

November 10, 2016

To: The Board of Governors of Exhibition Place

From: Finance & Audit Committee

ACTION REQUIRED

Subject: **Audit of Parking Controls and Parking Revenue**

Summary:

This report presents for the information of the Board the audit results of the review of Exhibition Place parking operations policies, processes and controls within the Parking Services division attached as Appendix "A".

The auditor of record for the Board, PricewaterhouseCoopers LLP ("PWC"), was engaged by Exhibition Place to conduct the review for the period July 1, 2014 to October 31, 2015.

The attached PWC report summarizes issues of audit significance, the auditor's suggestions and recommendations; and management responses to the audit findings which will help to improve the overall accounting and internal control procedures.

Recommendation:

It is recommended that the Board of Governors receive this report for information.

Financial Impact:

There are no financial implications to this report.

Decision History:

The Exhibition Place 2014 to 2016 Strategic Plan had a Financial Goal to *effectively monitor costs and revenues* and as a strategy to support this Goal *we will seek to review and revise financial and organizational systems to strengthen controls and process*.

At its meeting of October 23, 2015, the Board considered a Personnel Matter which had a Confidential Attachment, which resulted in the request for the audit which is the subject matter of this report.

<http://www.explace.on.ca/database/rte/files/Item%2017%20-%20Personnel%20Matter%20-%20Final.pdf>

At its meeting of October 31, 2016, the Finance & Audit Committee approved the Audit of Parking Controls and Parking Revenue.

[http://www.explace.on.ca/database/rte/files/Item%205-2016%20Parking%20Audit-Combined-FINAL\(1\).pdf](http://www.explace.on.ca/database/rte/files/Item%205-2016%20Parking%20Audit-Combined-FINAL(1).pdf)

Issue Background:

The 2011 Audit Work Plan for the City Auditor General's Office (City AGO) included a "Review of Parking Revenue Controls at Exhibition Place". Audit projects undertaken in any given year by the City AGO depend on the following considerations:

- availability of adequate resources
- approval of the Auditor General's budget

- the extent of fraud investigations required during the year
- the extent of work performed by other internal audit functions
- the number of special requests approved by City Council
- other issues which may emerge during the year.

Based on other issues which emerged and a number of special requests by City Council for audits, the “Review of Parking Revenue Controls at Exhibition Place” was removed from the Work Plan.

In November 2015, Exhibition Place invited qualified firms to submit proposals to perform an audit of parking controls and parking revenues for Exhibition Place for the period July 1, 2014 to October 31, 2015. Staff from the City AGO were included on the selection committee. Based on the recommendation of the selection committee, the auditor of record for the Board, PricewaterhouseCoopers LLP (“PWC”), was engaged by Exhibition Place to conduct the review.

Comments:

Exhibition Place operates both surface and underground parking and uses attendant operations; pay-on-foot operations; and pay-and-display operations. There are thirty (30) pay-and-display machines on site and 5,759 parking spaces as of April 2015. Budgeted parking revenues for 2016 are \$7.3M.

The main objectives of the 2016 audit done by PWC has been to ensure consistency and compliance of Exhibition's Place actual practices with the documented policies and procedures and to identify any areas of potential weakness in design and/or operating effectiveness of controls surrounding processing, cash collection, deposits, recording and reconciliation of parking revenues. The documented policies and practices at Exhibition Place were developed in consultation with the Toronto Parking Authority.

Based on the results and findings of the audit, Exhibition Place staff in consultation with the City AGO and the Board's Finance & Audit Committee would determine if an expanded scope of prior years was warranted. The City AGO was responsible to oversee the overall work done by PWC to provide assurance relating to the independence and completeness of the process. One of the direction for the auditors from the Finance & Audit Committee was that if any matters of concern that fall outside the scope of this audit comes to their attention, during the course of performing the work governed by this engagement, that such matters will be reported to the City AGO in order that further investigation into those matters may be undertaken.

The City AGO has reviewed the results for the Audit of Parking Controls and Parking Revenue. Based on the results and findings of the audit, an expanded scope of prior years is not needed and there are no matters reported that require further investigation to be undertaken.

