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Impound Lot Review

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Date: November 16, 2011

To: Steve Kotke, Director of Public Works

Re: Impound Lot Review

The Internal Audit Department (IA) conducted a review of the Impound Lot. This review was included in the 2011 Internal Audit Plan and was performed jointly with the City of Minneapolis Security Unit (Security).

Background

The operation of the Impound Lot is managed out of the Parking Fund, an enterprise fund of Public Works Traffic and Parking Services Division. In 2010 the Impound Lot had expended approximately \$5.2 million for operations and recognized approximately \$6.4 million in revenue. In 2010 there were approximately 35,000 vehicles towed to the Impound Lot. Vehicles are towed to the Impound Lot for many reasons, including:

- Illegal parking or blocking traffic;
- Police orders (e.g. accident, stolen, or involved in a crime);
- Violating snow emergency rules;
- Blocking street sweeping, seal coating, or street maintenance;
- Abandoned; and
- Poses a danger to public safety.

If a vehicle is not claimed within 15 days after notice is sent by certified mail to the registered owner, per Minnesota Statute 168B.051 (<https://www.revisor.mn.gov/statutes/?id=168B.051>), it may be sold at auction. Depending on the condition of the vehicle, it may be sold at a public or junk auction. In 2010 there were approximately 700 impounded vehicles sold at public auctions and approximately 3,000 impounded vehicles sold at junk auctions.

Objectives

The review was performed to assess whether controls are adequate to ensure:

- Revenue is accurately & completely collected, balanced and deposited completely and timely and recorded in accounting books;
- Contracts are managed effectively and the terms and conditions are adhered to;
- Policies and procedures are current and adequate to control current operating practices; and
- Physical security is effective and controls are designed appropriately.

Scope

This review included gaining an understanding of internal controls, including current policies and procedures, through observation, inquiry, and limited testing surrounding the processes listed above. We performed, on a sample basis, testing of processes and transactions within the period January 1, 2010 through August 31, 2011. We also obtained a status update on previous internal audit reports' recommendations.

Summary of Findings and Management Action Plans

1. Security Incident Report

Impound Lot currently contracts with ABM security and the security personnel document most incidents and maintain a log. In some cases, the reports do not contain enough detail. It appears that security personnel do not always complete reports for some incidents in which the Minneapolis Police respond to. IA recommends Impound Lot management direct security personnel to complete incident reports for all security activity occurring on site regardless of police reporting.

Management Action Plan

Impound Lot management has directed security personnel to complete incident reports for all security activity occurring onsite.

2. Security Measures

Security and IA noted opportunities exist to enhance physical security measures at the Impound Lot. To protect city resources and comply with the Minnesota Data Practices Act regarding security data, IA is not disclosing these specific vulnerabilities. Security and IA have discussed with Impound Lot management the details of the suggested enhancements and management has developed action plans that would allow for the security enhancements.

Management Action Plan

Impound Lot Management will address the recommended enhancements.

3. Tracking and Monitoring Customer Complaints

A formal process to include tracking and monitoring customer complaints has not been performed at the Impound Lot. IA would like to acknowledge that Impound Lot management has taken the initiative to formally track and monitor customer complaints during this review. Furthermore, there are no internal written procedures to describe the process for handling customer complaints. IA recommends Impound Lot management continue to receive, track and monitor customer complaints to identify and address trends and patterns that arise. Also, IA recommends Impound Lot management develop and disseminate to all appropriate personnel written procedures to describe the process for handling customer complaints at the Impound Lot.

Management Action Plan

Impound Lot management will continue to receive, track and monitor customer complaints and will develop written procedures for contract monitoring.

4. Online Payment Capability

Currently there is no option for individuals that have had their vehicle towed to make an online payment prior to arriving at the Impound Lot to pick up their vehicle. Over the past nine months, Impound Lot management has been working on developing an online payment utility. Automation and payment on-line for impound and tow related fees would improve customer satisfaction, increase efficiency and enhance controls. IA recommends Impound Lot management continue taking the necessary steps towards offering customers the option to pay impound and tow related fees on-line.

Management Action Plan

Impound Lot management will continue working towards developing the online payment option.

5. Contract expiration and timely renewals

A unique contract designed for towing heavy duty vehicles was not renewed or sent out for bid in a timely fashion resulting in no contract or purchase agreement in place between 3/31/2011 and 10/1/2011. IA recommends Impound Lot management establish a system or process to alert the contract manager of the expiration of all contracts early enough to prepare for contract renewals, extensions, or the RFP process, prior to the expiration of the existing contract.

Management Action Plan

Impound Lot management has taken the necessary steps to develop a process to alert the contract manager of the expiration of all contracts to ensure timely renewal.

