

CITY OF BUFFALO  
DEPARTMENT OF AUDIT AND CONTROL

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AUDIT REPORT ON THE  
DEPARTMENT OF PARKING

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## **Preface**

During 2011, two separate incidents of employee theft within the Department of Parking were discovered. In one instance an employee was caught manipulating the winning bids associated with the Auto Impound Auction. In addition, two employees were arrested in December 2011 for tampering with, and stealing coins from, City owned coin parking meters.

Thus a fraud triangle was created in both cases with motivation, opportunity and rationalization existing on the part of these City workers. Based upon these past occurrences, internal controls will be explored and tested to determine if any such deficiencies in the operation still exist.

## **Background on the Department of Parking**

The Department of Parking is responsible for enforcing three key City services. Those services which are listed on the City of Buffalo website include: Towing and Storage Operations, the Parking Violations Bureau, and Parking Meters and Enforcement. A summary of each is presented below.

- **Towing and Storage Operations** involve towing and storage of illegally parked vehicles, police impounded vehicles, vehicles which obstruct traffic or have been involved in an accident. They are required to maintain complete and accurate records of the towed vehicle and the related accounts receivable. They are also responsible for holding auctions on unclaimed vehicles at the Dart Street Impound location.
- **Parking Violations Bureau** accepts not guilty pleas and determines charges of parking violations. This entity maintains complete and accurate records of all parking violation summons and related accounts receivable. They are also responsible for performing the necessary steps of suspending vehicle registration and notification of all unpaid summons.
- **Parking Meters and Enforcement** is in charge of installing, maintaining and repairing all parking meters. They also perform duties relating to parking violations pursuant to the State of New York Vehicle and Traffic Law and the Code of the City of Buffalo. Other job related functions include: Immobilizing vehicles, posting temporary signs for special events along with assisting the Department of Public Works, Parks and Streets in removing obstructing vehicles to facilitate street cleaning and snow removal.

## **Key Findings and Recommendations**

The following are key findings from Auto Impound Auction:

- **Internal Control Enhancement** – From a prior audit, it was determined that there was a major problem with the segregation of duties, which led to subsequent fraudulent activity and criminal prosecution. During three field audit observations, employees were monitored for compliance in changing this past practice. It should be noted that on all three days of observation auditors witnessed that one employee served as an auctioneer; one employee recorded the winning bid amount and two employees monitored crowd control. A separate employee also handled auction related paperwork after the auction was completed. Segregation of duty from past practice had indeed been changed, thereby dramatically improving internal controls in the auction process.
- **Impound Vehicle Inventory** – The City Impound uses a manual system to verify on hand inventory. Due to its manual nature, this system does not allow for instant identification of all towed vehicles in storage. Additionally, upon auditor physical count it was noted that actual inventory varied significantly (45%) from the Department of Parking’s Software inventory report.
- **Inconsistent Recognition of Revenue** – It was discovered that in 10 out of the 36 auctions reviewed revenue recorded in MUNIS did not agree with the revenue recorded in the Parking System Software. Further steps were taken by auditors to identify the reason for these variances and it appears driven by inconsistent utilization of accounts within MUNIS. For example, auction revenue may be recorded as towing and storage revenue in error.
- **Management of Impounded Vehicles** – It was noted that non-auction vehicles maintained in City Impound were not located in designated parking spots, making it difficult to locate a specific vehicle.

The following are key findings from Towing and Storage:

- **Contractor Towing** – It was communicated to auditors that contractual agreements for private contractors have existed since March 2000. It was noted that towing services for a specific contractor far exceeded \$35,000 in 2011 alone. NYS General Municipal Law § 103 explains that all contracts for public work involving an expenditure of over \$35,000 should be formally bid out and advertised in the newspaper.
- **Towing Invoices** – Several errors were noted in a random sample of vendor invoices showing the city was overcharged for duplicate tows.

Towing and Storage Fees – All Towing and Storage fees charged by the City of Buffalo can be found in Chapter 307 of the City Code. These fees have not been changed since April 2004 although revenues generated by these services have been steadily declining over the past 4 years.

#### Recommendations for Auto Impound Auction:

- Impound Vehicle Inventory -We recommend that the City Impound begin using a computerized inventory management system to instantly identify all towed vehicles in storage. A comparable physical inventory to the computerized version would strengthen internal controls and any variance could then be investigated immediately
- Inconsistent Recognition of Revenue -We recommend that the Department of Parking verify the Daily Journal for Towing Payments summary report to the back-up copies of the receipts taken in for that day. This will allow for accurate recording of the funds being entered into the MUNIS software and help discover any potential errors in the Parking System Software. These reports could also be scanned and attached in MUNIS, so that any discrepancies can be easily researched.
- Management of Impounded Vehicles – We recommend that all areas of Impound be labeled with specific parking spots and that vehicles’ inventory include spot location.
- Exploration of Auction Alternatives – It may be worth while to explore other options for handling Auto Auctions such as involving a Third Party to run the auctions or contracting for the purchase of ALL auctionable impound vehicles. These options may free up employee time to engage in other revenue driven activities such as ticket writing while minimizing the expenses related to the auctions.

#### Recommendations for Towing and Storage:

- Contractor Towing – We recommend that since towing costs have exceeded the \$35,000 threshold, action should be taken to put this contract out for bid.
- Towing Invoices – Invoices are normally sent once a month by each towing company. A search can be performed in the Parking System Software that can list all tows for a towing company for a specific period of time. Using this search to compare to the invoice would allow for easy comparison and identification of errors. This is a normal industry practice in transportation charge approval and should prove beneficial in ensuring accuracy.
- Towing and Storage Fees – We recommend that the City look at ways to reverse the decreasing revenue. One of the ways is to review the potential for increasing fees. A comparison of City fees to other municipalities may help determine if our current fee structure is reasonable. Additionally, a third party could perform a cost based analysis in regards to the overall cost of impounding a vehicle. By taking the total expenditures and

administrative costs associated with towing and impounding a vehicle, it could help determine if the Department is breaking even for these services.

#### Recommendations for Parking Software:

- As are noted in the findings above, the audit did uncover software reporting issues and human input errors in its revenue examination of the Impound Auction and the Towing and Storage entity that will need to be corrected and more intently monitored. Some of these errors could be eliminated by adjusting the Parking Software to better serve the Department. For example, a file could be created that could be imported directly into MUNIS that would eliminate entering the information twice and reducing the amount of key stroke errors. If the current Parking Software cannot be modified to correct these types of errors, **then it is strongly recommended** that the City research other software to accommodate their needs. There are currently hundreds of new, advanced parking softwares that aid management in the oversight of revenue reporting, inventory, budget projections, and actual costs. Some of these softwares are also less prone to human errors, allowing for more accurate records and reports. An upgrade to a newer system would also eliminate the need of using two separate programs to input and store parking information. By taking these options into consideration and providing additional personnel training, these types of errors can be easily reduced.
- License plate readers (LPRs) are a new technology that is on the horizon for the Department of Parking. This new type of surveillance system will be able to scan and read license plates by using a camera affixed to Parking Enforcement vehicles. This could potentially increase revenues by making it easier to impound vehicles that are stolen or that have outstanding violations even if a vehicle is parked legally. These types of systems have been implemented in other governments throughout the country and have shown positive results in both parking and law enforcement.