As part of their audit engagement, PWC has provided a report to the Finance & Audit Committee to assist in its review of the controls surrounding parking services. This document is a direct communication from the auditors to the Committee and the Board. It summarizes the scope of the audit work, describes the audit objectives, and identifies issues of audit significance discussed with management. The Detailed Results portion of the PWC report is the section of the audit results where the auditors make their suggestions and recommendations, based on audit findings, to improve the accounting and internal control procedures for the audit that covered the period July 1, 2014 to October 31, 2015. The auditors noted some internal control weaknesses that create risks for Exhibition Place Parking Services however; these weaknesses were not significant in nature and could be remedied through the introduction of additional controls.

The PWC report also includes a section of Internal Control Recommendations with Management Responses. This is the section where management has provided its response to the key issues identified in the audit. As noted, management is receptive to the auditor suggestions and will implement the recommendations and indeed, has already put in place additional controls as suggested to enhance the control environment.

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Finance & Audit Committee

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City of Toronto

***Board of
Governors
Exhibition Place***

June 2016

Audit of parking
controls and parking
revenues



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Executive Summary

Background information

Board of Governors of Exhibition Place ("Exhibition Place") is a 192-acre site which hosts exhibit, trade and consumer shows, conferences, meetings, socials, galas and banquets. Exhibition Place is also home to several tenanted major sporting and entertainment venues, and community use of the grounds. These facilities are used in various capacities throughout the year for events, trade shows, entertainment and exhibitions. The Board operates, manages and maintains Exhibition Place on behalf of the City of Toronto (the City) under the terms of an agreement between the Board and the City. Exhibition Place has multiple streams of revenues, including revenues from building rentals, show services, catering, contributions from the City of Toronto, and parking.

PwC has been engaged by Exhibition Place and the City of Toronto Auditor General to conduct a review of Exhibition Place parking operations policies, processes and controls with the following main objectives:

- i. To assess consistency and compliance of Exhibition Place's actual practices with their documented policies and procedures.
- ii. To Identify potential weaknesses in the design and/or operating effectiveness of controls surrounding the following areas:
 - Transaction processing, cash collection and deposits
 - Manual override of controls, including the handling of cancelled transactions or manual gate opening
 - Recording and reconciliation of parking revenues within Finance

As part of this review, we have examined the business processes for three parking revenue streams: pay and display, pay-on-foot and event parking.

This report outlines the results of our review.

Overall results

Exhibition Place has policies in place over its parking operations and strong internal controls in place to mitigate risk of fraud and override of controls within parking operations. As part of our internal audit process, we performed walkthroughs of the various ways in which Exhibition Place collects monies for its parking operations. We documented the processes from the point of collection of monies from customers through to deposit in bank accounts and recording of revenue into the general ledger.

As a result of the work we performed, we noted a few internal control weaknesses that create risks for Exhibition Place's parking services. These weaknesses are not significant in nature, however could be remedied through the introduction of additional internal controls and management oversight.

Examples of recurring themes/issues noted are described below:

1. Level of detail of management review

In each of the parking business processes reviewed, there are various manual reports, reconciliations and templates that are being reviewed indirectly through the review of journal entries for monthly reporting. To ensure the accuracy, completeness and cutoff of the information contained in the reports, reconciliations and templates used to record journal entries into the financial system, a more detailed review is suggested. This would assist in preventing opportunities for error and/or potential misallocation of parking revenues.

2. Segregation of duties relating to cash collection and management

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Within the Parking Services office, Parking Account Service Representatives (ASRs) have multiple functions, including monitoring and reconciling cash balances, as well as preparation of float bags for ticket sellers and deposit slips and bags for the bank. Parking ASRs could perform multiple functions during any given shift. In a couple of instances we ascertained that the segregation of duties of a Parking ASR could be strengthened by removing duties or including a second staff member in the counting of cash.

In addition, though independent verification and review of accuracy and completeness of cash balances are performed periodically, these verifications and reviews are not performed frequently enough to prevent errors and theft.

3. Spreadsheet controls and automation

Within each business process reviewed, there are a number of manual templates used to reconcile and record revenues. The automation controls within these templates are not sufficient to prevent changes / manipulation of formulas which might impact parking revenue recorded in the financial system.

Please refer to section 2 for a description of the detailed issues and recommendations noted for each business process reviewed.

