R-18

OFFICE OF THE CITY AUDITOR
Long Beach, California

LAURA L. DOUD, CPA
City Auditor

April 3, 2012

HONORABLE MAYOR AND CITY COUNCIL
City of Long Beach
California

RECOMMENDATION:

Receive and file the attached Parking Citations Collection Process Audit Report, and request Management to review the recommendations, develop strategies for implementation, and update the City Auditor as to the status of the recommendations within six months from the date of receipt and filing of this report.

DISCUSSION:

The Office of the City Auditor (OCA) completed a review of the efficiency and effectiveness of the City's parking citations collection process and the reliability of its parking citation system.

When Parking Citations transferred to Commercial Services Bureau within Financial Management in October 2010, new management immediately recognized that significant system issues and limitations exist, which affects their ability to manage and collect outstanding citations. We commend Commercial Services management for their efforts as they attempt to implement incremental solutions. However, incremental improvements will never enable the City to adequately manage and perform all necessary collection efforts on parking citations. Management is considerably hampered by an antiquated software system, and as a result, the City currently has approximately $17.6 million in outstanding citations that are three years old or less.

While we understand City resources are limited at this time, it is important the City begins planning to provide Commercial Services with a new software system that possesses adequate functionality and reporting capabilities. Deferral of this issue will continue to result in lost revenue, which could be used to restore recently reduced General Fund services. We are requesting the City Council to provide the necessary resources to obtain new or upgraded software to safeguard annual revenue of $13 million with the potential for collecting much more.

Detailed information regarding the results discussed above is included in the attached report. We want to thank management for their cooperation and appreciate their efforts and initiative to make improvements within parking citation operations.

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TIMING CONSIDERATIONS:

City Council approval is requested on April 3, 2012.

FISCAL IMPACT:

In FY11, Parking Citations collected over $13 million after processing approximately 345,000 citations. As of February 2012, unpaid citations three years old or less totaled approximately $17.6 million. Management's efforts to address the recommendations outlined in the report will assist in securing these additional potential revenues.

SUGGESTED ACTION:

Approve recommendation.

Respectfully submitted,

LAURA L. DOUD, CPA
CITY AUDITOR

Attachment

City of Long Beach
Office of the City Auditor

Parking Citations
Collection Process Audit

March 2012

Laura L. Doud, CPA
City Auditor

Audit Report

Parking Citations Collection Process

March 2012

Audit Staff

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Executive Summary

The Office of the City Auditor (OCA) completed an audit of the City's parking citations process. The objectives of the audit were to assess the efficiency and effectiveness of parking citation collection efforts and to determine the reliability of the parking citation system. Approximately 345,000 citations are processed per year, generating over $13 million in FY 2011.

Over the past several years, Parking Citations has operated under several different managers within Financial Management. In October 2010, the section was transferred to the Commercial Services Bureau. New management immediately recognized that significant system issues and limitations hampered their ability to manage and collect outstanding citations. They began working with Technology Services to improve the data records and processes involving DMV and have made progress in cleansing the database. We commend Commercial Services management for their efforts as they attempt to implement incremental solutions. However, we believe that the problems with the software are so severe that incremental improvements will never result in the City being able to adequately manage parking citations.

Like most City departments, Commercial Services is working with minimal staffing levels. Unfortunately, staff time is consumed with manual processes, research and reconciliations surrounding parking citations billing and collection because the existing system is antiquated and does not provide basic functionality or reporting to adequately manage the database. This results in limited collection efforts. As of February 2012, unpaid citations three years old or less totaled approximately $17.6 million.

The City is one of only two agencies using this outdated version of the software system. At some point, the vendor will likely discontinue support. We understand that City resources are limited at this time; however, it is imperative the City begins planning now to upgrade the software or procure a new system. Deferral of the problem will continue to result in lost revenue. In addition, the implementation of new or upgraded software is time-intensive. If the City waits until the vendor eliminates support, options for managing citations will likely be much more limited, expensive, and will not meet all operational requirements.

New software will afford Commercial Services a variety of opportunities to increase revenue collection through more reliable data, increased functionality and enhanced reporting. We are requesting the City Council to provide the necessary resources to obtain new or upgraded software to safeguard annual revenue of $13 million with the potential for collecting much more.

We want to thank management for their cooperation and appreciate their efforts and initiative to make improvements in the parking citation operations.

Background

The Financial Management Department, Commercial Services Bureau administers the City's Parking Citations processing and collections program. Parking Citations handles data entry of manual citations, mailing of citation notices, customer service functions, review and processing of parking citations appeals and oversight of the contract with the collection agency.

Parking Citations currently operates with a total of eight full-time and one part-time staff: one Supervisor, one Lead, and six full-time and one part-time Customer Services Representatives. Exhibit 1 shows Parking Citations positions, expenditures and revenues collected for fiscal years 2009 through 2011.

Exhibit 1: Parking Citations Program Statistics

Fiscal Year	Positions	Expenditures	Revenues
FY 2009	9.53	$1.44 million	$15.73 million
FY 2010	9.53	$1.24 million	$13.72 million
FY 2011	8.53	$1.03 million	$13.07 million

The Business Relations Bureau was responsible for the City's Parking Citations program until October 2010 when it was turned over to the Commercial Services Bureau (Bureau). In addition to the City's Parking Citations program, the Bureau also oversees the citywide billing and collections and utility billing services.