#### Audit Scope

The Audit covers the period January 1, 2011 through March 2012 and examines the Department of Parking recording and receipting of cash and cash equivalents for the City of Buffalo Auto Impound Salvage Auction. An analysis for towing and storage costs associated with the Auto Impound will also be verified for accuracy. The Audit will include follow-up from past recorded audit recommendations (1999 and 2003), but will mainly focus on the current practices and the recent environment that precipitated this audit. It should be noted that the Department of Management Information Systems (MIS) provided auditors with permissions to access the Parking System Software through a Microsoft Access database. This allowed auditors to obtain all pertinent information related to the audit scope with ease. Additionally, we were able to

create essential queries and reports to further analyze the data. This Audit will be broken down into two categories: **Auto Impound Auction and Towing and Storage.**

## **Auto Impound Auction**

### **City of Buffalo Impound Auction Procedures**

The City of Buffalo conducts its Impound Auction approximately every two weeks at its towing and storage headquarters, located at 166 Dart Street. The following is a breakdown of how the auction is handled on the actual auction date. A summary of employee related activities is presented below in a time line fashion.

- Bidder sign-in starts at 11:30 AM and a hand-written bid number is then assigned to the person with the rules of the auction explained on the reverse side of it.
- Gates holding the vehicles are then opened at 12:00 PM for inspection and the rules applying to the auction are announced.
- A minimum starting bid of \$250 for auction vehicles is established with increments increasing by fifty dollars. Other motorized apparatus do not have an established opening amount.
- A minimum of two employees working together must record auction results.
- The winning bid number along with the 2<sup>nd</sup> highest bidder is then recorded on a sheet of paper and by audio recorder.
- Upon completion of the auction for the day, all winning bidders then are presented with the bill for vehicle purchase.
- The winning bidder must pay their bill at the City of Buffalo Treasury office unless they had been pre-approved by the Commissioner of Parking. Pre-Approval means the winning bidder can pay by check at the auction site. They are also able to tow these vehicles out on the same day of the auction. These pre-approved bidder checks are later deposited into the Treasury by a member of the Parking Department usually by 2 PM on the auction day.
- Since this is considered a salvage auction a MV907A form needs to be filled out and signed by the seller. The purchaser will also sign this form after receipt of payment is proven, only then can the vehicle be released. To note, vehicles sold to a scrap processor or licensed dismantler will not be issued this form unless requested.

- After securing proof of payment by the winning bidder the vehicle may be released on Thursday or Friday after the actual auction date, which is held on Wednesdays.
- The Impound employee then must enter the release information and the actual date of release into the Parking System Software tow screen. Release information consists of a receipt number, release type, released to name, and release address.
- A vehicle release form must be signed by both the tow truck operator and Impound employee before the vehicle leaves Impound grounds, thereby verifying the correct vehicle has left the facility. Due to the nature that this is a salvage auction, all vehicles must be towed out of the facility. Inspection and registration (to prove road worthiness) is the responsibility of the purchaser.
- To complete the Impound Auction paperwork process, the receipt, bill of sale, check in sheet and MV907A are inputted into the Parking System Software and scanned into the Application Xtender Program.



## **Field Audit Observations at the Impound Auction**

Due to the sensitive nature of past employee auction corruption and the complexity of observing employees in their course of work, auditors were assigned to three different auctions during the course of this audit. The dates of observation consisted of January 11, February 8, and February 21, 2012. Auditors used past audits, information gathered from the City of Buffalo website, along with procedures being implemented by the Department of Parking to identify key areas of concentration.

A previous recorded audit revealed that the Impound Auction lacked segregation of duties during the actual auction process. Past practice had the same person flagging all cars to be auctioned, serving as auctioneer and processing all related paperwork. This person is no longer employed by the City and in fact paid the City back **\$8,575 in restitution** after pleading guilty to grand larceny and falsifying business records. *Had action been taken on the previous audit recommendations, this activity may have been avoided.*

During the three field audit observations, employees were monitored for compliance in changing this past practice. It should be noted that on all three days of observation auditors witnessed that one employee served as an auctioneer; one employee recorded the winning bid amount and two employees monitored crowd control. A separate employee also handled auction related paperwork after the auction was completed. Segregation of duty from past practice had indeed been changed, thereby dramatically improving internal controls in the auction process.

**Recommendation from previous audit has been fulfilled.**

Policy and Procedural standards currently being used by Impound employees were obtained by auditors on the initial audit observation. There were instances revealed during observations that all current procedures were not being adhered to consistently. **Instances in which procedures were not followed include:**

- After the Impound gates are opened, individuals were not called in by name.
- Rules of the auction were not announced before the auction began.

Auditors also noted a lack of clarity on how starting bids are generated. It seemed subjective in nature which can lead to bid preferencing by the auctioneer if no rules are in place. It was observed by auditors that not all vehicles started at the same opening minimum bid amount. It should be noted that a change in bidding increments from \$25 to \$50 was recently implemented by the auctioneer. **We recommend** that the rules should state that between the starting bid and \$1,000, increments will be in \$50 increases and any bids after \$1,000 will increase in \$100 amounts, similar to the City Foreclosure Auction held every year in October.

It was also observed by auditors that there could have been better crowd control during the auction. Bidders seemed to stray past the vehicle which was being bid on to get a better view on

upcoming vehicles coming up for bid. Some bidders were also seen opening doors to vehicles which had already been auctioned off.

Some straggling is entirely plausible, but due to the potential theft of the cars belongings, emphasis should be stressed at the start of auction to stay within certain boundaries. **We recommend** that some form of boundary marker and signage be used to keep bidders more confined and under control by the auctioneer. A simple mechanism, such as caution tape, used by Impound employees during the bidding may even be acceptable as a means to restrict bidder wandering. Crowd control could also be enhanced by equipping the auctioneer with a bull horn or portable microphone thereby creating a focal point of control during bidding.

### **Impound Vehicle Inventory**

It was discovered during observation that the City Impound uses a manual system to verify on-hand inventory. A filing cabinet holds all pertinent information about each tow. The Impound records their inventory of vehicles and other items by creating a unique property number. A property number is established by the Impound by using the following system:

- The number of tows for the day
- The date of the tow
- Tow truck facility

A property number example would look like the following: 17T 8-24-10 RIV. The 17 represents that it was the seventeenth tow on August 24, 2010 and the tow was performed by Riverside Towing & Recovery. This property number identifier is usually clearly written on one of four areas of the vehicle:

- Front windshield (PREFERRED METHOD)
- Driver side window
- Back window
- Front quarter panel

On February 8, 2012 auditors performed their own physical count of vehicle and other motorized type of inventory at the Impound location on Dart Street. Auditors examined the entire body of the vehicle and wrote down the property number that was assigned to the vehicle. Auditors questioned whether a computerized list of on-hand inventory existed with which to compare our results. The Department of Parking created a report named “Query 56” to determine the number of vehicles in inventory at *the Impound*. The report showed that 114 items were to be included in the Impound’s inventory and at other storage locations (e.g. Seneca St. Police Garage). The auditors’ count numbered 203 pieces. **A differential of 89 items became apparent.**

Auditors were later notified on February 21, 2012 that there were 5 additional pieces of inventory being held in a locked meter mechanic room, the day of the physical count, bringing the new total to 208 pieces. A grand total of 195 items were recorded by auditors with clear property number identification. Eight items had no marking on the vehicle, while the 5 items that were in the meter mechanic room were being auctioned off on February 29<sup>th</sup> auditors would learn. Auditors returned to the field on February 29<sup>th</sup> to determine if the vehicles without property numbers had been missed or had been marked in another location on the vehicle. The auditors concluded that 5 of the 8 now had property numbers clearly written on them, 2 may have been missed by auditors and 1 which was a City of Buffalo owned trailer. It was clearly obvious that the 5 vehicles that had property numbers were recently added. Auditors also walked the Impound lot that day and noticed one more vehicle had indeed not been identified with a property number which had been towed in 2 days prior.