1- Project Approach

Activities Performed

PwC was engaged by Exhibition Place to conduct a review of parking operations policies, processes and controls, which was divided in three main phases:



As part of the planning phase, PwC conducted an initial meeting with project stakeholders, including Exhibition Place management and the City of Toronto Auditor General's Office (AGO) staff, to understand the current issues, risks and concerns related to Exhibition Place parking operations. At this meeting, management and AGO staff presented key concerns and risks to better drive the review focus.

Based on the input provided during the initial meeting, PwC streamlined the project approach and agreed upon the scope with management.

As part of this review, PwC conducted end-to-end reviews to obtain complete understanding of the design of process and related controls, including performing walkthroughs to confirm our understanding of the process flow. This involved tracing transactions from beginning to end, making inquiries of the person that performs the procedure or control, observing the performance of the procedure or control as appropriate, reviewing documents that are used in, and that result from, the application of the procedure or control.

PwC leveraged external audit work activities / procedures over parking attendants and gated entrances to ensure that the controls in place were operating effectively. Substantive testing, including testing of completeness, was performed over pay & display and pay-on-foot machine revenue through testing of reconciliations, bank statements, and journal entries. Service auditor report over IT controls for Precise Parklink was obtained and reviewed.

Project Outputs

This report was developed as an output of the review performed.

2- Detailed Results

This section describes the detailed results obtained after the completion of the audit of parking revenue controls for each in-scope business process listed below:

- i. Pay & display
- ii. Pay-on-foot
- iii. Event parking
- iv. Overall control environment recommendations

i. Pay & display

Process Background:

Exhibition Place uses Precise Parklink meters to capture pay & display revenues. On a weekly basis, the Parking ASR uses a report provided online by Precise Parklink to record revenues from pay and display into the monthly Revenue Report. All pay and display revenues are manually assigned to a show/event based on the machine location, day, and events that are taking place, and manually recorded in the Revenue Report.

Each month, the Parking Services Manager also receives reports from Precise Parklink detailing the total cash and credit card monies collected for the previous month. This report is also provided to the Finance ASR, who uses the information to manually enter revenues, bank charges and HST into a template. The template automatically calculates the total that should have been received into the CIBC general bank account. There are always differences between actual amounts received in the bank account and the revenue amounts downloaded from Precise Parklink due to timing of deposits.

Using the Revenue Report provided by the Parking ASR, the journal entry is created by the Finance ASR to allocate pay and display revenues to each show and event as appropriate, as well as to book bank charges and HST. The journal entry is authorized by the Finance Manager or CFO before it is booked into Great Plains.

Key issue identified:

- **Detailed review over monthly revenue reconciliation:** While Precise Parklink monthly reports are reviewed and approved by the Parking Services Manager, and pay and display revenue journal entries are reviewed and approved by the CFO, we noted that the controls could be strengthened by a more detailed review of the monthly pay and display reconciliation worksheet prior to the submission to the CFO for review.

Through our testing, we identified an instance where the review was not at a sufficient level of detail to identify errors that resulted from changes in formulas within the monthly revenue reconciliation template. This resulted in an incorrect amount of HST being recorded until the error was identified by the Finance Accounts Service Representative in the following months.

Recommendation: Monthly pay and display revenue reconciliations should be reviewed in detail each month to ensure revenue is being appropriately recorded, and reconciled to the Precise Parklink revenue reports. This review should include reasonability checks on the revenue and HST amounts recorded as compared to the bank deposit, review of the Precise Parklink report to ensure that it agrees to the reconciliation, and review of Finance ASR's explanation for timing differences and other variances.

Management Response: Management believes there is sufficient review of the monthly revenue reconciliation as it is included with the preparation of the bank reconciliation which is reviewed monthly, however, as suggested by the auditors, management has already implemented additional review process

within the finance department including locking the formulas within the excel templates that are used to summarize daily and monthly reporting. The timing difference is due to the recording of revenue on an accrual basis to capture a full month revenue compared to the actual parking revenue paid by credit card near the end of the month which takes 4-6 days to clear on the following month.

ii. Pay-on-foot

Pay-on-foot revenues are also referred to as Moneris and ZEAG revenues. These revenues are derived from stationary credit card machines. BOG currently has 4 Moneris machines in total, and each is located in the Enercare underground garage. People are required to pay by credit card upon entry, ZEAG credit card amounts collected are deposited directly into the TD parking bank account.