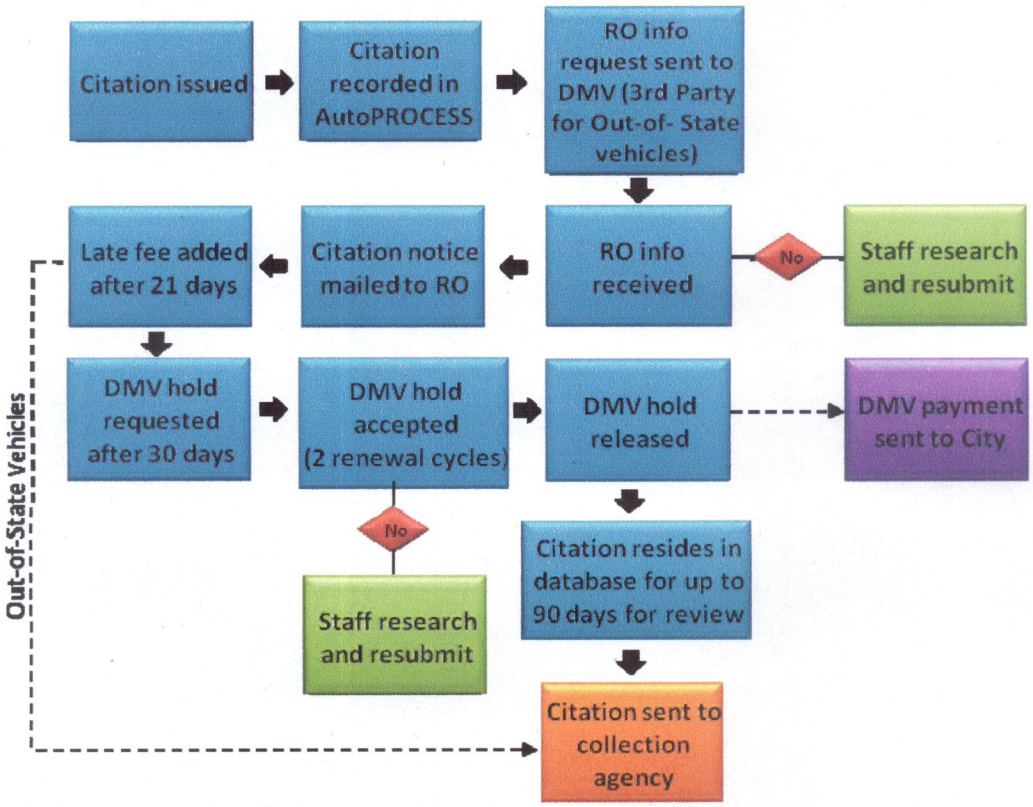
Annually, Parking Citations processes approximately 345,000 citations, collecting just over $13 million in FY 2011. Citation fee examples include $49 for an expired meter and $340 for parking illegally in a disabled parking space. Parking Enforcement is provided by various City departments including Public Works, Police, Development Services and Parks, Recreation and Marine. Additionally, the Bureau has in-sourced parking citations processing for Long Beach City College.

Citation Issuance and Collection

Parking Citations uses Duncan Solutions proprietary AutoPROCESS software system, acquired in fiscal year 2000, to manage and track the parking citations and their respective notices to pay, payments, and appeals. City parking enforcement officers use both handheld electronic devices (AutoCITE) and manual ticket books to generate parking citations with electronic citations representing 95% of activity. Citations issued via AutoCITE are docked and uploaded into AutoPROCESS at the end of each day. Handwritten citations are mailed or delivered to Parking Citations for processing.

The City's citation collection process is illustrated in Exhibit 2 below. A mailed notice is sent to the vehicle's registered owner (RO) approximately 7 to 21 days after the citation information is uploaded or manually input into AutoPROCESS. A citation becomes delinquent 21 days after the citation mailed date and a penalty is added. If the violator does not pay the citation, a hold is electronically placed at the DMV 30 days later. The DMV is able to suspend the violator's vehicle registration for up to two registration cycles until outstanding citations are paid. Each month the City receives a check for citation payments (less processing fees) made at the DMV. Checks are deposited at Central Cashiering, posted into the City's financial system and the revenue is then allocated to the various issuing agencies. Citations with balances that are not collected through the DMV are referred to the City's collection agency.

Exhibit 2: Parking Citations Collection Flow Chart



The City contracts with ACS State and Local Solutions, Inc. (ACS) to perform collection services on delinquent parking citation accounts. Typically, accounts transferred to ACS are delinquent out-of-state citations, citations rejected from the DMV hold process or returned unpaid by the DMV after the expiration of the two-year registration hold. In fiscal years 2010 and 2011, ACS made payments to the City totaling $1.3 million from collections on delinquent citation accounts and retained $255,000 in fees. Per their agreement with the City, ACS applies a 25% late penalty to delinquent citations, and receives a fee of 20% of all payments made on accounts held by ACS, whether or not payment was made in full or collections were the result of ACS or City efforts.

Audit Objectives, Scope and Methodology

The objectives of our audit were to assess the efficiency and effectiveness of collection efforts over parking citations and to determine the reliability of the parking citation system. The scope of the audit covered fiscal years 2009 through 2011.

During our audit, we performed the following procedures:

- Interviewed Parking Citation and Parking Enforcement personnel and obtained an understanding of the internal controls related to our audit objectives;
- Reviewed system access to the parking citation database (AutoPROCESS) for appropriateness;
- Reviewed the DMV database with Parking Enforcement personnel to determine the validity of identified scofflaws in AutoPROCESS, on a sample basis;
- Reviewed delinquent citations to determine whether citations were placed on DMV hold or sent to the collection agency, on a sample basis;
- Obtained the City's contract with the collection agency, ACS, and identified the terms and agreements of the contract;
- Reviewed the input of manual citations in AutoPROCESS for accuracy and completeness, on a sample basis;
- Reviewed unbilled citations to determine whether adequate attempts were made to resolve the issue(s) associated with the citation, on a sample basis; and
- Determined whether voided citations were properly authorized and documented, on a sample basis.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the

audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Results

In October 2010, the management of parking citations was moved to the Commercial Services Bureau. Commercial Services immediately recognized issues with the reliability of the system database and have used Technology Services and process changes to make improvements. However, we believe these improvements will have limited benefits due to the extent of problems surrounding the software, which directly affects the ability to manage over $16 million of billed citations annually.