**It is recommended** that the Impound begin using a computerized inventory management system to identify all towed vehicles in storage instantly. A comparable physical inventory to the computerized version would strengthen internal controls and any variance could then be investigated immediately. Modifications to the current Parking Software would need to be made for this to exist. This could also help aid in the efficiency of deciding when cars should be put up for auction. Biweekly inventory verification should also be considered to maintain records.

#### **Computer Input Issue I: Scanning**

Auditors compared the hand-written Parking Impound Auction summary sheets to the amounts and paperwork in several software programs. Vehicle property numbers, auction sale prices, pay/release dates and the number of cars sold were verified in the Parking System Software, Xtender Program and MUNIS Software. Additionally, auditors reviewed paperwork (receipts, forms, etc.) in the Xtender program to confirm that internal procedures were being followed. Below are several types of examples where paperwork scanned into the software did not comply with the internal procedures laid out by the Department of Parking:

1. Stamped Treasury Receipt was not scanned
2. Pictures of the vehicle were not scanned
3. The Bill of Sale was not scanned
4. Signed Release form was not scanned
5. Additional paperwork from other vehicles were scanned in for another vehicle
6. No auction paperwork was scanned in

*\*It was taken into consideration that some of the older towed vehicles may not have had these items scanned due to a lack of procedures and limited technology; However, these findings included more recently towed vehicles as well\**

**We recommend** that after scanning and uploading all the relevant documentation, employees should bring up each individual vehicle in the Xtender program to verify that all the information was entered and attached properly.

## **Computer Input Issue II: Parking System Software vs. MUNIS Software**

All parking payments (auction sales, towing/storage fees, parking ticket summons) are paid in the Division of Treasury and recorded in the Parking System Software. Parking tickets can be paid to any teller; however, towing/storage fees and auction sales can only be paid to the head teller. The revenues tracked by the Parking System Software must then be inputted manually into the City's MUNIS software application. As shown previously in *Figure 1*, at the end of each day, the head teller prints out a report from the Towing Payments Journal. This report breaks down each payment received that day by:

- Pay Type (Towing/Storage or Auction Price)
- Property # (Tow Date, Sequence, Agency)
- License Plate and Owner
- Payment Date, Payment Amount and Pay Mode (Credit Card, Check or Cash)
- Teller #

Additionally, if applicable, a separate report is printed for any auction vehicle sold for a profit. All profits made from auction vehicles are held in a separate Trust and Agency (T and A) account (*see Trust and Agency Account section below for additional details*). Treasury is then responsible for separating the towing/storage fees, auction sales, and T and A profits into three batches, so that they can be entered into the MUNIS revenue accounts accordingly.

Auditors compared the total auction sales in the Parking System Software to total revenue entered into the MUNIS software for all 36 auctions. It was discovered that 10 out of the 36 auctions did not have matching revenues between the two softwares. In all 10 cases, MUNIS was showing a lower auction revenue amount than in the Parking System Software.

Auditors requested from the MIS Department to run reports for several dates from the Towing Payments Journal (which included dates with matching and non-matching revenues) to examine and determine the reasoning for these differences. When verifying the reports from MIS to the MUNIS Software, there were additional discrepancies found between the revenue amounts.

Back-up copies were then requested from the Division of Treasury (Daily Journal for Towing Payments report along with the copies of receipts) for the specific dates that MIS printed out. After further investigation, auditors realized that some of the reports printed by MIS did not match the hard copy reports provided by Treasury. In addition, auditors discovered that some of the auction cars were listed as towing/storage charges on the reports. Out of the six randomly selected reports analyzed:

**Figure 2**

Total # of Instances	Type of Error/ No Error	Description
1	Report Error	The Daily Journal for Towing Payments report printed by Treasury labeled auction cars as towing/storage charges.
1	Input Error	Auction sales amount was calculated correctly on the Daily Journal for Towing Payments report, but was added to the Towing/Storage Revenue account in MUNIS
1	Unknown Error	The funds for an auction car sold for profit was not inputted into the T and A revenue account in MUNIS. Unable to determine whether a separate report was generated/generated correctly for this vehicle or if the amount was input incorrectly in MUNIS.
1	No Error	MIS's report, Treasury's report and MUNIS revenue amounts all matched.
2	Report Error and Input Error	Daily Journal for Towing Payments report printed by Treasury labeled auction cars as towing/storage charges. Hand written notes were also marked on the Treasury report stating that certain towing and storage charges were indeed auction cars. No manual adjustment was made when entering the amounts into the MUNIS software.

**Trust and Agency Account - General Overview**

A majority of the vehicles sold at auction owe more in towing and storage fees than the actual sales price.. Approximately 0.89% (\$3,594) of the vehicles sold at the auction were sold for a profit. Any proceeds from the sale of these vehicles are held in a trust and agency account by the City of Buffalo in accordance with NYS Vehicle and Traffic Law §1224. The law states:

“Any proceeds from the sale of an abandoned vehicle less any expenses incurred by such local authority shall be held by the local authority without interest, for the benefit of the owner of such vehicle for a period of one year. If not claimed within such one year period, such proceeds shall be paid into the general fund of such local authority.”

**Example:**

<u>Towing and Storage Charges</u>	<u>Auction Price</u>	<u>Profit</u>	<u>Auction Rev. Acct</u>	<u>T and A Acct</u>
\$1,000.00	\$1,350.00	\$350.00	\$1,000.00	\$350.00

The City is not responsible for notifying the owner that their car was sold for a profit. If an owner does claim their proceeds, they must file a claim with the City of Buffalo's Law Department. During the claims process, a clearance check is run on the individual to confirm that they do not owe any outstanding monies to the City. Any amount owed to the City will be deducted from their refund and applied to their outstanding amounts due.

As shown in **Figure 2**, auditors discovered one instance where profit funds from an auction vehicle were not accounted for in the Trust and Agency account in MUNIS.