On a weekly basis, the Parking Account Service Representative logs into the Moneris website and extracts and prints a report of all the ZEAG revenues by day. This report is used to allocate revenues to the various events and shows that have occurred for each day. Allocation is done by day and time of day and using a list of what shows/events were running. Revenue allocation is manually documented in the monthly Revenue Report.

On a monthly basis, a copy of the ZEAG report is sent by the Parking Services Manager to the Finance ASR. The monthly ZEAG report is used to record the journal entry. On a periodic basis, the Finance ASR also uses the Exhibition Place TD parking bank account transactions to match lines in the ZEAG report to deposits in the bank statement.

We did not identify any issues as a result of our procedures.

iii. Event parking

Process Background:

Event revenue is revenue from underground and surface lots. Ticket sellers are in booths at each lot and collect payments (including cash and credit card) and hand out bar coded receipted tickets to customers in exchange.

Parking Services Manager and ASRs are responsible for maintaining the security of the vault room, reconciling cash balances in the vault, providing materials to ticket sellers for each shift, reconciling daily revenues and preparing cash deposits to be collected by a third party, and allocating event revenues to shows or events. Daily materials provided to ticket sellers include a ticket seller's return sheet (a sheet showing the ticket range of hard copy tickets used to reconcile cash and tickets sold), hard copy tickets (hard tickets are used only in emergencies eg. in the event that the ticket machine in the booth is not working), a pass sheet for complimentary passes, a schedule of events occurring that day, and a cash float.

Show Revenue summaries including supporting documentation prepared by the Parking ASRs are provided to the Finance ASR for reconciliation. The Finance ASR verifies the deposits with actual bank deposits and posts to the financial system according to the GL accounts provided on the Show Revenue summary. At the end of each month, the Finance ASR will prepare a bank reconciliation of the CIBC/TD parking bank account (CIBC was replaced by TD in 2014), and a journal entry for event parking. These journal entries are authorized by the Finance Manager or the CFO.

Key issues identified:

- **Segregation of duties for vault balancing process, float bag preparation and deposit preparation:** At the beginning and end of each shift, Parking ASRs formally document the cash float deposited into the bank (including copies of the deposit slips) and cash float received from the bank (including confirmation of funds received). At the beginning of a new shift, a reconciliation/balancing is performed to ensure that the closing balance in the vault at the end of a day reconciles to the opening balance in the vault the following day.

Though this process is formally documented, the reconciliation/balancing is performed by only one Parking ASR. We did note that the Finance and Parking Service Managers perform surprise counts approximately 3 times per year of the monies contained in the vault. This frequency may not be sufficient to prevent manipulation or theft.

In addition, the person responsible for reconciling balances in the vault is also responsible for preparing float bags, creating a risk that the float bags may not contain correct amounts of cash, or the amount in the vault is misstated through misappropriation of cash by the Parking ASR.

Similarly, deposit slips and float bags are prepared by the same person responsible for collecting cash from the ticket sellers, as well as reconciling the vault at the end of the shift. Parking ASR has too much opportunity to manipulate/misappropriate the cash received, deposit bags, and amount balanced in the vault.

Recommendation: In order to mitigate the risk of completeness of cash, the balancing process should be completed by two people. Two Parking ASRs should be required to perform the reconciliation together. One person should be responsible for counting and reconciling the vault balances, while the second person should be an observer of the balancing process and sign off on the performance of the control to ensure appropriately documented.

In addition, surprise counts should be increased to be performed at least two times per month by an independent finance staff member and the Parking Services Manager to ensure that the amounts in the vault are accurate and complete. Counts should be reconciled to financial records to ensure shortages and overages are detected and investigated on a timely basis. Count results should be signed off by the counter as well as Parking Services Manager. We also noted that it would be beneficial to install cameras in the vault room as a deterrent to fraud and review the tapes periodically.

The person responsible for preparing the float bags during a shift should not be responsible for reconciling the vault each shift. This should be done by another Parking ASR.

Lastly, the collection of cash and preparation of deposits slips and bags should be segregated between Parking ASRs.