6. Written Procedures – Contract Monitoring

There are no written contract monitoring procedures in place at the Impound Lot. Lack of written procedures relating to contract monitoring increases the risk that certain performance criteria may be overlooked which could potentially have a negative financial impact on the City. IA recommends Impound Lot management develop written contract monitoring procedures to ensure proper and consistent monitoring and evaluating of contractor's performance to expectations stated in the contract.

Management Action Plan

Impound Lot management will develop written procedures for contract monitoring.

7. Tow Sheets

All tow sheets reviewed during this review contained incomplete information. IA acknowledges that Impound Lot management took immediate action to correct this. IA recommends Impound Lot management direct towing contractors to properly complete tow sheets and direct security personnel at the gate to verify all tow sheets are adequately completed.

Management Action Plan

Impound Lot management has directed towing contractors to properly complete tow sheets and has directed security personnel at the entrance gate to verify tow sheet completion.

8. Recording to City's Accounting Books

One of the eleven Impound Lot daily deposits was not made to the appropriate account numbers which resulted in three accounts receiving incorrect deposit amounts. These minor errors were undetectable as Impound Lot personnel do not have read-only access to COMPASS. IA recommends Impound Lot management submit a request for read only access to COMPASS for specific personnel responsible for ensuring accounting entry accuracy.

Management Action Plan

Impound Lot management is in the process of obtaining read-only access to COMPASS.

Conclusion

Based on our review, we believe there are opportunities for improvements that address risk areas identified in this report. The Public Works Department worked collaboratively with Internal Audit to develop action plans that effectively address these risk exposures.

IA would like to extend our appreciation to Public Works and Finance personnel who assisted and cooperated with us during the review.

cc: Kevin Carpenter, Finance Department
Don Pedlar, Impound Lot Supervisor, Traffic and Parking Services
Atif Saeed, Parking Systems Manager
Jon Wertjes, Director of Traffic and Parking Services

Impound Lot Review

Audit Findings and Management Action Plans

1. Security Incident Report

Impound Lot currently contracts with ABM security and the security personnel document most incidents and maintain a log. In some cases, the reports do not contain enough detail. It appears that security personnel do not always complete reports for some incidents in which the Minneapolis Police respond to, such as disorderly conduct for example. In most cases the police will complete a report; however these reports are not necessarily tracked by the Impound Lot. This does not provide a true picture of the amount and type of incident activity occurring on a regular basis.

Recommendation

We recommend Impound Lot management direct security personnel to complete incident reports for all security activity occurring on site regardless of police reporting. Incident report data should be measured on a quarterly basis and made available to Impound Lot management and staff in an effort to help reduce and mitigate future occurrences. Impound Lot management should direct security personnel to consider requiring additional report writing as part of their training program, or a report template should be developed and put in place with adequate training provided on how to fill in these reports.

Management Action Plan

Impound Lot management has directed security personnel to complete incident reports for all security activity occurring onsite. Moreover, the security contractor has been instructed to provide staff the necessary training to ensure that all reports are adequately completed. Impound Lot management, along with the security staff will analyze the data on quarterly bases to help reduce and mitigate future occurrences.

Responsible Party

Don Pedlar, Supervisor Impound & Towing

Expected Completion Date

Completed

2. Security Measures

Security and IA noted opportunities exist to enhance physical security measures at the Impound Lot. To protect city resources and comply with the Minnesota Data Practices Act regarding security data, IA is not disclosing these specific vulnerabilities. Security and IA have discussed with Impound Lot management the details of the suggested enhancements and management has developed action plans that would allow for the security enhancements.

Management Action Plan

Impound Lot Management will address the recommended enhancements.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

September 30, 2012

3. Tracking and Monitoring Customer Complaints

A formal process to include tracking and monitoring customer complaints has not been performed at the Impound Lot. Customer service and customer interaction is a large part of their business and Impound Lot management would benefit by continuously receiving, tracking and monitoring customer complaints; this would allow Impound Lot management to more readily identify trends and patterns that can be addressed for a better customer experience. IA would like to acknowledge that Impound Lot management has taken the initiative to formally track and monitor customer complaints during this review.

Additionally, there are no internal written procedures to describe the process for handling of customer complaints. Establishing and maintaining clear, detailed written procedures is a key internal control that prevents mistakes, saves time, ensures consistency and improves quality.

Recommendation

IA recommends Impound Lot management continue to receive, track and monitor customer complaints to identify and address trends and patterns that arise. Additionally, IA recommends Impound Lot management develop and disseminate to all appropriate personnel written procedures to describe the process for handling customer complaints at the Impound Lot.

Management Action Plan

Impound Lot management will continue to receive, track and monitor customer complaints as recommended by IA and will develop written procedures for monitoring customer complaints.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

Completed for tracking process

March 31, 2012 for written procedures

4. Online Payment Capability

Currently there is no option for individuals that have had their vehicle towed to make an online payment prior to arriving at the Impound Lot to pick up their vehicle. Over the past nine months, Impound Lot management has been working on developing an online payment utility.