It is important to note that MUNIS is the main software used by the City of Buffalo. When developing the City's financials, data is obtained directly from MUNIS. In turn, any discrepancies in the Parking System Software or in the MUNIS software could have a direct effect on the City's final financial figures. **We recommend** that the Department of Parking verify the Daily Journal for Towing Payments summary report to the back-up copies of the receipts taken in for that day. This will allow for accurate recording of the funds being entered into the MUNIS software and help discover any potential errors in the Parking System Software. These reports could also be scanned and attached in MUNIS, so that any discrepancies can be easily researched. An Excel spreadsheet should also be maintained on a monthly basis for all trust and agency account transactions. This would allow for proper tracking of all monies dispersed for claims and for all monies transferred to the general fund. Additionally, further discussions should be held between the departments involved to address these errors, so that modifications can be made to the software if necessary.

### **Computer Input Issue III: Towing and Storage Costs**

Auditors examined Towing and Storage costs from two perspectives:

- Vehicles sold at auction
- Vehicles picked up by owner \*(See Towing and Storage part of Audit)

Auditors were able to run a series of queries and reports to determine if information was properly inputted into the Parking System Software. Auditors discovered:

- Paid release dates and removal dates were not always entered for each vehicle.
- Paid release dates and removal dates were entered incorrectly (e.g., wrong year)
- Tow status for auctions vehicles were incorrect (Tow status was set to "10 – Released", when for auction vehicles the status should be set at "20 – Auctioned and Released".

With these errors, any beneficial reports (Auction dates, Average Days at Impound, etc.) generated could be misinterpreted.

When a car is sold at the Impound Auction, the total towing and storage fees associated with the vehicle are then referred to as a “City Cost” in the Parking System Software. The difference between what the vehicle sold for and the “City Cost” is now considered “Revenue” by the Parking System Software. In most situations, negative “Revenue” is generated, meaning the vehicle sold for less than what the associated fees were. In some circumstances however, a vehicle can sell for more than what the “City Cost” is, generating a positive “Revenue”. All positive “Revenues” should be transferred to the Trust and Agency account as previously mentioned.

Due to Parking System Software issues, auditors noted 48 instances of “Revenue” miscalculations. These errors are related to the tow status change mentioned above. **It is recommended** that when a vehicle is sold at auction, proper checks and balances in the software be performed to get a more accurate calculation on how total towing and storage fees are registered. Additionally, since the “City Costs” are not interpreting actual costs to the City, the Department of Parking should look into calculating the real cost of towing and storing a vehicle. This would provide detailed figures of what the Department’s actual revenues and expenditures are. This is outlined in further detail in the “Towing and Storage Costs & Revenue Analysis”. (pg. 28)

### **Impound Conditions**

The Impound is completely fenced in and has locked motorized gates for limited access. Additionally, the interior is protected by a security company, while the outside is monitored by the City of Buffalo Police Department 24 hours a day, 7 days a week. The overall working condition at the Dart Street Impound is in need of some major safety upgrades. During the days of observation, auditors noted several areas that presented potential dangerous scenarios. It should be noted that during all three winter observations there was a lack of snow, which if it were present, could have made conditions worse. The list of items in need of immediate attention includes:

- Enclosed area where some vehicles are stored had parts of the structure hanging down overhead. The open fragments of the structure allowed outside precipitation (rain) into Impound grounds causing potential slipping conditions.
- Steep drops in pavement grade were seen both inside and outside of Impound grounds leading to potential employee and citizen tripping hazards and injury.
- Exposed wiring was noticed near Impound offices which could cause harm to employees if not covered properly.

**Figure 3**



Auto Impound ceiling showing Impound grounds open to outside elements

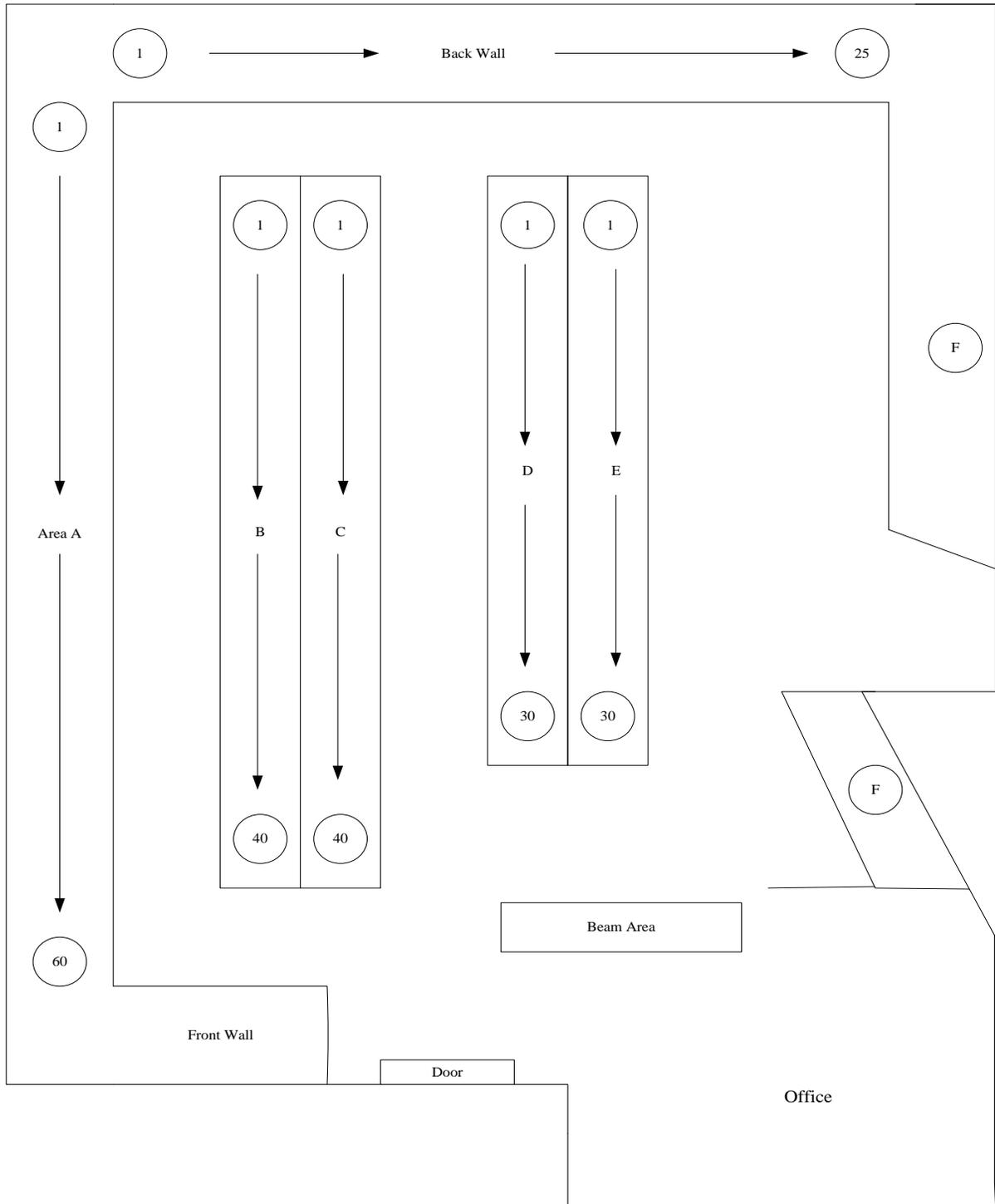
**We recommend** that these safety concerns be taken seriously and corrected as soon as possible due to the liability inherent on the City. One major accident could far outweigh the costs of the repairs that are needed. City engineers and the Department of Public Works, Parks and Streets may provide an immediate solution to the problem.