Management Response: There is always a consideration between the cost of hiring an additional staff person to observe cash count and the benefit associated with this additional staffing. Currently, there are management preventative and detective controls in place reducing the risk associated with not having full segregation of duties. In addition management has not had any issues arising from our current staffing arrangement from prior years. The parking ASR that finishes the shift the night before is not the same parking ASR that starts the shift the next morning. Any unusual balances from the night before will be identified by the morning shift and vice versa. As well there are deposits made throughout the week with the Bank limiting the amount of monies kept in the vault reducing the loss exposure. However at times there are large cash balances due to the larger events and other activities on the grounds taking place and management will arrange to have a second staff to observe the cash count in these instances as the exposure is greater at these times. In addition, management agrees with the auditor's suggestion to install cameras in the vault room and the installation of the cameras has already been completed and the standard operating policies and procedures will be updated to reflect the control aspect of reviewing the tapes on a periodic basis.

Management believes that although finance staff do a physical count of the parking float in the vault 3 times a year and this is reconciled back to financial records that we can increase the frequency by doing it bi-monthly as suggested by the auditors.

- **Review of cash shortages/overages:** Ticket seller sales summaries often have a cash overage/shortage, which could be due to different reasons, including counterfeit bills, human error or theft. Shortages and overages are reviewed monthly by the Parking Services Manager, and when there are unusual trends, these are investigated. Though cash overage/shortages are signed off by the Parking Services Manager as part of the seller's return sheets, there is no formal sign off of the cash overage/shortage monthly report.

In addition, there is not currently a process in place to summarize and roll forward cash overages/shortages by day, month and by employee to monitor trends. There are no controls in place to ensure that the cash shortage/overage report is appropriately prepared. Preparation of the cash shortage/overage report is done by the Parking ASR.

Recommendation: We recommend that management implement a more formal review and sign off process by the Parking Services Manager. This process should involve reconciling current month overages/shortages to the ticket seller sales summaries, and setting a threshold for investigating variances. The Parking Services Manager should review the results of any investigations on a monthly basis and document the review by signing off on the document. Prior month shortage/overages within the report should be locked to prevent future manipulation.

Management Response: Management has a formal review of over/under cash shortages done by the Parking Service Manager. We agree that although daily cash shortage is signed off by the Parking Manager with the seller return sheet Management agrees that a continuity summary by month and by sellers of this daily reporting should be provided to the Director of Parking on a monthly basis. This recommendation has already been implemented.

iv. Overall control environment recommendations

Integrity of templates/spreadsheets utilized:

There are a number of spreadsheets and templates utilized by the parking operations to record revenues and calculate HST to be remitted to the government. These spreadsheets contain formulae for the calculations contained within. There are currently no spreadsheet controls in place to prevent error or manipulation, which could impact revenues recognized, as well as HST remittances.

While these spreadsheets are reviewed daily or monthly, formulae within these spreadsheets are not locked to prevent error or manipulation, which could impact the journal entries recorded.

We recommend that management increase the level of control within these templates by locking all templates and formulae to ensure that only input cells can be changed.

Management Response: There are some formula driven calculations such as HST. These formulas can be overridden. Management does agree that we can protect some of the sections of the template from override. Currently there is some manual keying and summation of numbers, however there is management review. Management has implemented this recommendation.

Policies and procedures:

As part of our procedures, we have reviewed all standard operating policies and procedures available in order to gain an understanding of the business processes related to parking. In doing so, we identified that although a policy and procedure manual exists for the purposes of guiding staff, this procedure manual is not always provided to parking staff.

We recommend that management re-confirm that the staff is aware of all policies and procedures, and where there are gaps in their understanding, training should be provided to ensure all staff are adhering to policies and procedures.

Management Response: Management updated the standard operating policy and procedure manual with the assistance of Toronto Parking Authority (TPA) in late 2015. Management will work with staff to determine if there are any gaps in knowledge in order to determine if additional training is required.

Manual processes for recording and reconciling revenues:

Through our review of the above key parking business processes, we identified that the recording and reconciliation of each process is highly manual, each including manual reconciliation of third party reports to bank accounts, and manual posting of all journal entries to record revenues.

We believe that it may be beneficial for management to explore implementing a parking revenue control system which would allow for a higher degree of automation within the process, including automating the reconciliation process and using an interface to create journal entries to recognize revenue. We recommend that management consider investigating this option, as it could create efficiencies within the processes, as well as eliminating opportunity for error, manipulation, and fraud.

Management Response: Recently WSP Canada completed a parking study for Exhibition Place on parking planning and traffic management. The WSP report that was approved by the Board made recommendations on working with TPA to acquire parking management software and to automate parking processes where appropriate. Management will work with TPA to develop a plan and options to implement over the next year.