



*Cobb County...Expect the Best!*

**INTERNAL AUDIT DEPARTMENT**

**Report Number: 2023-004**

***FINAL REPORT – Review of Compliance with  
the Parking Deck Agreement and a  
Survey of the Payment Card Industry (PCI)  
Readiness***

***June 26, 2023***

***Latona Thomas, CPA, CIA, Director  
Margarite Benevento, Senior Internal Auditor***

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## COBB COUNTY INTERNAL AUDIT

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Director

June 26, 2023

### MEMORANDUM

**TO:** Dr. Jackie McMorris, County Manager

**FROM:** Latona Thomas, CPA, CIA, Director 

**SUBJECT:** **FINAL REPORT** – Review of Compliance with the Parking Deck Agreement and a Survey of the Payment Card Industry (PCI) Readiness

Attached for your review and comments is the subject final audit report. The overall objective of this audit is to review compliance with the Parking Decks Agreement to ensure performance metrics are being met, and to evaluate and report on the Payment Card Industry (PCI) readiness status.

### **Impact on the Governance of Cobb County**

The two recommendations along with the corrective actions, when implemented, will strengthen the monitoring activities over the parking deck management agreement. County leadership and other stakeholders can be assured that the parking decks are being managed properly; and that revenues and expenses are valid, complete, accurate, and properly supported with adequate documentation.

### **Executive Summary**

We determined that existing controls are in place, but improvements are needed for increased oversight and controls as well as consistency in monitoring the contract agreement. Existing controls include the review and substantiation of various financial reimbursement requests and overall network security. Currently, there is not a formal process in place to ensure that agreed upon tasks and responsibilities are monitored and completed.

### **Recommendations**

We made two (2) recommendations to increase the effectiveness of monitoring controls over the contract agreement with LAZ Parking. The two recommendations are documented in the 'Results of Review' section of the report, on Pages 4 - 6.

## **Responses**

The Support Services Agency and Finance Department provided a response to our draft report and concurred with the two (2) recommendations. The complete responses to the draft report are included in Appendix III. The referenced corrective actions have been initiated and will continue on a weekly basis. The Property Maintenance Manager and Finance Accountant II are the positions responsible for implementation unless designated in the respective responses. We will perform a follow-up on corrective action in one year from the date of this report. A copy of this report will be distributed to those affected by the report recommendations, as reflected below. Please contact me at (770) 528-2559 or Margarite Benevento at (770) 528-2557 if you have questions.

CC: Sharon Stanley, Support Services Agency Director  
William Volckmann, Chief Financial Officer  
Kimberly Lemley, Chief Information Officer  
Travis Stalcup, Director of Property Management  
Jimmy Gisi, Deputy County Manager  
Cobb County Audit Committee  
Internal Audit Department File

## ***Background***

Effective May 1, 2019 a Parking Decks Management Agreement (Agreement) was signed by Cobb County (County) and LAZ Parking Georgia, LLC (LAZ). Per the agreement, LAZ manages and operates the County's two parking garages (Parking Facility) located at 115 Waddell Street and 191 Lawrence Street in Marietta, Georgia. The agreement commenced on the effective date and extended for three (3) 'Management Years'<sup>1</sup>, with the option to renew for two (2) additional one (1) year extension terms by written agreement of both parties. During our audit period, the agreement was in the third year; however, prior to the issuance of the draft report, we noted that the option to renew for a fourth year was executed on March 18, 2022. As of the date of this draft report, the County is working with the County Attorney's Office to exercise the second one year option and last renewal of this agreement. A new RFP is expected to be advertised this fall.

### **Roles/Responsibilities**

#### *Cobb County*

The County is responsible for "all other operating and maintenance and debt service costs of the Parking Facility, except as otherwise provided herein, and shall pay such Parking Facility operating expenses and debt service costs from the Parking Deck Fund." The County is also responsible for maintaining the sidewalks and curb cuts adjacent to the Parking Facility in accordance with applicable municipal ordinances and for all repairs of a structural nature.<sup>2</sup>

#### *LAZ Parking*

LAZ agreed "to manage and operate the Parking Facility in an efficient workmanlike manner in accordance with industry standards and on days and hours and at the rates agreed upon in writing by the County." LAZ is also responsible for receiving and depositing all revenue in an account established and controlled by the County ("the Parking Deck Fund"). The "payment of the salaries and wages for Parking Facility staff and LAZ's overhead expenses for managing the Parking Facility are to be paid from its owns funds." Other required duties or daily tasks are listed in Exhibit A of the Agreement.

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<sup>1</sup> A "Management Year" is defined as the twelve month period commencing on the Commencement Date. [Source: Parking Decks Management Agreement Section 2.]

<sup>2</sup> Exhibit B of the Agreement includes a detailed list of County expenses.