While observing the Impound interior/exterior storage areas, auditors noticed that auction cars had a designated numbered parking spot for each car. This would provide an exact location of the vehicle on the lot. All non-auction cars are stored in a designated “area” which in some cases can hold up to 40 vehicles. With no labeled spots in these areas, finding a specific vehicle can sometimes be difficult. **We recommend** that all areas of the Impound are labeled with specific parking spots (e.g. Area “B” – Spots would consist of B1, B2, B3, etc.). This would provide for an accurate location for all vehicles on the lot and could make inventory reconciliations faster.

A hand-drawn diagram requested by auditors of the Impound facility was created using the Microsoft Visio program and is presented in Figures 4 and 5.

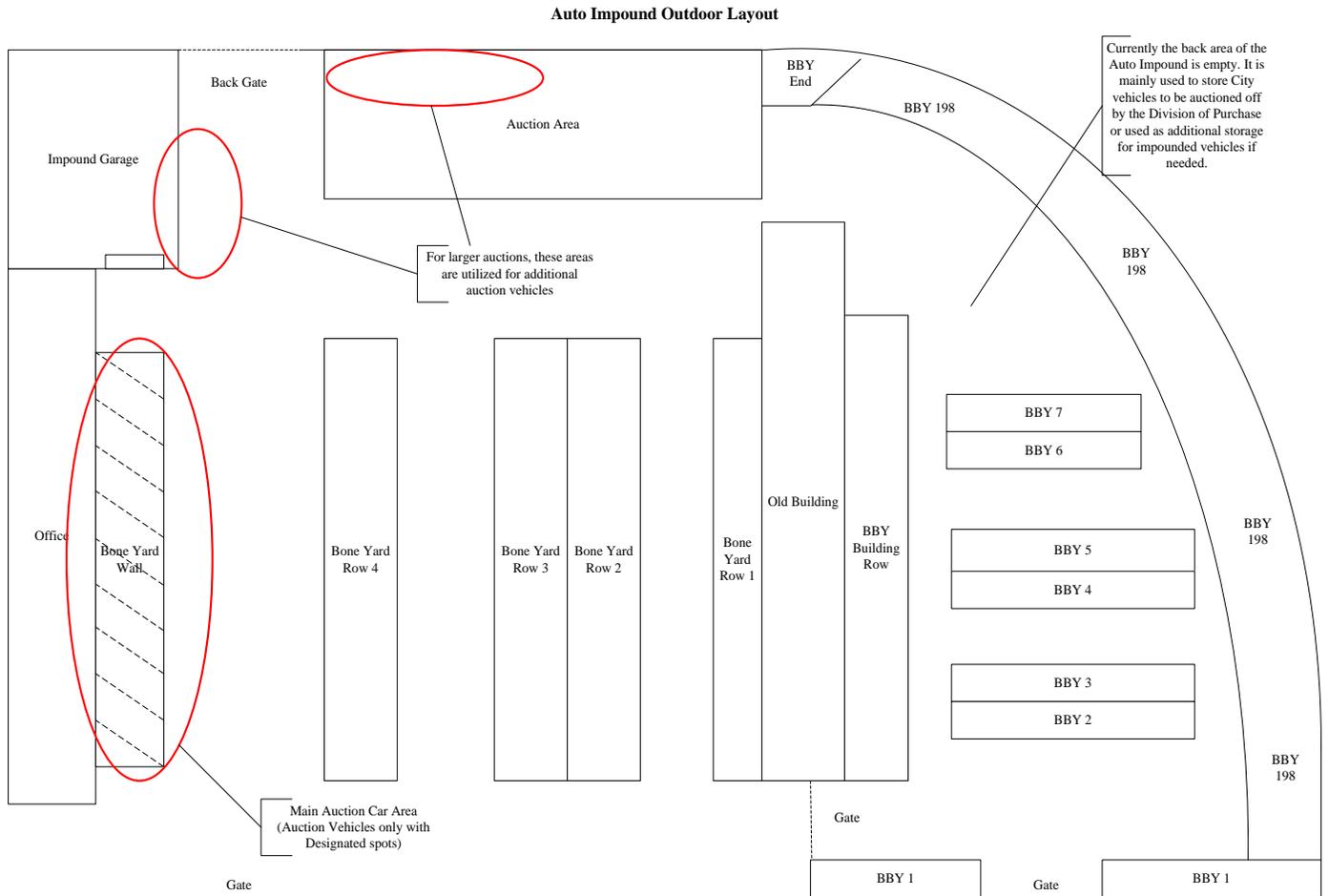
**Figure 4**

**Auto Impound Indoor Garage Layout**



*Note: Not to Scale*

**Figure 5**



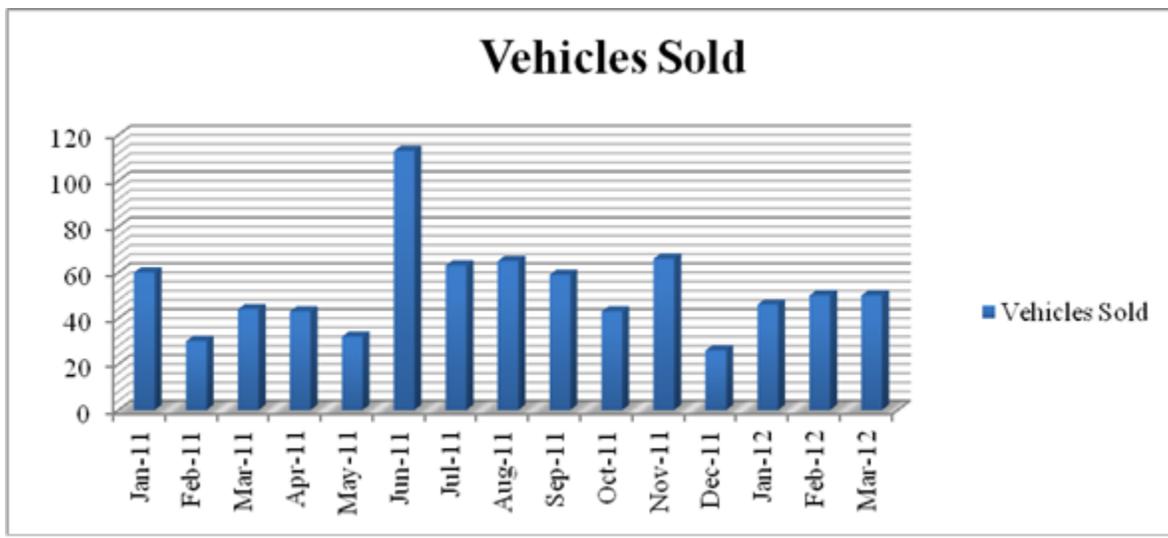
*Note: Not to Scale*

## Auction Revenues from January 2011 through March 2012

From January 2011 and continuing through March 2012, auditors verified Impound Auction revenue totaling \$431,986. All 36 auctions during this time frame were tested for revenue accuracy using the Parking and Xtender software in conjunction with the MUNIS system in the City Treasury.

