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**MICHAEL POST, C.P.A., M.B.A.**  
**HARRIS COUNTY AUDITOR**

December 16, 2022

Dear MG Noriega:

The Harris County Auditor's Office Audit Division has completed an audit of the Parking Facility Management Services Agreement between Harris County and Lanier Parking Meter Services, LLC. The results of our audit are included in the attached report.

We appreciate the time and attention provided by your team. Please expect an email request to complete our Post Engagement Survey. We look forward to your feedback. If you have any questions, please contact me or Errika Perkins, Chief Assistant County Auditor, 713-274-5673.

Sincerely,

A handwritten signature in blue ink that reads "Michael Post". The signature is fluid and cursive, with a long horizontal stroke at the end.

Michael Post  
County Auditor

Report Copies:

District Judges  
County Judge Lina Hidalgo  
Commissioners:  
R. Jack Cagle  
Rodney Ellis  
Adrian Garcia  
Tom Ramsey  
Christian Menefee  
David Berry



INTERNAL AUDIT REPORT  
**LANIER PARKING CONTRACT AUDIT**  
DECEMBER 16, 2022

## Executive Summary

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### OVERALL CONCLUSION

Lanier Parking Meter Services, LLC (Contractor) is not in compliance with several key aspects of the Parking and Facilities Management Services Agreement (Agreement). The issues were discussed with Universal Services – Parking Management (Management), and management action plans have been developed, which will address the issues identified by February 28, 2023.

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### SCOPE AND OBJECTIVE

The Harris County Auditor's Office Audit Division evaluated the Contractor's compliance with the terms of the Agreement with Harris County. The scope covered the two-year period ending February 28, 2022.

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### SUMMARY OF AUDIT ISSUES

- The Contractor is not providing a complete monthly summary of parking operations report.
- The Contractor's monthly reimbursement invoices include non-reimbursable items and lack appropriate supporting documentation.
- The Contractor is not maintaining an operational problems/patron complaint log.
- Meeting minutes are not recorded for the monthly operational performance meetings.

The audit issues, Management's action plans to address the issues, and background information regarding this audit are discussed in more detail on the following pages. Each audit issue is ranked based on the likelihood and impact of the risk to Harris County (County).

## AUDIT ISSUES

### **ISSUE #1: The Contractor is Not Providing a Complete Monthly Summary of Parking Operations Report [HIGH]**

**What is the Issue:** Monthly Summary of Parking Operations reports lacked parking utilization information, daily cashier activity reports, and recommendations regarding opportunities for revenue enhancement.

**Why it Happened:** The Contractor's parking management system does not have the functionality to easily meet or attain some of the key operational reporting requirements outlined in the Agreement. According to the Contractor, the process to determine the data is manual. Additionally, the Contractor's parking management system is not directly compatible with some of the County's aged parking infrastructure assets.

**Why it Matters:** Management's ability to make key operational decisions is impaired by only having partial parking operations information.

**What is Expected:** *Section V - Reporting and Meetings* section of the Agreement requires certain information to be reported to the County monthly. At a minimum, the Agreement requires daily Cashier Activity Reports and Parking Utilization Reports.

The Parking Utilization Report should include ticket usage, daily number of transactions, durations of stay, amount paid per transaction, occupancy by time of day, permitted non-parking use, monthly management fee, payment due to the County, unusual incidents, expense documentation, and recommendation of revenue enhancements.

**What Action(s) are Suggested:** Management should require the Contractor to adhere to the reporting requirements outlined in the Agreement.

### **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Susan Norman, Universal Services Parking Specialist

To address the "Issue #1: The Contractor is Not Providing a Complete Monthly Summary of the Parking Operations Report" issue, which has been identified in the Auditor's Draft Report. Universal Services received Court approval to install new Parking Access and Revenue Control System (PARCS) equipment for downtown parking facilities. Installation of this equipment will eliminate this issue in the future. The PARCS equipment installation began at 1401 Congress parking garage in September 2022, and additional sites are scheduled in the future. The new PARCS system will allow for the parking vendor and HC to access Parking Utilization Reports in a timely manner.

**Due Date:** Estimated Completed PARCS Install February 28, 2023



## **ISSUE #2: Monthly Reimbursement Invoices Included Non-Reimbursable Items and Lack Appropriate Supporting Documentation. [HIGH]**

**What is the Issue:** The Contractor submitted monthly reimbursement invoices that included incomplete and missing supporting documentation. Additionally, the monthly reimbursement invoices contained items that are non-reimbursable per the Agreement.

A review of four monthly Contractor invoices revealed the following:

- 31 payroll expense items totaling \$253,542 did not include complete supporting documentation. The supporting documentation provided did not reconcile to the payroll expense balances found on the Contractor financial statements.
- 26 invoiced items totaling \$15,794 did not include supporting documentation.
- 21 invoiced items totaling \$218 included sales tax and/or late fee charges. Sales tax and late fees are specifically identified as non-reimbursable items in the Agreement.

**Why it Happened:** Management's invoice review process does not include a detailed confirmation that each individual line item of the reimbursement request includes appropriate supporting documentation. Additionally, the Contractor does not have a process to confirm items disallowed by the Agreement.

