

The Mayor & City Council Approval
of the City Auditor's Final Report

**City Council of the City of Galveston
Regular Meeting Agenda
Thursday November 21, 2013**

14. Action Items

C. Discuss and consider acceptance by City Council of the Final Audit Report on "ABM Parking Services Audit".

MPT Legg moved to approve

CM Robb second the motion

The Mayor & City Council **Unanimously Approved**

The Council has no objection to making previous drafts public

Office of the City Auditor
Glenn Bulgherini, CPA
City Auditor





**A Report to the Galveston
City Council**

Mayor
Lewis Rosen

Council Members
Cornelia Banks
Rusty Legg
Elizabeth Beeton
Norman Pappous
Terrilyn Tarlton
Marie Robb

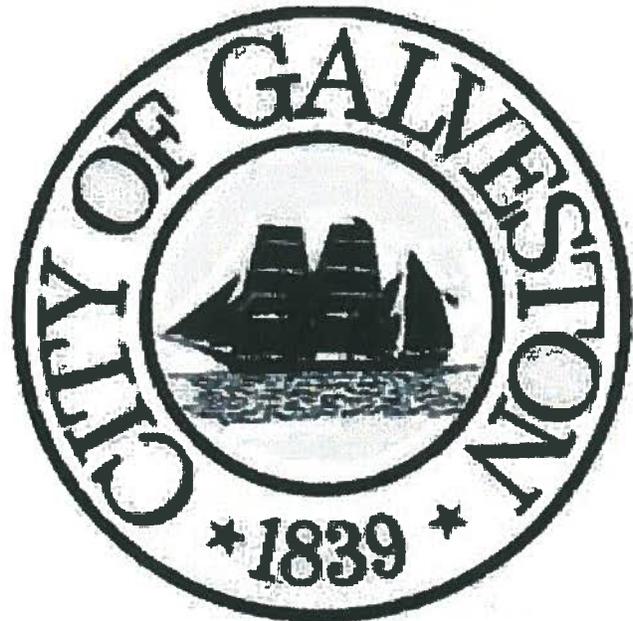
Office of the City Auditor

City Auditor
Glenn Bulgherini, CPA

Auditor
Carrie Sumrall

Audit Report

Parking Meters Management Agreement with ABM Parking Services



Report Summary

The hardware and software warranties have expired for the downtown parking meters. The current amount to renew the warranties is \$161,025.00. Legal has contacted ABM and they are in the process of updating the warranties and licensing. The provisions have been added to the amendments to the agreement.

Three downtown parking meters are currently not in working condition. FEMA will not replace any parking meters that are not in working condition in the event that another natural catastrophe such as a hurricane should hit the City of Galveston again in the future.

Sales tax payable to the State Comptroller has been underpaid through August 2013 by the amount of \$10,273.87. This amount does not include late penalties and interest. All Sales Tax and other charges should be paid to the State Comptroller. The State Comptroller has the right to shut down all downtown parking meters if all sales tax and other charges are not paid.

**City of Galveston
Parking Meters Management Agreement
City Auditor Executive Summary**

The purpose of this report is to give the Mayor and City Council an overview of the Parking Meters Management Agreement between the City of Galveston and ABM Parking Services (Formerly Ampco System Parking). The parking meters referred to in this agreement are located in the City of Galveston's Downtown area and on the Strand. The management agreement was signed on May 1, 2010 between the City of Galveston and Ampco System Parking (Now ABM Parking Services). The agreement is for five (5) years ending on March 31, 2015.

Hurricane Ike struck the City of Galveston in September 2008 severely damaging all downtown parking meters. ABM Parking Services repaired and updated the parking meters in the downtown area and on the Strand costing the City of Galveston \$270,278.93. FEMA paid \$120,278.93 of this cost and the remaining \$150,000.00 was loaned to the City of Galveston by ABM Parking Services. The City of Galveston contracted the loan with ABM Parking Services for the \$150,000.00 at a 4% interest rate starting in December 2010 and ending in March 2015.

The City of Galveston had parking meters located in the downtown area, on the Strand, and at UTMB before Hurricane Ike struck in September 2008. The City currently has no meters located at UTMB and a large amount of meters have not been replaced in the downtown area. The actual reductions of meters are not known.

Scope

The scope of our procedures included interviews and inspection of file documents. Interviews were conducted with:

- General Fund Accountant – Finance Department.
- Accounting Supervisor – Finance Department.
- Managing Supervisors – ABM Parking Services.