The average of the bi-weekly auctions each month had 53 vehicles put up for sale with an average winning bid amount of \$547. The highest recorded auction sales were in June 2011 where close to \$60,000 was recorded in the Treasury. The accompanied graphs exhibit the number of cars sold and auction sales generated for audit time frame.

**Figure 6**



June 2011 had an auction every Wednesday

**Figure 7**



Auction Sales increase

For comparison purposes, the table below shows the tremendous growth the Impound Auction has sustained in 2012. The increase from fiscal year 2009 through the current fiscal year shows a 77% growth. We feel that this augmentation is due to the following factors: stronger internal controls by the current leadership, mild winter weather along with City web-based advertising. **It is highly recommended** that internal controls continue to be monitored and measured to continue the upward sales presence. **We also recommend** using additional advertising methods to increase revenues. This can be accomplished by using more detailed car descriptions and posting additional auction information on the City website. Also, free television exposure on the government access channel 22 could be used with a live taping of the advertised auction. Further, the City could charge a \$10.00 administrative fee to fill out customers' MV-907A forms, which the City of Rochester does. This option could be implemented with the City to provide additional revenues for auctions.

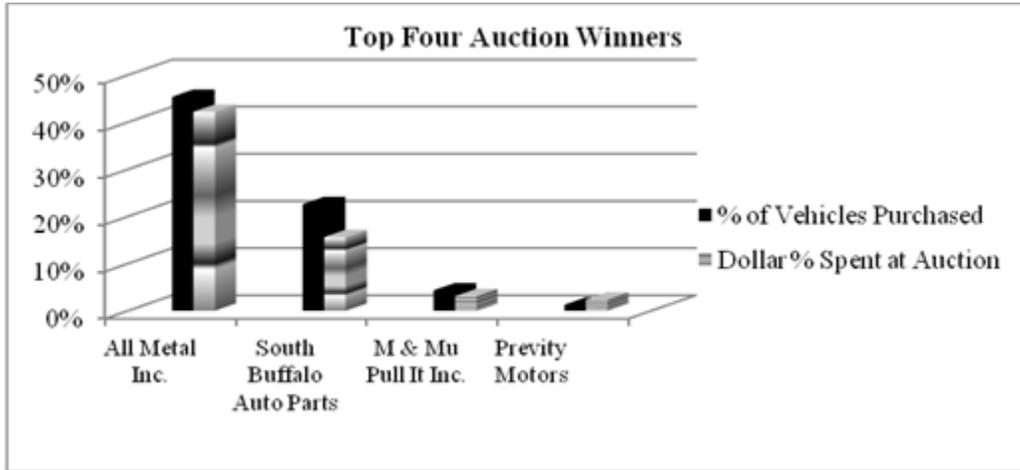
**Figure 8**

Fiscal Year	Auction Revenue Last 4 Fiscal Years	% Increase/Decrease over Fiscal Year 2009
July 2008 - June 2009	\$151,128.00	-
July 2009 - June 2010	\$228,870.00	51%
July 2010 - June 2011	\$274,251.00	81%
July 2011 - March 2012*	\$267,390.00	77%

\*July 2011-March 2012 is only displayed as a partial Fiscal Year due to the audit time frame

Between January 2011 and March 2012, a total of 790 vehicles were auctioned. The top four purchasers at the auction made up approximately 74% of all auction vehicles sold. This easily surpassed the last audit finding in 1999 of 60% observed and sold. A breakdown of these main purchasers is presented as follows:

**Figure 9**



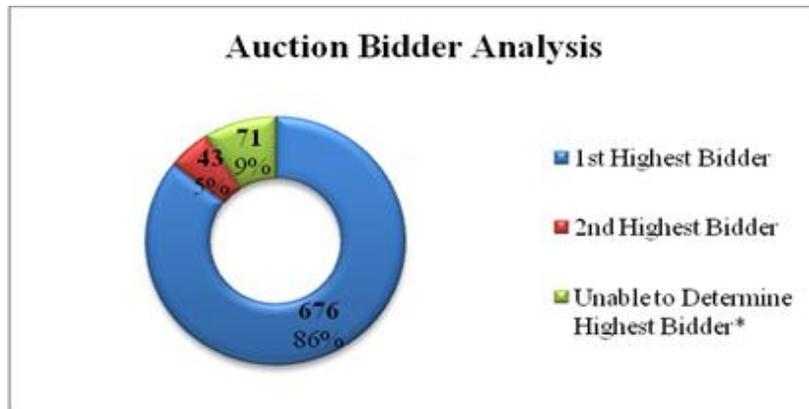
\*Nearly 74% of all items sold at the Impound Auction were acquired by pre-approved bidders

The City of Rochester has a similar auction set up as the City of Buffalo, but is run by a 3<sup>rd</sup> party company (Reynolds Auction Company). In 2011 alone, Rochester sold a total of 593 cars (avg. of 59 cars sold/month) at their auctions. From January 2011 through October 2011, they had total sales of \$300,460 (avg. sale price of \$507/car). The City could gather additional information regarding how their auctions are run to gain insight on their procedures and auction techniques.

**Auction Bidder Analysis:**

As mentioned previously, the 1<sup>st</sup> and 2<sup>nd</sup> highest bidders are recorded during the auction. If the 1<sup>st</sup> highest bidder fails to pay for their vehicle by 3 PM on the Friday following the auction, the 2<sup>nd</sup> highest bidder is contacted. The 2<sup>nd</sup> highest bidder then has until 3 PM on the Monday following the auction to pay for the vehicle. Any bidder that fails to pay for their vehicle is suspended from two auctions. **Figure 10** shows a break down of vehicles paid for by the 1<sup>st</sup> and 2<sup>nd</sup> highest bidders for the auctions during the audit time frame:

**Figure 10**



\*The Department of Parking was unable to provide hard copy records for the four auctions in January 2011. Additionally, the hard copy records for the first auction in February 2011 were incomplete, so it could not be analyzed in its entirety. Auditors were unable to confirm the highest bidders for these auctions, therefore making up the 9% in *Figure 10*.

Auditors also determined that there were 28 instances where a vehicle was not paid for by the 1<sup>st</sup> or 2<sup>nd</sup> highest bidder and had to be put back-up for auction the following week. All of these vehicles were eventually sold and are included in the 790 total cars auctioned.

Furthermore, auditors noticed that 2 separate bidders, on 2 separate occasions purchased more than one vehicle at an auction, but only paid for one. The City of Rochester implemented a rule against situations like these. Pursuant to their terms and conditions

(<http://www.reynoldsauktion.com/CityRoch/Impound/TermsCond.pdf>):

“If you bid on multiple vehicles, you will be expected and required to purchase all units that you have bid upon. You cannot request selective vehicle purchases at the time of payment. If you do not purchase ALL vehicles upon which you have bid, said vehicles MAY be resold and you MAY be prohibited from participation in future Reynolds auctions.”