**Why it Matters:** Payment to the Contractor for unallowable items per the contract results in financial loss to the County.

**What is Expected:** *Section II - Revenue Collection and Control* of the Agreement requires detailed supporting documentation be included for all operational and maintenance expenses submitted for reimbursement. Additionally, sales taxes and late fee expenses are defined as non-reimbursable.

**What Action(s) are Suggested:** Management should:

- Require the Contractor to include a reconciliation of payroll expense items to payroll supporting documentation. Management should validate the reconciliation during the department's monthly invoice review.
- Require the Contractor to provide line item listing of the "Due From County" reimbursement summary and provide support for each line item then review these documents for reasonableness.
- Provide the Contractor with a Tax Exemption Certificate. This certificate can be used by the Contractor to remove sales tax balances from operational purchases for the County. The Contractor should reimburse the County for all sales taxes on previous monthly reimbursements.
- Implement a review procedure to ensure non-reimbursable expense are not paid.

## **MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Susan Norman, Universal Services Parking Specialist

To address the "Issue #2: Monthly Reimbursement Invoices Included Non-Reimbursable Items and Lack Appropriate Supporting Documentation" issue, which has been identified in the Auditor's Draft Report, Universal Services will work with the Auditor's Office to develop procedures for reviewing and submitting Reimbursement Request and supporting documentation. This process will include refining existing procedures, as well as, submitting the Reimbursement Request to County Auditor's Accounts Payable



section for examination and approval. Moving forward no invoice or reimbursement will be approved to pay without full supporting documentation.

**Due Date:** January 31, 2023

**ISSUE #3: The Contractor is Not Maintaining an Operational Problems/Patron Complaint Log. [MODERATE]**

**What is the Issue:** The Contractor is not maintaining a consolidated operational problem/patron complaint log.

**Why it Happened:** The Contractor experienced employee turnover at the Territory Manager level. During the management change, the process for reporting and documenting operational and patron complaints did not effectively transition to the Contractor's new Territory Manager.

**Why it Matters:** The purpose of the complaint log is to record when operational problems occur and what actions were taken to address those problems. The lack of a complaint log impairs Management's ability to determine whether the Contractor is addressing and resolving operational problems and complaints timely and efficiently.

**What is Expected:** *Section V - Reporting and Meetings* of the Agreement requires the Contractor to maintain a written log of all complaints, injuries and accidents, security problems, facility and equipment damages, and any unusual activities occurring at the parking facilities. The log is to include location, date and times, actions taken, and reasons for situations when no action is taken. The log should be made available for inspection by County staff and is required to be delivered to County by the tenth day of the month.

**What Action(s) are Suggested:** Management should maintain and monitor the delivery of the operational problem and complaint log for reasonableness.

**MANAGEMENT'S ACTION PLAN**

**Responsible Party:** Susan Norman, Universal Services Parking Specialist

To address the "Issue #3: The Contractor is Not Maintaining an Operational Problems/Patron Complaint Log" issue, which has been identified in the Auditor's Draft Report, Parking Vendor will submit to Universal Services a bi-weekly Operational Problem/Patron Complaint Log. Universal Services is committed to streamline this process.

**Due Date:** December 31, 2022

**ISSUE #4: Meeting Minutes are Not Recorded for the Monthly Operational Performance Meetings [LOW]**

**What is the Issue:** Management did not document meeting minutes for monthly operational performance meetings.

**Why it Happened:** Management does not have any procedures requiring meeting minutes to be documented and maintained.



**Why it Matters:** Not recording and maintaining meeting minutes impairs Management’s ability to review key decisions made during the meetings.

**What is Expected:** As a best practice, meetings should be formally documented and maintained for accountability and to facilitate communications.

**What Action(s) are Suggested:** Management should develop and implement procedures that require meeting minutes to be documented and maintained.

## **MANAGEMENT’S ACTION PLAN**

**Responsible Party:** Susan Norman, Universal Services Parking Specialist

To address the “Issue #4: Meeting Minutes are Not Recorded for the Monthly Operational Performance Meetings” issue, which has been identified in the Auditor’s Draft Report, Universal Services will record meetings and upload the recordings for internal for access.

**Due Date:** January 31, 2023

## **BACKGROUND**

On January 16, 2020, the County entered into a one-year agreement with (4) one-year renewal options with Lanier Parking Meter Services, LLC, doing business as REEF, to manage the County’s parking facilities. Lanier currently provides management services for eight downtown parking facilities with 4,459 parking spots. The average monthly cost to the County for these services was approximately \$119,700.

## **ACCOUNTABILITY**

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing (Standards). The Standards require that we comply with the Code of Ethics and obtain reasonable assurance that significant risks to the activity are minimized to an acceptable level.

The engagement’s scope did not include a detailed inspection of all transactions. There is a risk that fraud or errors were not detected during this engagement. Therefore, the official retains the responsibility for the accuracy and completeness of their financial records and for ensuring sufficient controls are in place to detect and prevent fraud, errors, or omissions.

