May 27, 2014

Dr. Daniel,

We have completed an audit of Parking and Transportation Services (PTO) as part of our fiscal year 2014 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing. The objective of the audit was to review rate setting, capital construction planning, and financial operations within PTO.

Overall, controls over parking operations should be strengthened by effectively managing citation balances and enhancing financial and information technology processes within the department. Implementation of the recommendations will help ensure that rates are adequately set to ensure capital construction costs are properly planned and financial operations are effective. The attached report details recommendations that will enhance compliance and internal controls.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens
Executive Director of Audit and Compliance

UT Dallas Responsible Parties:
Dr. Calvin Jamison, Vice President for Administration
Mr. Robert Fishbein, Assistant Vice President for Auxiliary Services
Mr. Cris Aquino, Director of Parking Services

Members of the UT Dallas Audit and Compliance Committee:
Dr. Hobson Wildenthal, Executive Vice President and Provost
Mr. Terry Pankratz, Vice President for Budget and Finance
Dr. Calvin Jamison, Vice President for Administration
Dr. Andrew Blanchard, Vice President for Information Resources and Chief Information Officer
Dr. Bruce Gnade, Vice President for Research
Dr. Darrelene Rachavong, Vice President for Student Affairs
Mr. Timothy Shaw, University Attorney
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The University of Texas System:
Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs
Alan Marks, Attorney
Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE, Chief Audit Executive
Ms. Moshmee Kalamkar, CPA, CIA, Audit Manager

State of Texas Agencies:
Legislative Budget Board
Governor’s Office
State Auditor’s Office
Sunset Advisory Commission
Executive Summary

Parking and Transportation Services, Report No. 1413

Audit Objective and Scope: To conduct a review of rate setting, capital construction, and financial operations within Parking and Transportation Services.

Audit Results:
The audit resulted in no priority recommendations considered significant to University operations. However, we offer the following recommendations to strengthen controls by effectively managing citation balances, and enhancing financial and information technology processes within the department:

<table>
<thead>
<tr>
<th>Recommendations</th>
<th>Estimated Implementation Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Effectively Manage Unpaid Citation Balances</td>
<td>November 30, 2014</td>
</tr>
<tr>
<td>(2) Enhance Financial Management</td>
<td>August 31, 2014</td>
</tr>
<tr>
<td>(3) Improve Hold Process</td>
<td>October 31, 2013</td>
</tr>
<tr>
<td>(4) Strengthen Information Technology Controls</td>
<td>Implemented</td>
</tr>
<tr>
<td>(5) Adjust Billing Process</td>
<td>Implemented</td>
</tr>
<tr>
<td>(6) Enhance Reconciliation Process</td>
<td>August 31, 2014</td>
</tr>
</tbody>
</table>

Conclusion: Overall, controls over parking operations should be strengthened by effectively managing citation balances and enhancing financial and information technology processes within the department. Implementation of the recommendations will help ensure that rates are adequately set to ensure capital construction costs are properly planned and financial operations are effective.

Responsible Vice President: Calvin Jamison, Vice President for Administration

Responsible Party: Robert Fishbein, AVP Auxiliary Services
Cris Aquino, Director Parking Services

Staff Assigned to Audit: Ali Subhani, CIA, CISA, GSNA IT Audit Manager
Colby Taylor, IT Auditor
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   (3) Improve Hold Process .................................................................................................................. 11
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Background

The Parking and Transportation Office (PTO), within the Office of the Vice President for Administration, is responsible for overseeing the sale of permits and carrying out enforcement activities in parking structures across campus. Parking operations are supported by the following two information technology (IT) applications:

- T2-Flex - used for tracking permit sales and issuing citations.
- Enterprise Management System - used for tracking revenues that are generated from electronic parking meters and departmental coupon codes.

The Parking & Transportation Director, who reports to the Vice President for Administration, leads the department. At the beginning of the fiscal year the department was comprised of 6 full-time employees and 57 student workers (ticket writers, comet cab drivers, and cashiers). The department has an operating budget of $4,300,000 million ($3,200,000 for parking and $1,100,000 for transportation).

ORGANIZATIONAL CHART

 Audit Objective

The objective of this audit was to perform a review of rate setting, capital construction, and financial operations within Parking and Transportation Services.