This could be considered a **possible recommendation** for the City of Buffalo auction in hopes of deterring buyers from bidding on more vehicles than they have interest in or can afford. This could help eliminate cars going up for re-auction and being sold at a lower price.

### **Unclaimed Vehicles – Released to the City**

In certain circumstances, a vehicle can be released to the City instead of being sold at auction. A City department may put in a request for a vehicle (exclusive for City use) and if the impound has a car available, they can transfer the vehicle to the department. This serves as a benefit to the City since additional time and money is being saved by not having to put these types of purchases out to bid. Before the vehicle is transferred however, it is evaluated by City mechanics to make sure it is mechanically sound and meets any specified requirements. If for any reason the vehicle cannot be used, it will be put back up for auction.

## **Towing and Storage**

The following are the goals and objectives of the City of Buffalo’s towing operation as stated in the department’s policy and procedure manual:

- Enforce parking and traffic regulations
- Remove obstructions to the flow of traffic
- Clear accidents of inoperative vehicles
- Secure recovered stolen vehicles
- Impound vehicles for police and criminal investigations

- Recover vehicles from water, gullies and other off road areas
- Aid in the plowing of streets
- Remove junk and unregistered vehicles from private and City owned properties
- Assist police and fire departments in emergencies
- Tow City owned vehicles to repair facilities
- Provide road service
- Impound vehicles which have been determined to be in violation of City Code Section 307-15.1

**Towing to Impound General Overview**

When a tow truck operator arrives at the location to tow a vehicle, a tow order is obtained from the Parking Enforcement Officer (PEO) and executes the tow after verifying the information on the tow order. When the PEO is not on location, the tow truck operator must verify the information given, either on a tow order or radio message, before hooking up a vehicle. Certain conditions apply when information is inaccurate or needs further clarification.

Upon arrival at the Auto Impound, the tow truck operator gives all summonses, tow order and permission slips to the Auto Impound attendant. The attendant completes a P1165 (check in sheet) and shall mark the property number on the vehicle. The Impound attendant is also responsible for taking 5 pictures of the vehicle for its respective file. To note: if a private contractor is used to tow a vehicle, an additional form is completed by the tow operator and attendant known as a “tow slip” (See *Figure 11* below). The vehicle is then placed in the Impound with a storage location noted on form P1165. When a vehicle is towed to the Impound past operating hours, the same procedures apply and the paperwork is put into an outside mailbox behind the Impound gates. See summarization of the above on the next page.

**Figure 11**

**DIVISION OF PARKING ENFORCEMENT  
TOWING & STORAGE OPERATIONS  
PRIVATE CONTRACTOR TOW SLIP**

DATE TOWED \_\_\_\_\_ MAKE \_\_\_\_\_

LICENSE NUMBER \_\_\_\_\_ V. I. N. \_\_\_\_\_

TOWED FROM \_\_\_\_\_

TOWING COMPANY \_\_\_\_\_

PROPERTY NUMBER \_\_\_\_\_

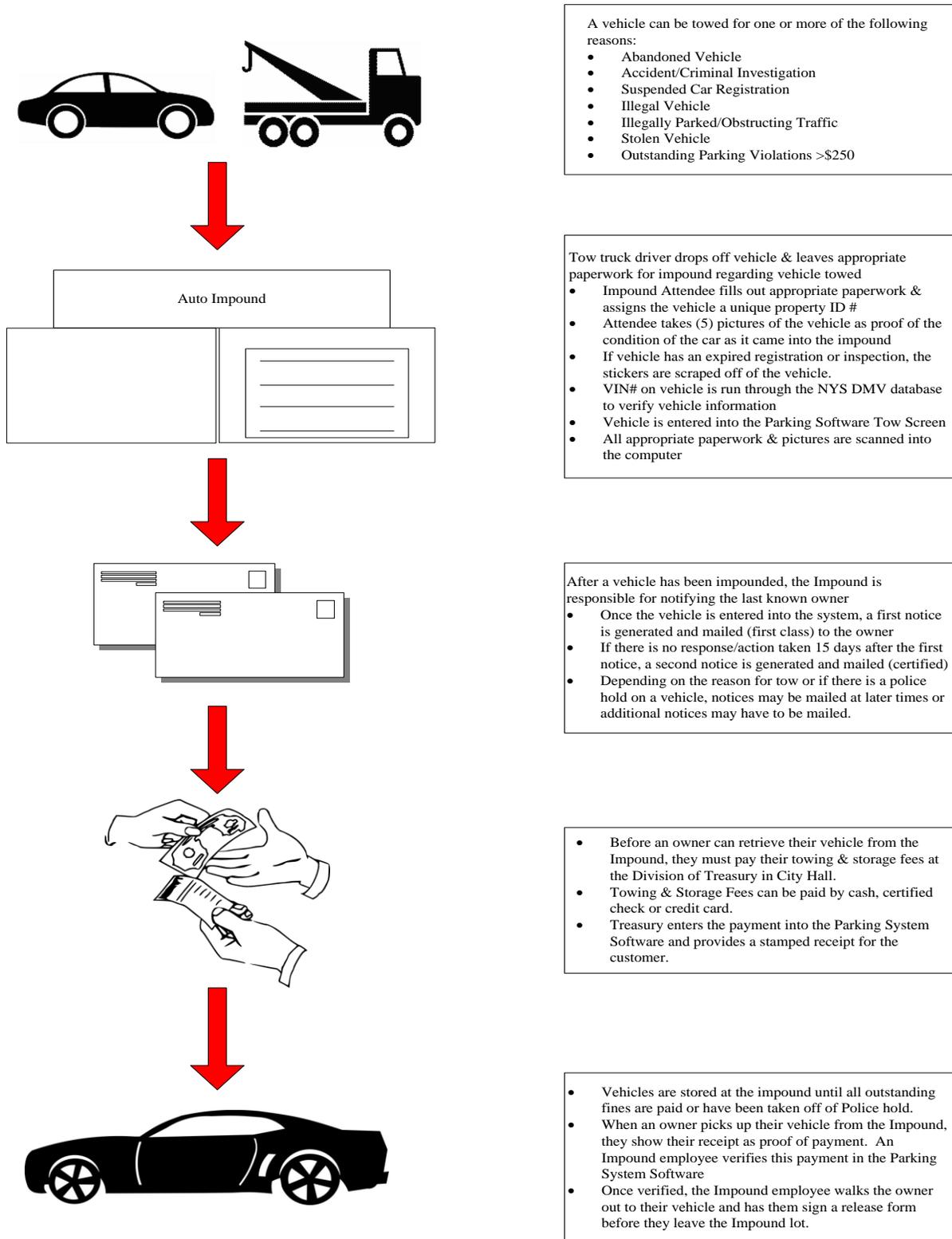
TOW CLASSIFICATION:     REGULAR  
                                    WHEEL LIFT  
                                    FLAT BED  
                                    HEAVY DUTY  
                                    NO TOW GOA