File documents inspected from the General Fund Accountant:

- Signed management agreement for parking meters between ABM Parking Services and the City of Galveston.
- Spreadsheet from the City of Galveston Finance Department detailing (1) Gross receipts collected from parking meters (2) Sales tax payments to the State of Texas (3) Loan payments retained by ABM Parking Services (4) Dollar amounts paid to the City of Galveston (5) Dollar amounts retained by ABM Parking Services.

Our fieldwork was conducted from February 11, 2013 through November 12, 2013.

**City of Galveston
Parking Meters Management Agreement
City Auditor Executive Summary**

Fieldwork Performed

1. The City Auditor's Office sampled and compared the financial information from the spreadsheet obtained from the City of Galveston Finance Department mentioned above to the source documentation received from ABM Parking Services.
2. The City Auditor's Office analyzed the system for monitoring the compliance of the signed management agreement for parking meters between ABM Parking Services and the City of Galveston mentioned above.

Summary of Results

1. It appears the preventive maintenance of the equipment utilized to administer the on-street parking program is the sole responsibility of ABM Parking Services. Currently, the hardware and software warranties have expired and the cost of catching up and maintaining these warranties is \$161,025.00. Also, three of the downtown parking meters are not in working condition. FEMA will not replace any parking meters that are not in working condition in the event that another natural catastrophe such as a hurricane should hit the City of Galveston again in the future.
2. It appears that ABM Parking Services has underpaid the sales tax due to the State of Texas by \$10,273.87 through August of 2013. This does not include any amounts for late penalties and interest due to the State of Texas, which could be substantial. The City Auditor has confirmed with the Sales and Motor Vehicle Tax Interpretations and Publications Division of the Texas State Comptroller's Office that the method in which ABM Parking Services calculates and pays the sales tax is incorrect. Pursuant to the request of the Texas State Comptroller's Office, photographs have been taken of the downtown parking signs and downtown parking meters. The Texas State Comptroller's Office has the right to shut down all downtown parking meters in the event of underpayment of sales tax.
3. The City Auditor's Office was not able to identify any system for the City of Galveston to monitor gross revenues collected from the downtown parking meters.

City Auditor's Recommendation

1. The City Auditor recommends that the hardware and software warranties for the downtown parking meters be caught up and maintained in the amount of \$161,025.00. Documentation should be obtained by the City of

**City of Galveston
Parking Meters Management Agreement
City Auditor Executive Summary**

Galveston so that these warranties are not allowed to expire again. Also, the three parking meters currently not in working condition should be repaired and brought into operating condition.

2. The City Auditor recommends that the additional sales tax due as of August 2013 in the amount of \$10,273.87 as well as any underpaid sales tax accrued after August 2013 as well as all late penalties and interest be paid to The Texas State Comptroller's Office. Documentation should be obtained by the City of Galveston so as to ensure that all sales taxes and other charges have been properly remitted to the State of Texas.
3. The City Auditor recommends that the necessary hardware and software be installed inside City Hall so as to also allow City staff to monitor the gross revenues deposited into the downtown parking meters. This information should be timely compared to the deposit documentation for the downtown parking meters and reconciled for any differences.

Finance Director's Response

The Finance Director concurs with the City Auditors recommendation. The hardware and software warranties for the downtown parking meters need to be caught up and maintained, that the additional sales tax due as of August 2013 needs to be paid and the necessary hardware and software be installed inside City Hall so as to also allow City staff to monitor the gross revenues deposited into the downtown parking meters.

City Manager's Response

The City Manager and City Attorney met with ABM and negotiated an amendment to the AMPCOI agreement that addresses the auditor's concerns. The proposed amendment is on the November 21, 2013 agenda as Discussion Item, 14C.

ABM GROSS REVENUE

CITY OF GALVESTON REVENUE SHARE

1ST YEAR

DATE	GROSS RECEIPTS	TAX	GROSS LESS TAX	PERCENTAGE	LOAN PYMT	PYMT TO GLAVESTON LESS LOAN
Aug-10	2,076.30	158.24	1,918.06	10.83%		207.63
Sep-10	25,829.70	1968.56	23,861.14	10.83%		2582.97
Oct-10	27,229.70	2,075.25	25,154.45	5.00%		1,258.89
Nov-10	23,035.60	1,755.58	21,280.02	15.90%		3,384.56
Dec-10	22,287.85	1,698.60	20,589.25	10.00%	(2,058.92)	-
Jan-11	20,075.15	1,529.98	18,545.17	10.00%		1,854.52
Feb-11	16,638.85	1,268.10	15,370.75	10.00%		1,537.08
Mar-11	40,974.36	3,122.77	37,851.59	10.00%		3,785.16
Apr-11	38,352.53	2,922.96	35,429.57	10.00%	(3,146.63)	396.33
Apr-11	14,595.88	1,112.40	13,483.48	20.00%		2,696.69
TOTAL:	231,095.92	17,612.44	213,483.48		(5,205.55)	17,703.83