Scope and Methodology

The scope of this audit was Fiscal Year 2013 to date, and our fieldwork concluded on February 18, 2014. The Transportation division of the department was not in scope for this audit. To satisfy our objectives, we performed the following:
- Interviewed personnel to gain an understanding of parking processes.
- Obtained an understanding of applications used to track permit sales, and coupon codes.
- Obtained an overview of the electronic parking meters.
- Performed analytical procedures to quantify unpaid citation balances.
- Reviewed enforcement adequacy.
- Gained an understanding of the reconciliation process.
- Reviewed the consistency with which student holds were being applied.
- Reviewed general Information Technology controls within parking applications.
- Evaluated the established parking rates and determined if they were optimal to fund anticipated costs of the new parking facilities.
- Evaluated the department's billing processes to ensure revenue was being collected in a timely manner from other departments.

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.

**Audit Results and Management’s Responses**

Overall, we found that controls can be strengthened. Our audit work indicated that the following controls currently exist:

- Adequate physical controls exist over permits and parking citation handheld devices
- An effective monitoring program exists to ensure compliance with the American Disability Act (ADA) requirements specific to parking.
- The appeals process is timely and equitable as evidenced by the following chart:

```
<table>
<thead>
<tr>
<th>Year</th>
<th>0-14 Days</th>
<th>15-29 Days</th>
<th>30-89 Days</th>
<th>&gt;90 Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year 2013</td>
<td>97.23%</td>
<td>75.56%</td>
<td>79.12%</td>
<td>67.27%</td>
</tr>
<tr>
<td>Year 2012</td>
<td>75.56%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 2011</td>
<td>79.12%</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Year 2010</td>
<td>67.27%</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
```

Number of Days Appeals Were Processed
• Implementation of the Luke Parking System has enhanced controls over revenue that is collected from the parking meters as all revenue is collected electronically.

The department must effectively manage a variety of risks in order for it to achieve its mission. The following illustration indicates risks audit activities were focused on.
PARKING SPACE DISTRIBUTION

DEPARTMENTAL EXPENDITURES

Fiscal Year 2014

Transfer to Police Department Debt Service Personnel Costs
Parking M&O New Projects Parking Maintenance

REVENUE GENERATED BY FISCAL YEAR

PERMIT PRICE INCREASES
Audit Recommendations

A priority recommendation is defined as one that may be material to operations, financial reporting, or legal compliance. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonable low level. We have no priority recommendations resulting from this audit; however, the following recommendations will help strengthen parking operations by effectively managing citation balances and enhancing financial and information technology processes within the department. Minor instances of enhancement were discussed verbally with management.

(1) **Effectively Manage Unpaid Citation Balances**

During the audit we identified the following unpaid citation balances within the Parking application since Fiscal Year 2005:

<table>
<thead>
<tr>
<th></th>
<th>Citations Individuals Affiliated with the University</th>
<th>Citations for Individuals Not Affiliated with the University</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Citations Issued</td>
<td>137,561</td>
<td>88,350</td>
</tr>
<tr>
<td>Number of Citations Paid</td>
<td>128,390</td>
<td>43,175</td>
</tr>
<tr>
<td>Number of Citations Unpaid</td>
<td>9171</td>
<td>45,175</td>
</tr>
<tr>
<td>Total Citation Unpaid</td>
<td>$542,905</td>
<td>$2,633,905</td>
</tr>
</tbody>
</table>

Further discussions revealed that the PTO currently does not have a process to boot vehicles for repeat offenders. Additionally, the license plates for repeat offenders are run against the Department of Motor Vehicle's database to identify the registered owner only if citation balances have accumulated to greater than $4,000 due to the cost associated with performing the search. As a result, unpaid citation balances for individuals not affiliated with the university have steadily increased as demonstrated by the following chart:
Lastly, unpaid citation balances for individuals not affiliated with the university that totaled $1,972,805 (since Fiscal Year 2011) are currently not being recorded as accounts receivables on the university’s official financial records. This is mainly due to the fact that a process to record receivable balances for individuals without a student id was never documented. Without documented procedures on identifying and managing parking fines receivables, UT Dallas may not be reporting financial information accurately and on a consistent basis.