Without an effective tool to manage citations, every process becomes more labor intensive, and the risk of errors and fraud increases. Our recommendation, discussed at the end of this section, advises management to look at the feasibility of upgrading or replacing the AutoPROCESS software in order to increase data reliability and streamline processes, which will result in quicker and increased collection of outstanding parking citations.

The following highlights problems resulting from an ineffective database solution that produces little or no assistance in the collection of outstanding receivables.

1. Software's Inadequacies Limit Departments' Ability to Manage Citation Processes and Data

a. Process to Purge Old Data from AutoPROCESS Requires Significant Efforts

AutoPROCESS handles approximately 345,000 City-issued parking citations annually. Since the acquisition of the system in 2000, the database was not cleansed to eliminate old, incorrect or uncollectible citations. Over time, this has slowed the system considerably, limiting management's ability to generate reports and rely on the information in the report. The AutoPROCESS database lacks a feature to eliminate old citations. Management recently completed a project to cleanse the database by working with Technology Services to produce a script to purge and back-up old data. Because AutoPROCESS lacks the functionality to perform this task automatically, significant City resources were needed to develop this separate process.

b. *AutoPROCESS does not Electronically Interface with the DMV*

After a parking citation is issued, the City relies on the DMV database to obtain the registered owner information. This information is manually uploaded into AutoPROCESS, because the two systems do not interface. During the time that a citation remains unpaid, the vehicle owner, address or license plate may change or the vehicle could be salvaged. Without an automatic interface to DMV data, the City has no way of knowing if these changes occur. This directly affects the City's ability to collect outstanding tickets as the information in AutoPROCESS may be incorrect. It requires City staff to manually check the validity of the information with DMV each time a collection effort is made. This is very labor-intensive and not realistic for the number of staff currently handling citations.

c. *Database is Unreliable for use by Parking Enforcement*

A vehicle with the same registered owner that compiles five or more unpaid parking tickets is considered a scofflaw and is eligible to be towed. Based on a report from AutoPROCESS, we tested 200 scofflaws and found that 86% of the records did not accurately reflect the vehicle's current registered owner.

The Police and Public Works departments use the AutoPROCESS scofflaw report to identify vehicles eligible for tow. However, due to the amount of incorrect information on the report, Police and Public Works must confirm data with the DMV before a tow can be initiated. This results in lost staff time and leaves parking enforcement without an effective tool to manage scofflaws. Lost tows mean less revenue for the City.

d. *System Lacks Features Resulting in Significant Manual Processes*

Each paid citation includes court and DMV fees. AutoPROCESS does not have the functionality to calculate and separately allocate these fees. As a result, Commercial Services spends a significant amount of time each month performing manual calculations, reconciliations and allocations in order to remit the appropriate fees to the court and DMV. These manual processes increase the risk of error and detract from collection efforts.

e. *System Control Weaknesses Increase the Risk of Fraud or Misappropriation*

The AutoPROCESS software, as currently configured, allows staff to void citations and edit several critical data fields such as dates, violations codes and miscellaneous fees (e.g., Admin Fees, DMV fees, NSF Fees, Collection Fees,

etc.) without supervisory review. Citations may be voided, changed or backdated without detection, thus removing the citation from further collection efforts.

We also found instances of improper levels of system user access provided to City staff. For example, we noted that supervisors from parking enforcement operations had edit capabilities rather than data inquiry only. Furthermore, there are no edit reports available for management to review edits and voids. The risk of fraud increases and data integrity is compromised when data can be manipulated without detection or oversight.

f. *Reporting Capabilities are Inadequate*

For any software system, the reporting tool is key to effectively manage the data. Unfortunately, AutoPROCESS has very limited reporting capabilities. Basic reports, such as total citations billed, collection rates, or total citations voided, are not available. Although the City pays a software annual maintenance fee of $14,688 to the vendor, these fees only cover problems with the core functionality. The vendor does not provide support to help Commercial Services improve the system.

When reviewing the available reports produced from AutoPROCESS, we also found deficiencies or discrepancies. For example, the available void report includes both voided and dismissed citations. Therefore, we were unable to easily identify the total citations voided. Additionally, payment amounts from one report to another for the same reporting period did not reconcile. As a result, management has been unable to reconcile AutoPROCESS reports to reports received from the collection agency.

g. *Software is Obsolete and Future Support may be Questionable*

As noted above, the software vendor is only providing minimal support for AutoPROCESS. According to management, the cities of Long Beach and Pasadena are the only customers remaining using this specific version of AutoPROCESS. However, Pasadena is in the process of soliciting bids for a new system. It is unknown how long the vendor will continue to support this product, but continuation of the current situation is not feasible in the long-term for either party.

The City must evaluate available options and begin planning now for an upgrade to AutoPROCESS or procurement of a new system. Changes to significant software systems is a lengthy and time-consuming process. The City cannot afford to place over $13 million in revenue at risk by not addressing this issue.

2. *Improvements to Current Collection Processes Would Generate Additional Parking Citation Revenue*

Commercial Services' management reports an 87% collection rate for parking citations. This is determined by using the number of citations paid during the year compared to total number of citations entered into the system. However, because AutoPROCESS cannot provide reports detailing a true collection return – amounts paid on citations billed – it is difficult to determine the true effectiveness of the department's collection efforts.