## Credit Card Security Obligations (PCI Readiness)

Section 18 of The Agreement states that “To the extent applicable, the Parties hereby agree to comply with the Payment Card Industry Security Standard, as currently in effect as may be amended from time to time (“PCI DSS”<sup>3</sup>). Notwithstanding the foregoing provisions, the Parties acknowledge that the County currently maintains and will during the Term of this Agreement continue to maintain a merchant agreement with a national credit card processor to facilitate the acceptance of credit cards for payment at the Parking Facility.” However, while the County network is used for the County-owned parking deck machines, LAZ uses their software (Flash) to process payments and uses USAePay as their processor. Per USAePay, they are Level 1 PCI-compliant. Per PCI DSS, PCI DSS Level 1 “is a set of requirements designed to ensure the highest level of security for businesses that store, transmit, or process credit card data. The highest compliance level, PCI DSS Level 1, identifies any merchant who processes more than 6 million Visa transactions per year. This high level of verification is granted only if the merchant, at Visa’s discretion, meets level 1 requirements set to minimize risk to the system. USAePay also indicates that they update their “PCI guidelines based on updates of regulations and requirements through our annual Level-1 audit.”<sup>4</sup>

## Five-Year Trend Analysis

### Revenues

Based on the five-year revenue analysis in Table 1 below, there was a significant increase in parking deck revenues for FY2019. Based on our discussions, the increase was due to added events in or around the Marietta Square including movie filming. In addition, the COVID-19 pandemic greatly reduced events and activities on the Marietta Square, and there were far less visitors to County facilities for Judicial and other County business. The limited activity has negatively impacted the parking deck revenue.<sup>5</sup>

### Five-Year Revenue Analysis FY2017 – FY2021

Description	2017 Total	2018 Total	2019 Total	2020 Total	2021 Total	5- Year Average
Parking Fee-Leased Spaces	\$34,613.79	\$35,495.34	\$37,512.19	\$46,290.40	\$38,352.00	\$38,452.74
Parking Fee-Public	\$363,255.00	\$363,600.00	\$492,959.64	\$313,972.26	\$327,920.37	\$372,341.45
Parking Fee-Employee	\$280,082.23	\$296,626.21	\$289,918.32	\$270,660.06	\$253,054.90	\$278,068.34
<b>Revenues</b>	<u>\$677,951.02</u>	<u>\$695,721.55</u>	<u>\$820,390.15</u>	<u>\$630,922.72</u>	<u>\$619,327.27</u>	<u>\$688,862.54</u>

Table 1 – Source: CGI Advantage Financial System, the County’s financial system.

<sup>3</sup> PCI DSS (Payment Card Industry Data Security Standards) refers to the payment cards industry data security standards. PCI data security standards are requirements determined by a council (PCI SSC) consisting of representatives of companies with global card networks such as American Express, MasterCard, Visa, Discover, and JCB to ensure the security of card and cardholder data. [Source: <https://www.pcidssguide.com>]

<sup>4</sup> Source: <https://help.USAePay.info/merchant/resources/security>.

<sup>5</sup> Cobb County Finance webpage, ACFR Reports, August 2022.

### Expenditures

Annual debt service costs range from approximately 66 - 71% of the expenditures<sup>5</sup> for the Parking Deck Facility Fund. Per Finance and supporting documents, the Parking Deck Certificates of Participation were paid in full on December 19, 2022.

### **Five-Year Expenditure Analysis FY2017 – FY2021**

Location	2017 Total	2018 Total	2019 Total	2020 Total	2021 Total	5-Year Average
115 Waddell St	\$139,472.68	\$214,738.82	\$218,215.10	\$383,052.19	\$328,944.87	\$256,884.73
191 Lawrence St	<u>\$828,722.57</u>	<u>\$799,660.19</u>	<u>\$805,293.20</u>	<u>\$795,574.15</u>	<u>\$796,854.15</u>	<u>\$805,220.85</u>
<b>Expenditures</b>	<u>\$968,195.25</u>	<u>\$1,014,399.01</u>	<u>\$1,023,508.30</u>	<u>\$1,178,626.34</u>	<u>\$1,125,799.02</u>	<u>\$1,062,105.58</u>

Table 2 – Source: CGI Advantage Financial System, the County's financial system.

The scope of our review period covered revenue collections and operations for the period October 1, 2021 to August 31, 2022, and the original contract effective May 1, 2019. Detailed information on our audit objectives, scope, and methodology is presented in Appendix I.