**Recommendation:** Consideration should be given to starting a booting program so that repeat offenders are not allowed to accumulate their balances. Additionally, a process should be developed and documented to record all unpaid citations on the university’s official accounting records with an appropriate allowance for doubtful accounts in consultation with the UT System Controller’s Office and other UT System institutions to ensure consistency. Lastly, vehicles for unaffiliated individuals should be run against the Department for Motor Vehicles database in a timely manner to identify the owner of the vehicle.

**Management’s Response:**
*Response from Office of Administration*
Management concurs with the recommendation. We have obtained approval from the Parking and Transportation committee to start a booting program for major violators. We need time to develop booting program policy and procedures and conduct communication campaign to inform the campus. We currently run unaffiliated vehicles with high unpaid citation balance through DMV. We will enhance our process to continue to do so. The decision to record unaffiliated citation balances on the university’s accounting records will be made by the Office of Finance.
Response from Office of Finance
Parking service does not currently have a process in place which leads to reasonable assurances that the collections will be made. Generally accepted accounting principles (GAAP) clearly indicate that revenues are only recognized after the earnings process is virtually complete and collection from the customer is reasonably assured. When parking services establishes a process that provides these assurances, as recommended by internal audit, we will begin recognizing the receivables along with an estimated allowance for doubtful accounts.

Estimated Date of Implementation: November 30, 2014

Person Responsible for Implementation: Cris Aquino for implementing booting program. Office of Finance is responsible for the part related to accounting system.

(2) Enhance Financial Management

Due to the exponential growth in enrollment, the PTO has had to make large capital investments in constructing parking garages. One garage has already been built, while two additional garages are planned on being constructed within a two year period. Annual debt service for each parking lot ranges between $532,625 and $758,000 depending on the structure. As a result in the upcoming fiscal year, the department will run a deficit even when accounting for an increase in permit sales due to anticipated enrollment growth and a 7% increase in permit rates. The PTO is an auxiliary enterprise, which is defined as, “a business activity that is conducted at a state agency, provides a service to the agency, and is not paid for with appropriated money” according to Section 2252.061 of the Texas Government Code.

Additionally, the budget for maintaining parking lot structures, currently set at $150,000, appears to be inadequate to maintain parking related structures in the long run. There are a total of 11,520 parking spaces on campus; therefore, $13 has been devoted for maintaining each space. According to a 2008 study by Walker Parking Consultants, the median annual cost for performing routine maintenance for parking structures nationally was $35. Without an adequate maintenance budget the department risks being unable to perform the required maintenance on parking structures in the long run.

Recommendation: Management should ensure that the revenues that are being generated by the department are in line with the expenditures that are incurred. Additionally the budget for parking lot maintenance should be increased. Lastly, a process should be put in place to ensure that the maintenance required is carried out on a regular basis.

1. http://codes.lp.findlaw.com/txstatutes/GV/10/F/2252/C/2252.061#sthash.9iZyLLWf.dpuf
Management’s Response:  
Management agrees with recommendation. We are in the process of reviewing revenues and expenses for all Parking and Transportation cost centers to ensure availability of sufficient funding to pay for garage debt services and related maintenance.

Estimated Date of Implementation: August 31, 2014

Person Responsible for Implementation: Cris, Aquino, Robert Fishbein, and Calvin Jamison

(3) Improve Hold Process

In order to help with citation collection efforts, the PTO has a procedure to place holds on student accounts that have been issued a citation. The PTO relies on the Bursar’s office to place the hold on student accounts. The Bursar’s office relies on a PeopleSoft query to identify these. During the audit we noted:

- 1,396 individuals that had a total of $115,910 in unpaid citations without any parking holds.
- 263 individuals who did not have citations but had current holds on their accounts.

Without a consistent hold process, the University risks not fully collecting the citations that are outstanding before the student graduates.

Recommendation: The hold process should be enhanced so that holds are consistently placed in a timely manner on student accounts. Additionally, to enhance customer service holds should be removed in a timely manner once the citation has been paid.

Management’s Response:  
Parking is going to work with Bursar office to resolve the issue of unpaid citation holds not being placed to student accounts.