During our audit, we identified approximately $17.6 million in potentially collectible outstanding citations as of February 2012. As noted previously, use of AutoPROCESS impedes management's ability to monitor accounts and determine effectiveness in collection efforts. This is compounded by minimal staffing levels and a lack of clarity and consistency in policy and procedures.

a. *Internal Collection Efforts are Minimal*

Due in part to system inefficiencies, Commercial Services staffing levels are inadequate to maximize collection efforts. Staff resources are utilized researching the DMV database, processing citations and payments and providing customer service but are not dedicated to performing more extensive collection efforts.

The City only mails one notice to the registered owner requesting payment. If the citation remains unpaid, late and DMV administration fees are added, and notice is sent to the DMV. At the DMV, the vehicle registration is held for up to two years pending payment of the citation. During this time, the City does not send any additional payment requests or make phone calls to collect on delinquent accounts. After two years, citations unpaid through the DMV hold may be sent to the collection agency for further research.

The collection of outstanding citations decreases with time. Two years of inactivity of citations on hold at the DMV significantly reduces the ability to collect. The City should consider the feasibility of continuing collection efforts even when the DMV has been notified.

b. *Internal Collection Efforts are Inconsistent*

Our review identified inconsistencies in processing unpaid citations. Sometimes DMV will reject the hold request because the citation information submitted by the City does not match DMV's database. Staff indicated that second DMV hold attempts were made, and/or they were sent directly to the collection agency. However, based on a sample of 132 delinquent citations, we found that 55%

were not on DMV hold or at the collection agency, and therefore, no collection efforts were being performed. We also tested 84 citations that were rejected for DMV hold and found a second request for DMV hold was not attempted.

An adequate database system should be able to provide exception reports detailing accounts not assigned to DMV or the collection agency. Without the report, procedures should be clearly defined as to the action required. However, operating in this environment continues to involve extensive manual processes making it very difficult to manage collection efforts.

c. *Increase Collections and Efficiencies through Towing Operations*

When scofflaw vehicles are towed for five or more parking citations, the vehicle owner must first pay the delinquent citations at City Hall and then pay applicable towing and storage fees at Towing Operations before their vehicle is released. However, if vehicles are towed for reasons other than citations, there is no process in place to identify and collect any outstanding citations on towed vehicles. This is lost revenue for the City.

Towing Operations should be able to access AutoPROCESS to determine if the vehicle owner has outstanding parking citations. Unfortunately, because the database is not reliable, this may result in assessment of incorrect fees by Towing Operations. This is another example of how the current software is potentially costing the City revenue.

d. *Agency Collection Efforts Need to be Reevaluated*

When Commercial Services began managing Parking Citations, they also inherited the existing contract with ACS for collection services on delinquent accounts. We found some of the agreement specifications to be vague concerning collection efforts.

The Agreement does not state specific collection efforts to be performed by ACS, such as phone calls or the number of notices to be sent to delinquent account holders. According to ACS representatives, two mailed notices are sent to delinquent account holders and no other collection efforts are performed. Based on these minimal efforts, ACS retains 20% of all payments.

City management should identify additional collection procedures to be performed, such as outbound calling, credit bureau reporting, and collections through the Franchise Tax Board lien process, and ensure that these additional procedures are explicitly stated in future collection agency vendor agreements.

City management should also evaluate whether in-sourcing collections would result in greater efficiencies and returns to the City.

The City is not receiving periodic reports or statistical data from ACS as required per the Agreement. Without regular reports and the inability of AutoPROCESS to track the accounts, the City is unable to manage the Agreement or monitor the performance of the collection agency vendor. Management should contact ACS to initiate receipt of reports on a monthly basis and utilize the reports to keep track of accounts assigned to ACS as well as collection performance.

3. *Uniform Citywide Parking Citation Processes Would Result in Additional Revenue and Greater Efficiencies*

a. *Manually Written Citations*

Seven City departments and Long Beach City College process parking citations using handheld devices that are electronically uploaded into AutoPROCESS. Besides the handheld devices, some departments continue to use ticket books to issue citations. Manually written citations represent over 17,000 or approximately 5% of the total number of citations issued; however, they are administratively more difficult and time-consuming to manage.

There is little oversight in the use of ticket books resulting in departments often using old ticket books that do not reflect current rates. In 32% of manual citations reviewed, departments continued to use old books for an average of ten months after effective fee increase dates. The City must assess the fee as reported per the outdated ticket book, resulting in annual revenue losses of approximately $23,000. In addition, there is no consistency when manually written citations are forwarded to Commercial Services for processing. This can lead to an average delay of two weeks from the citation issue date to manual entry into AutoPROCESS. With the current resources and the frequency in which manual citations are issued, the procurement of additional handheld units and elimination of ticket books is not feasible. Therefore, Management should increase oversight to ensure appropriate fees are charged and develop policies and procedures to standardize the citation issuing process.

b. *Unbilled Citations*

The quality of the data in AutoPROCESS relies on the information recorded on the parking citation. During a three-year period, on average over 11,000, or approximately 3.3% of annual citations, were unbilled due to missing or inaccurate vehicle license information, resulting in an estimated $470,000 in potential revenue lost each year. During FY 2011, the number of unbilled

citations dropped substantially due to extensive research efforts performed by Commercial Services staff. The accuracy of data is largely the responsibility of the parking citation enforcement personnel. Ensuring information is accurate when the citation is issued would reduce the amount of resources necessary to bill citations and would increase parking citation revenues. To reduce the risk of errors, departments issuing citations should provide periodic training and monitor unbilled citation reports to hold individuals accountable for entering inaccurate information.

Recommendations

Parking citation revenue accounts for more than $13 million annually to the City. There is the potential for significantly more revenue to be collected as we identified $17.6 million in outstanding receivables that were three years old or less. Unfortunately, the Commercial Services Bureau handling the billing and collection of parking citations is hampered by an outdated and inefficient software system, AutoPROCESS.

