

PROPERTY MANAGEMENT

Quarterly

Management

Parking audits are more important than ever

Parking operational audits were once a critical daily task for parking owners and managers of buildings and complexes offering paid parking. Patrons paid for parking with cash, and daily audits were necessary to make sure that all of the money that was supposed to make it to the bank actually got there. Today, with most parking fees collected via credit card and valets issuing tickets via license plate recognition scanners on handheld devices, many owners are under the mistaken impression that audits are no longer necessary. After all, you can't steal if there's no cash to pilfer. Right? Actually, no, parking audits still are essential.

While theft has been significantly reduced in parking facilities with the influx of new payment technology, it hasn't been eliminated. Thieves are more sophisticated than ever and management needs to look deeper to deter and detect problems. There are a number of problems that can only be detected through an audit, including parking management agreement compliance issues, cash deposit discrepancies, inaccurate charges to management statements, exception ticket issues, improper coupon and validation use, liability issues such as Payment Card Industry Data Security Standard compliance, monthly parking access system errors and accounts receivable control. With the complexity of today's parking management systems, audits are more important than ever and those audits must be much more nuanced to find all the potential problems.

• **Changing landscape, but typical challenges.** Back in my early days in parking, operational audits were business as usual, both in the field and in the office. Parking managers checked lots while office clerks scoured through tickets and reports. Revenue control systems were scarce, and the data provided uninformative. Most parking fees were



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collected in cash, and daily reporting was manual. The limits of the technology of the time and creative parking attendants combined to make revenue control a real challenge.

Employee theft often starts accidentally. An attendant may forget to turn in a \$5 bill one day. No one says anything. The next week, that same attendant may be short on cash and might need lunch money, so he holds back some cash. Again, no one notices. Before you know it, he is driving a new Porsche and you (the manager) are still chugging along in your rusted-out '82 Subaru hatchback!

Fast-forward to 2018. Revenue control and audit systems have come a long way since the parking stone age (which really wasn't that long ago). Today, the audit process is more nuanced. Theft is reduced, but not eliminated, and management needs to look deeper to deter and detect problems.

• **Parking management agreement compliance.** Many parking management agreements contain restrictions on chargeable expenses, liability insurance costs per space, allowable percentages for payroll taxes and workers' compensation and expense variances to budget. Audits include a contract-compliance analysis, frequently revealing deficiencies and resulting in amounts being repaid to owners by parking operators.

• **Cash deposit timeliness.** Discrepancies between the dates that revenue is collected and when the funds hit the bank can indicate revenue malfeasance. For example, an attendant may hold back cash that he has collected, using it to make his Porsche payment. He may replace that money with tomorrow's funds,

and so forth. An operational audit compares daily revenue summaries to bank deposit slips to revenue reports produced by the parking and revenue control system equipment. Any differences identified should be explained and promptly corrected.

• **Accuracy of charges to management statement.** Increased automation in parking facilities often results in payroll allocation of individual employees to multiple locations. Audits of payroll registers, compared to electronic time cards and totals included on the management statement, often reveal incorrect allocations. In fact, it's not unheard of to find charges for employees at facilities where they don't work at all.

• **Exception ticket verification.** Fee computers do most of the rate-calculation heavy lifting. But what about manually adjusted rates, lost tickets, voided tickets, etc.? Is the manual adjustment approved by management? The audit process compares the exception tickets to "exception ticket logs" and to daily reports to establish each ticket's legitimacy.

• **Coupon and validation control.** Some parking systems still use physical validation coupons. Are coupons sequentially numbered? Does the parking operator maintain a log of coupons sold so auditors can make sure that coupons aren't missing or sold out of order? These are both potential signs of theft.

• **Liability red flags, such as PCI-DSS compliance.** Property owners and/or parking operators risk significant liability exposure if credit card data security is not compliant to established standards. Does the PARCS vendor provide annual certification of PCI-DSS compliance? Is the (old) PARCS system properly truncating patrons' credit card numbers? A parking audit can reduce owner and operator exposure to these potentially serious risks.

• **Monthly parking access system**

control. Auditors compare the list of "active" monthly credentials on the PARCS equipment to the cards and accounts invoiced by the parking operator. Any discrepancies should be identified and corrected. Are industry-standard control systems, such as "anti-passback," in place for monthly parkers? If not, monthlies may take tickets on the way into the garage, dispose of such tickets and use access credentials to exit. This results in an ongoing pattern of missing "open" tickets, a major control deficiency.

• **Accounts receivable control.** No one wants to hear that the 50-space monthly account that was three months in arrears skipped town without paying. Auditors bring accounts receivable issues to light, allowing management to address moneys due before it becomes bad debt.

These are just a few examples of the types of problems that have become typical in the technology age and which can be addressed through parking audits. Annual operational audits help property owners and parking operators stay on top of their game by employing a three-pronged approach: a year-to-year facility performance overview, single-month management statement analysis, and deep-dive audit of tickets and reports for a seven-day week. Audit results are documented in a comprehensive written report that serves as a guidebook to help eliminate avoidable revenue losses and expense overruns.

For parking owners and owners or managers of buildings and complexes that charge for parking, regular parking operations audits are absolutely essential. Rather than eliminating the need for audits, the advent of parking technology and electronic payment has made regular audits even more important by creating a more complex parking management environment. ▲