Additionally, the staff and management have been working on redesigning internal processes to accommodate this change. This is being done in an effort to expedite the amount of time customers stand in line waiting for paperwork to be processed. Internal Audit strongly endorses incorporating online payment functionality. Automation and payment on-line for impound and tow related fees would improve customer satisfaction, increase efficiency and enhance controls.

IA recognizes that automation is costly and the City's budget is stretched thin; nevertheless, automation is designed to strengthen controls, reduce the need for direct human interaction with cash processing, increase efficiency and reduce cost in the long run.

Recommendation

IA recommends Impound Lot management continue taking the necessary steps towards offering customers the option to pay impound and tow related fees on-line.

Management Action Plan

Impound Lot management will continue working towards developing the online payment option.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

September 30, 2012

5. Contract Expiration and Timely Renewals

One of the six Impound Lot towing contracts expired on 3/31/2009 and was extended through 3/31/2011 via a purchase agreement. This was a unique contract especially designed for towing heavy duty vehicles. Once discovered, immediate action by Impound Lot management was taken by sending the contract out for bid, resulting in a new contract issued 10/4/2011; however, there was no contract or purchase agreement in place between 3/31/2011 and 10/1/2011. All contracts should be renewed or sent out for bid in a timely fashion. Valid contracts should be in place at all times.

Unless contracts are proactively monitored, there is a high likelihood that some contracts will not be extended appropriately and/or negotiated timely through competitive bidding and/or the RFP process.

Recommendation

IA recommends Impound Lot management establish a system or process to alert the contract manager of the expiration of all contracts early enough to prepare for contract renewals, extensions, or the RFP process, prior to the expiration of the existing contract.

Management Action Plan

Impound Lot management has developed a comprehensive list of all existing contracts identifying renewal dates for each individual contract. Additionally, alerts have been set up in Outlook, for multiple managers, to initiate renewal of each individual contract in a timely manner.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

Completed

6. Written Procedures – Contract Monitoring

There are no written contract monitoring procedures in place at the Impound Lot. To increase the effectiveness of contract monitoring, written contract monitoring procedures should be developed. Detailed written procedures will ensure step-by-step procedures are used consistently by the contract manager to monitor contractor performance.

Lack of written procedures relating to contract monitoring increases the risk that certain performance criteria might be overlooked which could potentially have a negative financial impact on the City. Information contained on the City's intranet, CityTalk, specifically the Procurement Division, includes a *Contract Monitoring Program* with related tools and information to assist in developing procedures to adequately monitor Contractors' performance.

Recommendation

IA recommends Impound Lot management develop written contract monitoring procedures to ensure proper and consistent monitoring and evaluating of contractor’s performance to the expectations stated in the contract.

Management Action Plan

Impound Lot management will develop written procedures for contract monitoring.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

March 31, 2012

7. Tow Sheets

City of Minneapolis Vehicle Impound Report sheets, commonly referred to as “tow sheets”, are completed by the tow driver at the time of the tow. The tow sheets include both identification and descriptive information about the vehicle, information about the tow company, date and time of tow, the tow driver, as well as the type and method of the tow. Missing information on the tow sheets can potentially increase liability to the City if claims were to be filed as a result of towing.

Tow sheets reviewed during our review were incomplete. IA acknowledges that Impound Lot management took immediate action by informing the towing companies to have the tow drivers fully complete the sheets.

Recommendation

IA recommends Impound Lot management direct towing contractors to properly complete the tow sheets and direct security personnel at the gate to verify all tow sheets are adequately completed and contain no missing information before the Impound Lot takes possession of a vehicle.

Management Action Plan

Impound Lot management has directed towing contractors to properly complete the tow sheets and directed security personal at the entrance gate to verify all tow sheets are adequately completed.

Responsible Party

Don Pedlar, Supervisor Impound & Towing

Expected Completion Date

Completed

8. Recording to City’s Accounting Books

IA tested several Impound Lot payments through deposit to ensure these amounts were appropriately recorded in the City’s accounting books and deposited to the City’s bank account. One of 11 daily deposits tested was not made to the appropriate account numbers, which resulted in three accounts receiving incorrect deposit amounts. Impound Lot personnel were not able to detect the minor error, as they do not have read-only access to COMPASS to verify the entries have been recorded correctly.

Recommendation

IA recommends Impound Lot management submit a request for *read-only* access to COMPASS for those specific Impound Lot personnel responsible for ensuring accounting entries are recorded correctly.

Management Action Plan

Impound Lot management is in the process of obtaining read-only access to COMPASS to ensure that all deposits and expenses are being correctly recorded.

Responsible Party

Atif Saeed, Parking Systems Manager

Expected Completion Date

December 31, 2011

Abbreviations Used Throughout the Report	
City	The City of Minneapolis
COMPASS	City's financial accounting system
IA	Internal Audit Department