Since assuming management of parking citations, Commercial Services has attempted to make improvements to the existing database and internal processes to increase collection. While we commend their initiative, we are skeptical that the problem can be solved without an upgrade to the current system or procurement of a new software system. We understand that City resources are limited at this time; however, it is extremely likely that in the near future the current software vendor will require an extensive upgrade to AutoPROCESS or discontinue support. Beginning to address this situation now will allow the City time to evaluate the parking citation processes and develop specifications that will meet current and future needs. If the City continues to defer the problem, it may be forced to accept an expensive upgrade with limited functionality that may not meet all of its operational requirements.

Commercial Services is also in the process of implementing a new utility billing system. Asking staff to work on both of these major projects simultaneously is not realistic. Therefore, outside assistance will likely be necessary. We recommend the City Council ensure that the department is provided the necessary resources in order to safeguard the annual collection of more than $13 million.

The implementation of our recommendation is presented in phases:

- Phase I: Obtain Expertise, Understand Current Operations and Identify Process Improvements;
- Phase II: Identify System Needs and Available Options;

- Phase III: Decide on an IT Solution; and
- Phase IV: Implement Best Results.

Phase I: Obtain Expertise, Understand Current Operations and Identify Process Improvements

During this phase, Commercial Services, along with other key departments, should perform an evaluation of the current parking citation process and identify problems and opportunities that may exist. Discussion should not be limited to issues only identified in this report. This will provide management a tool to develop solutions which will streamline processes and enhance revenue collection.

A project of this size can be overwhelming and in-house resources and expertise may be limited. For these reasons, we are recommending that Financial Management consider using an outside consultant to assist management during this process. Optimally, the consultant will have expertise in parking citations operations and implementing parking citations solutions.

Based on our evaluation of parking citations operations, the following areas, at a minimum, should be addressed in Phase I:

- Document current parking citation collections operations, key services provided, revenues and costs for providing the services;
- Obtain a good understanding of how departments involved in parking citations interface with one another;
- Assess the appropriateness of internal controls specific to parking citations processing and develop new processes where necessary;
- Identify other operating efficiencies that may be implemented now to improve existing operations;
- Evaluate parking citations best practices in other agencies;
- Assess performance of the collection agency vendor and how the agreement may be amended to enhance collection efforts; and
- Develop policies and procedures for parking citations processing that align with best practices.

Phase II: Understanding System Needs and Available Options

Management will use the information obtained in Phase I to assess the deficiencies in the existing information system. Software specification requirements will be designed to

meet the operational needs. This process should include, but not be limited to, the following:

- Identify informational needs, reporting requirements, and weaknesses within AutoPROCESS;
- Identify reporting needs;
- Document current costs for maintaining the current database and hand-held units;
- Determine if the City's existing hand-held equipment can be used with other systems;
- Ascertain interface requirements with the DMV and other agencies;
- Discuss feasibility of upgrades with current software vendor;
- Identify available software vendors providing parking citation solutions; and
- Determine estimated costs for each IT solution and possible funding sources.

Phase III: Decide on an IT solution

After determining the best IT solution, management will need to negotiate a new contract with the current propriety software vendor or develop an RFP to solicit proposals from available parking citation system vendors. A team, made up of employees from Financial Management, Public Works, Police and other key parking enforcement operations should participate in the evaluation of the vendors' proposals. Besides obtaining additional functionality, management should also consider the level of support provided by the vendor and how the City will receive future upgrades to the software. During this phase, management will need to develop a budget and secure funding.

Phase IV: Implement Best Results

Once the selection of the IT solution is complete, management, working with the vendor, possible consultant, and key departments will complete the detailed implementation plan. The development of any new procedures or processes should be completed prior to beginning implementation of the software. It is critical that an employee within Commercial Services be designated to thoroughly grasp the functionality capabilities of the new solution to ensure the system is configured to meet optimal needs. This includes the establishment of appropriate controls to limit access and the ability to modify key data fields related to the calculation, changing or waiving of fees. The implementation plan should also include, at a minimum:

- Cleansing the existing database and conversion of data to the new solution;
- Adequate and descriptive testing procedures and scripting;
- A process for resolving outstanding issues with the vendor;
- Development of custom reports;
- Extensive training; and
- Post go-live plan to deal with problems as they may arise.

Appendix I

Management's Comments

City of Long Beach
Working Together to Serve

Memorandum

Date: February 24, 2012

To: John Gross, Director of Financial Management

From: Pamela Horgan, Commercial Services Bureau Manager

For: Laura L. Doud, City Auditor

Subject: **Parking Citation Collections Process Audit**

1. **Software's Inadequacies Limit Departments' Ability to Manage Citation Processes and Data**

a. Process to Purge Old Data from AutoPROCESS Requires Significant Efforts

AutoPROCESS handles approximately 345,000 City-issued parking citations annually. Since the acquisition of the system in 2000, the database was not cleansed to eliminate old, incorrect or uncollectible citations. Over time, this has slowed the system considerably, limiting management's ability to generate reports and rely on the information in the report. The AutoPROCESS database lacks a feature to eliminate old citations. Management recently completed a project to cleanse the database by working with Technology Services to produce a script to purge and back-up old data. Because AutoPROCESS lacks the functionality to perform this task automatically, significant City resources were needed to develop this separate process.

Management Response:

A method to purge old data from the application began in October 2010. A joint effort between Duncan Technologies and the Departments of Technology Services and Financial Management was undertaken to purge old data from the system, in accordance with Vehicle Code Section 40222.b. The result of this action is improved speed, data accuracy, and the effective use of this data in decision-making. This maintenance will be incorporated as a standard business process to ensure the application continues to function efficiently.

b. AutoPROCESS does not Electronically Interface with the DMV

After a parking citation is issued, the City relies on the DMV database to obtain the registered owner information. This information is manually uploaded into AutoPROCESS, because the two systems do not interface. During the time that a citation remains unpaid, the vehicle owner, address or license plate may change or the vehicle could be salvaged. Without an automatic interface to DMV data, the City

has no way of knowing if these changes occur. This directly affects the City's ability to collect outstanding tickets, as the information in AutoPROCESS may be incorrect. It requires City staff to manually check the validity of the information with DMV each time a collection effort is made. This is very labor-intensive and not realistic for the number of staff currently handling citations.