## ***Results of Review***

The overall objective of this audit was to review compliance with the Parking Decks Agreement to ensure performance metrics are being met, and to evaluate and report on the Payment Card Industry (PCI) readiness status. We performed our preliminary survey procedures to understand the compliance requirements for the tasks outlined in the agreement for both the County and LAZ. We conducted interviews of staff from the County Support Services Agency, Property Management, Finance Department, and LAZ Operations. We performed numerous analyses of transactions for the period October 1, 2021 to August 31, 2022 and other available reports. We also examined various supporting documentation for revenue and expenditures and PCI readiness criteria. We determined that some monitoring controls exist, adequate supporting documentation was available for expenditures, and the County has numerous network security controls in place. Notwithstanding, additional improvements are needed to ensure that agreed upon tasks and responsibilities are monitored and completed. The accompanying pages include our recommendations to address the improvements needed.

### ***Additional Monitoring Activities Are Needed***

During this review, we identified weaknesses in the monitoring activities for the agreed upon tasks in the agreement. Specific control activities needed include consistent management oversight with documented evidence, and the accessibility of supporting documentation for revenues. Improvements in these areas will strengthen internal controls to minimize the risk of errors or noncompliance.

### **Consistent Management Oversight of Agreement Tasks is Needed**

Consistent management oversight of agreement tasks is needed. Currently, various tasks and performance metrics are monitored on an informal basis, and no evidence to substantiate the completion is maintained. Identified maintenance or cleaning issues within the Parking Facility are communicated to the LAZ representative for correction, but no documentation is provided to substantiate completion. There is also no tool to capture and report on the compliance with the performance metrics. In addition, no written contract management procedures that provide designated contract administrators with the information to effectively manage the contracts for which they are responsible. Contract management guidelines, an attachment to the County's Policy for Procurement and Contract Management, indicates that "All monitoring activities should be in writing, including changes to the scope of work, pricing, terms, etc." Specific instructions on how to monitor contract performance, the documentation needed to validate compliance with contract stipulations, and overall contract compliance is needed. The absence of such increases the risk of noncompliance and the untimely communication and notifications of contract related issues.



## **Recommendation**

Support Services Agency Director and/or Property Management Director should:

**Recommendation 1:** Designate a team member to coordinate with the LAZ Manager and establish a reporting tool to document and periodically report on the completed tasks and responsibilities, as noted in the agreement. These reports should be consistently monitored, maintained, and reviewed during future solicitation and contract negotiations.

**Auditee Response:** We concur with the recommendation and designate the Property Maintenance Manager to coordinate with the LAZ Manager. Our existing work order management software will be used to document and periodically report on the completed tasks and responsibilities listed in Exhibit A of the contract. Under the Property Maintenance Manager's supervision, a Property Management maintenance team member will be assigned a weekly work order to monitor LAZ task. The Property Maintenance Manager will also initiate all contract related activities such as rebids and renewals.

## **Accessibility to Supporting Documentation Should Be Expanded**

The supporting documentation for revenues transactions is not readily available to County staff. Backup documentation for revenues is maintained by the LAZ Business Manager in both paper and electronic formats, but Finance Department does not have access. We judgmentally selected and reviewed the month of June 2022, which included a representative sample of 90 revenue transactions for both parking decks. Of the 90 transactions, we examined documentation to support 88 of these transactions, and validated the daily reconciliations of deposits and settlement statements. Two transactions were excluded due to a delay in the information being readily available. The LAZ Business Manager completes the daily reconciliations of transactions; forwards them to Property Management for review, to be recorded as a cash receipt (CR) in the County's financial system and approval, who then submits to Finance Department General Accounting Division for final approval. Although the CR transaction is recorded in the financial system, the supporting documentation is not uploaded into OnBase<sup>6</sup>. The supporting documentation for CRs is maintained solely by the LAZ Business Manager in a non-shared folder and is available upon request. During our fieldwork, we identified only 3 of the 90 transactions had documentation uploaded to OnBase. Documentation for County transactions should be uploaded and retained in OnBase. Accessibility of supporting documentation ensures that all interested parties have complete and accurate documentation for each recorded transaction.

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<sup>6</sup> The County's electronic content management system for record retention.

### ***Recommendation***

The Chief Financial Officer or General Accounting Division Manager should:

**Recommendation 2:** Designate a team member to coordinate with the LAZ Manager to establish a process and ensure all supporting documentation for revenue transactions are uploaded into OnBase in a timely manner. In the short-term, the supporting documentation for revenue transactions should be saved in a shared drive that is accessible and readily available by County staff, as needed.

**Auditee Response:** The Finance Department concurs with recommendation 2. Starting in July of 2023, an Accountant II in the General Accounting Division will begin coordinating with the LAZ Manager to establish a process and ensure all supporting documentation for revenue transactions are uploaded into OnBase in a timely manner.