Estimated Date of Implementation: October 31, 2014

Person Responsible for Implementation: Cris, Aquino
(4) **Strengthen Information Technology Controls**

Adequate authentication controls are vital for safeguarding and maintaining the integrity and availability of the institution’s key information technology infrastructure. According to TAC 202.75 d), “Information resources systems which use passwords shall be based on industry best practices on password usage and documented institution of higher education risk management decisions.” Additionally, according to UTD Information Security Manual, “Passwords for accounts associated with Category I, II & III data types (see Data Classification Standards): Must:

- Be at least 8 characters in length.
- Contain at least 3 of the following within the first 8 characters: upper case letters, lower case letters, numbers, and special characters (e.g. ! @ # $ % & * ( ) - + = < >)
- Be changed semi-annually.”

Information technology controls within parking affiliated systems are currently not in line with information technology best practices as follows:

- The My Parking web portal is not locking out users after repeated unsuccessful login attempts.
- The T2 Flex Administrative application did not promote strong password controls as the password configuration currently in use was not in line with the UTD Information Security Manual.
- An adequate naming convention for user accounts was currently not in place for the T2 Flex Administrative application.
- Duplicate user accounts were noted for individuals within the T2 Flex Administrative application.
- Role creation functionality was not being utilized when security privileges were being assigned to users within the T2 Flex Administrative application.

The likelihood of system compromise or disclosure of confidential data is greatly increased if application controls are not in line with best practices or the application does not automatically lock user accounts after repeated unsuccessful attempts as this leaves the institution vulnerable to a brute force attack.

**Recommendation:** Management should ensure that application controls in critical parking related applications are in line with best practices and requirements of the UTD Information Security Operations Manual. In addition personnel should be appropriately trained to not allow creation of duplicate system accounts. Lastly, all duplicate accounts should be deactivated.
Management’s Response:
Management agrees with recommendation. Application controls were implemented before the completion of the audit.

Estimated Date of Implementation: Completed

Person Responsible for Implementation: Cris Aquino

(5) Adjust Billing Process

The PTO has implemented an electronic coupon system to bill departments for revenue that is generated from parking during special events that are hosted on campus. The PTO is currently sending individual emails to bill departments for the use of coupon codes. The departments in turn are required to initiate journal entries that transfer the appropriate revenue back to the Parking department.

The PTO did not consistently receive the revenue that it was due in a timely manner based on the testing performed during the audit. It was noted that a total of $474 out of $2,689 revenue that was in the audit sample was not collected by the PTO within 30 days of billing the respective department. Best practices suggest timely revenue transfers to occur consistently. Without an efficient billing process the department risks expending limited human resources to ensure all anticipated revenue is actually received.

Recommendation: In consultation with the Office of Finance, the PTO should consider initiating one journal entry on a monthly basis to bill all the departments that have utilized coupon codes.

Management’s Response:
Management agrees with recommendation. Journal entry system was implemented before the audit was completed.

Estimated Implementation Date: Implemented

Responsible Person: Cris Aquino

(6) Enhance Reconciliation Process

The PTO relies on multiple applications to perform departmental operations. As a result, there is a need to reconcile different applications to ensure that the revenue that has been collected in one application has been accurately and completely recorded in the official university account records.

During the audit we noted immaterial differences between T2 Flex, Global Pay and
PeopleSoft Financials. Additionally, no documentation was being maintained to provide evidence for the quality and timeliness of reconciliations that were occurring between the different applications. According to UTD reconciliation policies, "Supporting documentation for transactions recorded to the cost center and used for reconciliation purposes should be retained." Without an adequate reconciliation process, the risk that differences between applications will not be identified and addressed is increased.

**Recommendation:** Reconciliations between the different parking applications should be enhanced.

**Management’s Response:** Management concurs with recommendation. Management will review reconciliation process to enhance practice.

**Estimated Implementation Date:** August 31, 2014

**Responsible Person:** Cris Aquino

**Conclusion**

Overall, controls over parking operations should be strengthened by effectively managing citation balances and enhancing financial and information technology processes within the department. Implementation of the recommendations will help ensure that rates are adequately set to ensure capital construction costs are properly planned and financial operations are effective.

We appreciate the courtesy and cooperation received from the management and staff of the PTO during this audit.

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