Management Response:

While this finding is accurate, this is not currently available technology offered by the current system vendor or by the DMV. To mitigate the impact of this limitation, Parking Citation supervision submits vehicle owner information daily to the DMV, which have resulted in improved billing accuracy and collection rate of citations.

c. Database is Unreliable for Use by Parking Enforcement

A vehicle with the same registered owner that compiles five or more unpaid parking tickets is considered a scofflaw and is eligible to be towed. Based on a report from AutoPROCESS, we tested 200 scofflaws and found that 86% of the records did not accurately reflect the vehicle's current registered owner.

The Police and Public Works departments use the AutoPROCESS scofflaw report to identify vehicles eligible for tow. However, due to the amount of incorrect information on the report, Police and Public Works must confirm data with the DMV before a tow can be initiated. This results in lost staff time and leaves parking enforcement without an effective tool to manage scofflaws. Lost tows mean less revenue for the City.

Management Response:

Financial Management agrees with this finding. Until such time as this data can be made available in real time this process will continue to be a challenge. Discussions have opened with the system vendor and the DMV to address this issue. Commercial Services will report on this as there is progress. Additionally, research is being conducted across the industry to identify what technologies may exist to better support this process.

d. System Lacks Features Resulting in Significant Manual Processes

Each paid citation includes court and DMV fees. AutoPROCESS does not have the functionality to calculate and separately allocate these fees. As a result, Commercial Services spends a significant amount of time each month performing manual calculations, reconciliations and allocations in order to remit the appropriate fees to the court and DMV. These manual processes increase the risk of error and detract from collection efforts.

Management Response:

The City is processing on an older version of the AutoPROCESS system and there is no current plan by the vendor to further develop this version or by the City to upgrade or replace the application. The Parking Citation system should be replaced with an application that provides and supports the latest technology, ongoing system enhancements as well as intergraded interfaces that will provide immediate access to third party information providers.

e. System Control Weaknesses Increase the Risk of Fraud or Misappropriation

The AutoPROCESS software, as currently configured, allows staff to void citations and edit several critical data fields such as dates, violations codes and miscellaneous fees (e.g., Admin Fees, DMV fees, NSF Fees, Collection Fees, etc.) without supervisory review. Citations may be voided, changed or backdated without detection, thus removing the citation from further collection efforts.

We also found instances of improper levels of system user access provided to City staff. For example, we noted that supervisors from parking enforcement operations had edit capabilities rather than data inquiry only. Furthermore, there are no edit reports available for management to review edits and voids. The risk of fraud increases and data integrity is compromised when data can be manipulated without detection or oversight.

Management Response:

Currently, there are approximately, 150 employees or clients that have access to this system. Management has reviewed and modified each employee's profile to ensure only needed access to the system is provided.

f. Reporting Capabilities are Inadequate

For any software system, the reporting tool is key to effectively manage the data. Unfortunately, AutoPROCESS has very limited reporting capabilities. Basic reports, such as total citations billed, collection rates, or total citations voided, are not available. Although the City pays a software annual maintenance fee of $14,688 to the vendor, these fees only cover problems with the core functionality. The vendor does not provide support to help Commercial Services improve the system.

When reviewing the available reports produced from AutoPROCESS, we also found deficiencies or discrepancies. For example, the available void report includes both voided and dismissed citations. Therefore, we were unable to easily identify the total citations voided. Additionally, payment amounts from one report to another for the same reporting period did not reconcile. As a result, management has been unable to reconcile AutoPROCESS reports to reports received from the collection agency.

Management Response:

The existing version of AutoPROCESS is obsolete and the reporting capabilities are inconsistent and inaccurate. As a result, the Technology Services Department has been relied upon to seek technical consulting from the vendor and develop required reports.

g. Software is Obsolete and Future Support may be Questionable

As noted above, the software vendor is only providing minimal support for AutoPROCESS. According to management, the cities of Long Beach and Pasadena are the only customers remaining using this specific version of AutoPROCESS. However, Pasadena is in the process of soliciting bids for a new system. It is unknown how long the vendor will continue to support this product, but continuation of the current situation is not feasible in the long-term for either party.

The City must evaluate available options and begin planning now for an upgrade to AutoPROCESS or procurement of a new system. Changes to significant software systems is a lengthy and time-consuming process. The City cannot afford to place over $13 million in revenue at risk by not addressing this issue.

Management Response:

Financial Management agrees with this finding.

2. Improvements to Current Collection Processes Would Generate Additional Parking Citation Revenue

Commercial Services' management reports an 87% collection rate for parking citations. This is determined by using the number of citations paid during the year compared to total number of citations entered into the system. However, because AutoPROCESS cannot provide reports detailing a true collection return – amounts paid on citations billed – it is difficult to determine the true effectiveness of the department's collection efforts.

During our audit, we identified approximately $17.6 million in potentially collectible outstanding citations as of February 2012. As noted previously, use of AutoPROCESS impedes management's ability to monitor accounts and determine effectiveness in collection efforts. This is compounded by minimal staffing levels and a lack of clarity and consistency in policy and procedures.

Management Response:

Financial Management agrees with this finding.

a. Internal Collection Efforts are Minimal

Due in part to system inefficiencies, Commercial Services staffing levels are inadequate to maximize collection efforts. Staff resources are utilized researching the DMV database, processing citations and payments and providing customer service but are not dedicated to performing more extensive collection efforts.