### Detailed Objectives, Scope, and Methodology

We conducted this audit in conformance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing. Our overall objective is to review compliance with the Parking Decks Agreement to ensure performance metrics are being met, and to evaluate and report on the Payment Card Industry (PCI) readiness status. Our scope period covered revenue collections and operations for the period October 1, 2021 to August 31, 2022.

To accomplish our objective, we performed the following steps:

- I. Interviewed the Support Services Director to:
  - a) Understand how compliance is monitored.
  - b) Determine how the fees for parking are determined and monitored to ensure that market rate is charged.
  - c) Ascertain if there are additional positions that perform monitoring of the contract.
- II. Determined what evidence is maintained or documented.
  - a) As applicable, verified evidence of review and approval.
- III. Interviewed the Finance Director to:
  - a) Determine who monitors the Parking Deck Fund.
  - b) Determine what Debt Service Costs are associated with the parking decks.
  - c) Determine, if applicable, that an Incentive Management Fee was paid during this agreement.
- IV. Obtained and reviewed the expenditure and revenue reports for scope period.
  - a) Selected a sample of expenditures for the scope period and substantiated with supporting documentation.
  - b) Selected a sample of revenues for a one-month period and substantiated with supporting documentation.
- V. Interviewed IS Director to ensure the devices used in Parking Facility is up to the standards for PCI readiness.
- VI. Obtained documentation for agreement renewal.
- VII. Interviewed Property Management to:
  - a) Understand their role, if any, in the tasks for maintaining the parking decks.
  - b) Understand the difference in roles between LAZ and Property Management with regards to the needs of the parking decks.
  - c) What monitoring or oversight reports are generated and, if applicable, whom is it communicated to?

### ***Outcome Measures***

This appendix presents detailed information on the measurable impact that our recommended corrective actions will have on County governance. These benefits will be incorporated into our annual report to the Board of Commissioners, Audit Committee, and County Manager.

#### **Type and Value of Outcome Measure:**

- Increased oversight and monitoring of controls for the agreement – Actual; Recommendation, when implemented, will facilitate effective governance and compliance with the agreement requirements (See Pages 4 - 6).
- Compliance with the Parking Decks Agreement – Actual; Recommendation, when implemented, will provide assurance that all parties are abiding by the terms and obligations set forth in the agreement (See Pages 4 - 6).
- PCI Readiness Status – Actual; Recommendations, when implemented, will clearly establish responsibility for PCI Readiness with regards to the parking deck payment systems and ensure that County transactions are secure as processed (See Page 4).

#### **Methodology Used to Measure the Reported Benefit:**

During the audit period, October 1, 2021 through August 31, 2022, we reviewed a sample of revenues and expenditures. The average five-year revenue totaled \$688,862.54 and the average five-year expenditures totaled \$1,062,105.58, for the periods FY2017 through FY2021.

### *Auditee's Response to the Draft Report*



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Sharon A. Stanley  
Agency Director

DATE: June 22, 2023

TO: Latona Thomas, CPA, CIA, Director, Internal Audit

FROM: Sharon Stanley, Director, Support Services Agency *gls*  
Bill Volckmann, Chief Financial Officer

SUBJECT: Audit Response – Review of Compliance with Parking Deck Agreement and a Survey of the Payment Card Industry (PCI) Readiness

Several recommendations were made and our response to those recommendations are below.

#### **Recommendations**

**The Support Services Agency Director and/or Property Management Director should:**

**Recommendation 1:** Designate a team member to coordinate with the LAZ Manager and establish a reporting tool to document and periodically report on the completed tasks and responsibilities, as noted in the agreement. These reports should be consistently monitored, maintained, and reviewed during future solicitation and contract negotiations.

**Response:** [State: Concur, Disagree, or Concur with Alternate Solution]

We concur with the recommendation and designate Larry Haney to coordinate with the LAZ Manager. Our existing work order management software will be used to document and periodically report on the completed tasks and responsibilities listed in Exhibit A of the contract. Under Larry's supervision, a Property Management maintenance team member will be assigned a weekly work order to monitor LAZ task. Larry will also initiate all contract related activities such as rebids and renewals.

**The Chief Financial Officer or General Accounting Division Manager should:**

**Recommendation 2:** Designate a team member to coordinate with the LAZ Manager to establish a process and ensure all supporting documentation for revenues transactions are uploaded into OnBase in a timely manner. In the short-term, the supporting documentation for revenue transactions should be saved in a shared drive that is accessible and readily available by County staff, as needed.

**Response:** [State: Concur, Disagree, or Concur with Alternate Solution]

The Finance Department concurs with recommendation 2. Starting in July of 2023, Sarah Gaddis an Accountant II in the General Accounting Division will begin coordinating with the LAZ Manager to establish a process and ensure all supporting documentation for revenue transactions are uploaded into Onbase in a timely manner.

Cc: Travis Stalcup, Director, Property Management