals		6,926	100.0%	\$ 120,326.76	100.0%	107	\$ 4,780.99		
Date Range:									
	Population	3/28/97	4/1/05						
	Sample	9/19/00	5/24/04						
Legend:									
*	According to Florida Department of Financial Services 2005 Reporting Instructions, Bureau of Unclaimed Property, Section 3. Reporting Requirements, paragraph 3.2, due diligence means the use of reasonable and prudent methods to locate the apparent owners of inactive accounts. "A written notice is required to be sent to the apparent owner's last known address informing the apparent owner of the inactive account and for the apparent owner to respond to the notice."								
F.S.	Florida Statutes								
w/o	Without								

Review of Parking and Fleet Services Unclaimed Property from Parking Citations with Credit Balances
Analysis of Parking Services Citation Aging Report as of 10/24/06

Schedule 2

Ref.	Formula	Age:	Current	31 - 90 days	91 days - 1 year	1 - 2 years	2 - 3 years	Over 3 years	Total
		Totals							
		Number	6,500	6,457	19,432	25,063	18,337	120,050	195,839
A	-	Dollar Amount	\$ 174,992.00	\$ 262,187.00	\$ 879,486.00	\$ 1,107,156.27	\$ 800,040.51	\$ 4,574,690.29	\$ 7,798,552.07
		Adjustments							
		Florida							
B	-	On DMV Hold	\$ 915.00	\$ 7,113.00	\$ 82,370.00	\$ 90,611.00	\$ 57,895.00	\$ 411,831.44	\$ 650,735.44
C	-	Amount Collectible*	915.00	7,113.00	82,370.00	58,897.15	-	-	149,295.15
		% Collectible*	100%	100%	100%	65%	0%	0%	
D	-	Without R/O	17,011.00	36,296.00	126,545.00	104,641.00	63,873.00	364,359.51	712,725.51
E	-	Amount Collectible*	12,758.25	27,222.00	37,963.50	31,392.30	-	-	109,336.05
		% Collectible*	75%	75%	30%	30%	0%	0%	
		Out of State							
F	-	Without R/O	9,400.00	15,395.00	82,447.00	125,630.00	117,952.81	742,748.31	1,093,573.12
G	-	Amount Collectible*	7,050.00	11,546.25	24,734.10	37,689.00	-	-	81,019.35
		% Collectible*	75%	75%	30%	30%	0%	0%	
H	(C+E+G)	Collectible Subtotal of Adjustment Amts*	\$ 20,723.25	\$ 45,881.25	\$ 145,067.60	\$ 127,978.45	\$ -	\$ -	\$ 339,650.55
I	(A-B-D-F)	Adjusted Total subject to Estimated % Collectible below	\$ 147,666.00	\$ 203,383.00	\$ 588,124.00	\$ 786,274.27	\$ 560,319.70	\$ 3,055,751.03	\$ 5,341,518.00
J	-	Estimated % Collectible*	75%	75%	75%	50%	15%	0%	
	(I*J)+H	Estimated Collectible Amount	\$ 131,472.75	\$ 198,418.50	\$ 586,160.60	\$ 521,115.59	\$ 84,047.96	\$ -	\$ 1,521,215.39
Legend:									
DMV	Department of Motor Vehicles								
R/O	Registered Owner								
*	Amount/Estimated % collectible per Parking Services Financial Administrator.								
DMV hold	If you have 3 citations against your tag, the State will not renew your registration until the citations are paid.								

SAMPLE DUE DILIGENCE LETTER

January 1, 20XX

Mr. and Mrs. Good Customer
100 Any Street
City, State 23218

Dear Mr. and Mrs. Customer:

It is our policy to review and update our account records periodically. Our records of your (type) account indicate no transactions as of (LAST DATE OF ACTIVITY). State law requires us to report and remit the funds in this account to the state if we have not had customer-generated activity with you for a specified period of time. To prevent us from reporting and remitting your account to the state unclaimed property office, please check the appropriate box, sign in the space provided below, and return this form to us no later than (2 weeks) to (input address).

The above address information is correct for the account and I am aware of the account.

Please change the account holder(s) name and/or address as follows:

I wish to close this account. Please send a check for the close-out amount to the following address:

Signature

Date

Your assistance is appreciated. If we can assist you in any way, please contact our office at (xxx) xxx-xxxx.

Sincerely

NOTE: This is intended only as an example of a due diligence letter. The holder should design the due diligence letter to meet their needs.