The City only mails one notice to the registered owner requesting payment. If the citation remains unpaid, late and DMV administration fees are added, and notice is sent to the DMV. At the DMV, the vehicle registration is held for approximately up to two years pending payment of the citation. During this time, the City does not send any additional payment requests or make phone calls to collect on delinquent accounts. After two years, citations unpaid through the DMV hold may be sent to the collection agency for further research.

The collection of outstanding citations decreases with time. Two years of inactivity of citations on hold at the DMV significantly reduces the ability to collect. The City should consider the feasibility of continuing collection efforts even when the DMV has been notified.

Management Response:

Current budget restrictions do not allow for secondary internal collection activities and the amount of revenue to be generated is uncertain. Collection tools currently in use include the DMV hold for in-state residents. Citations written against out-of-state plates are immediately transmitted to an outside collection agency for action. In addition, the Scofflaw process enables the towing of vehicles found with five or more delinquent citations to the same registered owner.

Financial Management will identify and pursue other collection efforts that will increase parking citation revenue.

b. Internal Collection Efforts are Inconsistent

Our review identified inconsistencies in processing unpaid citations. Sometimes DMV will reject the hold request because the citation information submitted by the City does not match DMV's database. Staff indicated that second DMV hold attempts were made, and/or they were sent directly to the collection agency. However, based on a sample of 132 delinquent citations, we found that 55% were not on DMV hold or at the collection agency, and therefore, no collection efforts were being performed. We also tested 84 citations that were rejected for DMV hold and found a second request for DMV hold was not attempted.

An adequate database system should be able to provide exception reports detailing accounts not assigned to DMV or the collection agency. Without the report, procedures should be clearly defined as to the action required. However, operating in this environment continues to involve extensive manual processes making it very difficult to manage collection efforts.

Management Response:

Financial Management agrees with this finding. Financial Management strives to work around the inadequacies with the legacy parking citation system. Although the number of citations billed and payments processed have been significantly improved, the parking citation system is not capable of providing the tools necessary to process the volume of activity and complexity of the City's requirements.

c. Increase Collections and Efficiencies through Towing Operations

When scofflaw vehicles are towed for five or more parking citations, the vehicle owner must first pay the delinquent citations at City Hall and then pay applicable towing and storage fees at Towing Operations before their vehicle is released. However, if vehicles are towed for reasons other than citations, there is no process in place to identify and collect any outstanding citations on towed vehicles. This is lost revenue for the City.

Towing Operations should be able to access AutoPROCESS to determine if the vehicle owner has outstanding parking citations. Unfortunately, because the database is not reliable, this may result in assessment of incorrect fees by Towing Operations. This is another example of how the current software is potentially costing the City revenue.

Management Response:

Financial Management agrees that all outstanding parking citations should be paid before a vehicle is released once towed. Financial Management will develop a method with Public Works to provide the information required to maximize collection efforts for outstanding parking citations.

d. Agency Collection Efforts Need to be Reevaluated

When Commercial Services began managing Parking Citations, they also inherited the existing contract with ACS for collection services on delinquent accounts. We found some of the agreement specifications to be vague concerning collection efforts.

The Agreement does not state specific collection efforts to be performed by ACS, such as phone calls or the number of notices to be sent to delinquent account holders. According to ACS representatives, two mailed notices are sent to delinquent account holders and no other collection efforts are performed. Based on these minimal efforts, ACS retains 20% of all payments

City management should identify additional collection procedures to be performed, such as outbound calling, credit bureau reporting, and collections through the Franchise Tax Board lien process, and ensure that these additional procedures are explicitly stated in future collection agency vendor agreements. City management should also evaluate whether in-sourcing collections would result in greater efficiencies and returns to the City.

The City is not receiving periodic reports or statistical data from ACS as required per the Agreement. Without regular reports and the inability of AutoPROCESS to track the accounts, the City is unable to manage the Agreement or monitor the performance of the collection agency vendor. Management should contact ACS to initiate receipt of reports on a monthly basis and utilize the reports to keep track of accounts assigned to ACS as well as collection performance.

Management Response:

Discussions have begun with ACS to identify opportunities to improve collections of delinquent citations. In addition, ACS has begun to meet the minimum contract compliance by providing statistical data. Finally, staff will explore and recommend enhanced collection activities such as: increased notice frequency, as well as making out-bound calls.

3. Uniform Citywide Parking Citation Processes Would Result in Additional Revenue and Greater Efficiencies

a. Manually Written Citations

Seven City departments and Long Beach City College process parking citations using handheld devices that are electronically uploaded into AutoPROCESS. Besides the handheld devices, some departments continue to use ticket books to issue citations. Manually written citations represent over 17,000 or approximately 5% of the total number of citations issued; however, they are administratively more difficult and time-consuming to manage.

There is little oversight in the use of ticket books resulting in departments often using old ticket books that do not reflect current rates. In 32% of manual citations reviewed, departments continued to use old books for an average of ten months after effective fee increase dates. The City must assess the fee as reported per the outdated ticket book, resulting in annual revenue losses of approximately $23,000 per year. In addition, there is no consistency in when manually written citations are forwarded to Commercial Services for processing. This can lead to an average delay of two weeks from the citation issue date to manual entry into AutoPROCESS.

With the current resources and the frequency in which manual citations are issued, the procurement of additional handheld units and elimination of ticket books is not feasible. Therefore, Management should increase oversight to ensure appropriate fees are charged and develop policies and procedures to standardize the citation issuing process.