2ND YEAR

DATE	GROSS RECEIPTS	TAX	GROSS LESS TAX	PERCENTAGE	LOAN PYMT	PYMT TO GLAVESTON LESS LOAN
May-11	37,690.20	2,872.46	34,817.74	10.00%	(3,146.63)	335.14
Jun-11	55,215.00	4,208.07	51,006.93	10.00%	(3,146.63)	1,954.06
Jul-11	64,704.15	4,855.01	58,849.12	10.00%	(5,884.91)	-
Aug-11	48,828.43	3,731.34	45,107.09	10.00%	(4,510.71)	-
Sep-11	11,062.20	843.08	10,219.12	10.00%	(1,021.91)	-
Sep-11	38,709.12	2,950.13	35,758.99	20.00%	(7,151.80)	
Oct-11	40,661.56	3,098.90	37,562.66	20.00%	(4,544.78)	2,967.75
Nov-11	37,074.85	2,825.56	34,249.29	20.00%	(3,146.63)	3,703.23
Dec-11	37,930.31	2,890.79	35,039.52	20.00%	(3,146.63)	3,861.27
Jan-12	33,717.05	2,569.66	31,147.39	20.00%	(3,146.63)	3,082.85
Feb-12	28,408.23	2,165.08	26,243.15	20.00%	(3,146.63)	2,102.00
Feb-12	13,240.36	1,009.09	12,231.27	50.00%	-	6,115.64
Mar-12	50,105.15	3,818.63	46,286.52	50.00%	(3,146.63)	19,996.63
Apr-12	44,688.06	3,405.79	41,282.27	50.00%	(3,146.63)	17,494.51
TOTAL:	542,034.67	41,243.59	499,801.06		(48,287.15)	61,613.08

3RD YEAR

DATE	GROSS RECEIPTS	TAX	GROSS LESS TAX	PERCENTAGE	LOAN PYMT	PYMT TO GLAVESTON LESS LOAN
May-12	47,370.96	3,610.27	43,760.69	10.00%	(3,146.63)	1,229.44
Jun-12	60,653.54	4,622.54	56,031.00	10.00%	(3,146.63)	2,456.47
Jul-12	56,943.93	4,339.85	52,604.08	10.00%	(3,146.63)	2,113.78
Aug-12	44,216.80	3,369.86	40,846.94	10.00%	(3,146.63)	938.06
Sep-12	7,314.45	555.59	6,758.86	10.00%		-
Sep-12	52,424.96	3,997.31	48,427.65	20.00%	(3,146.63)	7,214.94
Oct-12	44,564.28	3,396.35	41,167.93	20.00%	(3,146.63)	5,086.96
Nov-12	40,993.84	3,124.26	37,869.58	20.00%	(3,146.63)	4,427.29

ABM GROSS REVENUE

CITY OF GALVESTON REVENUE SHARE

3RD YEAR CONT.

DATE	GROSS RECEIPTS	TAX	GROSS LESS TAX	PERCENTAGE	LOAN PYMT	PYMT TO GLAVESTON LESS LOAN
Dec-12	40,767.70	3,107.02	37,660.68	20.00%	(3,146.63)	4,385.51
Jan-13	40,170.61	3,061.50	34,872.59	20.00%	(3,146.63)	3,827.89
Jan-13	-	-	2,236.52	50.00%	-	1,118.26
Feb-13	34,584.04	2,635.74	31,948.30	50.00%	(3,146.63)	12,827.52
Mar-13	64,302.06	4,900.61	59,401.45	50.00%	(3,146.63)	26,554.08
Apr-13	48,517.14	3,697.61	44,819.53	71.42%	(3,146.63)	28,864.58
TOTAL:	582,824.31	44,418.51	538,405.80		(37,759.56)	101,044.78

4TH YEAR

DATE	GROSS RECEIPTS	TAX	GROSS LESS TAX	PERCENTAGE	LOAN PYMT	PYMT TO GLAVESTON LESS LOAN
May-13	63,393.79	4,831.36	58,562.43	10.00%	(3,146.63)	2,709.61
Jun-13	56,877.97	4,334.80	52,543.17	10.00%	(3,146.63)	2,107.69
Jul-13	74,503.24	5,678.08	68,825.16	10.00%	(3,146.63)	3,735.89
Aug-13	72,753.37	5,544.71	67,208.66	17.01%	(3,146.63)	8,288.17
TOTAL:	267,528.37	20,388.95	247,139.42		(12,586.52)	16,841.36