Management Response:

Staff will coordinate with the Police Department to establish a process to maintain sufficient inventory, security and distribution of the most current manual Parking Citation books.

b. Unbilled Citations

The quality of the data in AutoPROCESS is reliant on the information recorded on the parking citation. During a three-year period, on average over 11,000, or approximately 3.3%, of annual citations were unbilled due to missing or inaccurate vehicle license information, resulting in an estimated $470,000 in potential revenue lost each year. During FY 2011, the number of unbilled citations dropped substantially due to extensive research efforts performed by Commercial Services staff. The accuracy of data is largely the responsibility of the parking citation enforcement personnel. Ensuring information is accurate when the citation is issued would reduce the amount of resources necessary to bill citations and would increase parking citation revenues. To reduce the risk of errors, departments issuing citations should be providing periodic training and monitor unbilled citation reports to hold individuals accountable for entering inaccurate information.

Management Response:

Routinely, Financial Management provides unbilled citation data to the issuing agencies for statistical tracking and to provide areas where additional training may be beneficial to improve the overall collection rate. Also, resources are dedicated to utilize tools available to obtain registered owner information and submit through the billing process.

Recommendations

Parking citation revenue accounts for more than $13 million annually to the City. There is the potential for significantly more revenue to be collected as we identified $17.6 million in outstanding receivables that were three years old or less. Unfortunately, the Commercial Services Bureau handling the billing and collection of parking citations is hampered by an outdated and inefficient software system, AutoPROCESS.

Since assuming management of parking citations, Commercial Services has attempted to make improvements to the existing database and internal processes to increase collection. While we commend their initiative, we are skeptical that the problem can be solved without an upgrade to the current system or procurement of a new software system. We understand that City resources are limited at this time; however, it is extremely likely that in the near future the current software vendor will require an extensive upgrade to AutoPROCESS or discontinue support. Beginning to address this situation now will allow the City time to evaluate the parking citation processes and develop specifications that will meet current and future needs. If the City continues to defer the problem, it may be forced to accept an expensive upgrade with limited functionality that may not meet all of its operational requirements.

Commercial Services is also in the process of implementing a new utility billing system. Asking staff to work on both of these major projects simultaneously is not realistic. Therefore, outside assistance will likely be necessary. We recommend the City Council ensure that the department is provided the necessary resources in order to safeguard the annual collection of more than $13 million.
The implementation of our recommendation is presented in phases:

- Phase I: Obtain Expertise, Understand Current Operations and Identify Process Improvements;
- Phase II: Identify System Needs and Available Options;
- Phase III: Decide on an IT Solution; and
- Phase IV: Implement Best Results.

Phase I: Obtain Expertise, Understand Current Operations and Identify Process Improvements
During this phase, Commercial Services, along with other key departments, should perform an evaluation of the current parking citation process and identify problems and opportunities that may exist. Discussion should not be limited to issues only identified in this report. This will provide management a tool to develop solutions which will streamline processes and enhance revenue collection.

A project of this size can be overwhelming and in-house resources and expertise may be limited. For these reasons, we are recommending that Financial Management consider using an outside consultant to assist management during this process. Optimally, the consultant will have expertise in parking citations operations and implementing parking citations solutions.
Based on our evaluation of parking citations operations, the following areas, at a minimum, should be addressed in Phase I:

- Document current parking citation collections operations, key services provided, revenues and costs for providing the services;
- Obtain a good understanding of how departments involved in parking citations interface with one another;
- Assess the appropriateness of internal controls specific to parking citations processing and develop new processes where necessary;
- Identify other operating efficiencies that may be implemented now to improve existing operations;
- Evaluate parking citations best practices in other agencies;
- Assess performance of the collection agency vendor and how the agreement may be amended to enhance collection efforts; and
- Develop policies and procedures for parking citations processing that align with best practices.

Phase II: Understanding System Needs and Available Options
Management will use the information obtained in Phase I to assess the deficiencies in the existing information system. Software specification requirements will be designed to meet the operational needs. This process should include, but not be limited to, the following:

- Identify informational needs, reporting requirements, and weaknesses within AutoPROCESS;
- Identify reporting needs;
- Document current costs for maintaining the current database and hand-held units;
- Determine if the City's existing hand-held equipment can be used with other systems;
- Ascertain interface requirements with the DMV and other agencies;
- Discuss feasibility of upgrades with current software vendor;
- Identify available software vendors providing parking citation solutions; and
- Determine estimated costs for each IT solution and possible funding sources.

Phase III: Decide on an IT solution
After determining the best IT solution, management will need to negotiate a new contract with the current propriety software vendor or develop an RFP to solicit proposals from available parking citation system vendors. A team, made up of employees from Financial Management, Public Works, Police and other key parking enforcement operations should participate in the evaluation of the vendors' proposals. Besides obtaining additional functionality, management should also consider the level of support provided by the vendor and how the City will receive future upgrades to the software. During this phase, management will need to develop a budget and secure funding.

Phase IV: Implement Best Results
Once the selection of the IT solution is complete, management, working with the vendor, possible consultant, and key departments will complete the detailed implementation plan. The development of any new procedures or processes should be completed prior to beginning implementation of the software. It is critical that an employee within Commercial Services be designated to thoroughly grasp the functionality capabilities of the new solution to ensure the system is configured to meet optimal needs. This includes the establishment of appropriate controls to limit access and the ability to modify key data fields related to the calculation, changing or waiving of fees. The implementation plan should also include, at a minimum:

- Cleansing the existing database and conversion of data to the new solution;
- Adequate and descriptive testing procedures and scripting;
- A process for resolving outstanding issues with the vendor;
- Development of custom reports;
- Extensive training; and
- Post go-live plan to deal with problems as they may arise.

Management Comments

Knowing City resources were limited, Financial Management has worked on getting the most out of the inadequate computer system. However, the system needs to be replaced. It is possible, that revenues will increase significantly with replacement of the system, assuming all other operations that support Parking Citations are maintained. We concur that replacing the system is necessary to safeguard our current revenues.