TOW TRUCK OPERATOR SIGNATURE \_\_\_\_\_

AUTO POUND ATTENDANT SIGNATURE \_\_\_\_\_

**Figure 12**

**Vehicle Towing & Impounding Process**



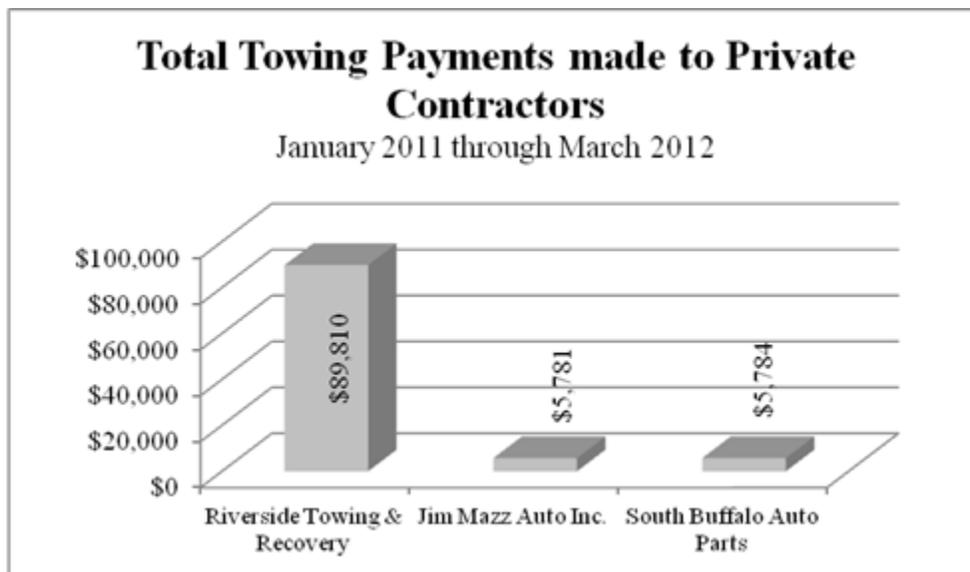
An Impound attendant is responsible for taking 5 pictures of the vehicle once it reaches the Impound. Per vehicle check in procedures, they are to take a picture of the ignition, front, back, left side and right side of the vehicle. During discussions with Impound employees, additional pictures are taken when there is significant damage done to the vehicle (mirror fell off, large dent in door, etc.). These pictures are then uploaded into the vehicle's file on the Application Xtender program for back-up.

While observing pictures taken of vehicles through the Application Xtender program, auditors noted that there were several instances where a vehicle had no pictures or less than 5 pictures attached to its file. As mentioned previously, this leads auditors to believe that there is an issue uploading the pictures to the software or all 5 pictures are not being taken. Auditors also noted that some of the vehicle's pictures were blurred or poorly taken. These findings applied more to older towed vehicles, but they also include more recently towed vehicles as well.

**It is our recommendation** that vehicles should have more than 5 photos taken once they reach the Impound, especially with larger vehicles. By capturing the back seat/rows and additional areas of the vehicle, it reduces the chance of claims (missing radio, personal property, etc.) being filed against the City. Impound staff should verify that the correct number of photos have been taken, that they are clearly visible and that they are properly uploaded and attached to the vehicle's file.

**Figure 13** below reveals the towing costs Department of Parking paid to private tow contractors during the audit time frame:

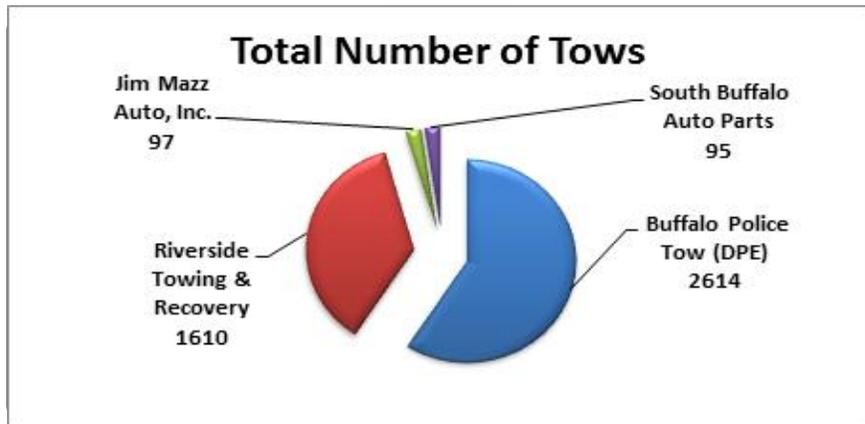
**Figure 13**



89% of all private tow dollars spent went to Riverside Towing and Recovery

A graphical breakdown is shown below on how many total tows occurred from January 2011 through March 2012 inclusive of City owned tow trucks:

**Figure 14**



\*Figure 14 above includes Gone on Arrivals, but does not include Mini-Tows

It was communicated to auditors that contractual agreements for private contractors have existed since March 2000. There have been no dollar changes to the contract regarding specialized towing, except the hourly rate charge when used for special events or emergency operations. The following are the current rates/charges for towing services provided to the City of Buffalo:

**Figure 15**

Tow Type	Parking System Software Tow Code	Private Contractor Charge/Tow	City's Charge to Customer/Tow	City's Revenue/Tow
Wheel Lift	W	\$40	\$90	\$50
Flat Bed	F	\$50	\$90	\$40
Heavy Duty	H	\$70	\$141	\$71
Heavy Duty ORR (Off Road Recovery)	?	\$90	\$141	\$51
Mini Tow	?	\$22	\$40	\$18
GOA (Gone on Arrival)	G	\$17	\$0	\$ (17)

Other tow related charges usually depend on the uniqueness and complexity of the situation.

Towing services have far exceeded over \$50,000 in 2011 alone. NYS General Municipal Law § 103 explains that all contracts for public work involving an expenditure of over \$35,000 should be formally bid out and advertised in the newspaper. It is **our recommendation** that since towing costs have exceeded the \$35,000 thresholds, action should be taken to put this contract out for bid.

## **Towing Invoices and Parking System Software Analysis**

A random sample of towing invoices was selected for each of the three main towing companies used by the City of Buffalo. Tow dates and tow types were examined from the invoices when comparing them to the Parking System Software. Auditors discovered the following:

- An invoice from one towing company included (2) tow slips for the same property number (same tow date, tow sequence, VIN #, etc.). The City was overcharged \$50 by the vendor due to the duplicate tow slip being counted as a separate tow.
- An invoice from one towing company had a towing slip that was modified. The original slip stated that the vehicle was towed by Company “Y”, but was crossed out and replaced by Company “X”. Both Company “X” and Company “Y” charged the City for the same property number tow. Again, the City was overcharged \$50 for a duplicate tow.
- Invoices from one towing company had several inconsistencies when it came to verifying the type of tow. The type of tow on the summary sheet, tow slip, or code in the Parking System Software did not match. Some examples include:
  - Summary sheet stated a tow as a Heavy Duty, while the tow slip stated a Heavy Duty Off-Road Recovery
  - The summary sheet and tow slip classified the tow as Heavy Duty, but the Parking System Software classified it as a Flatbed
  - The summary sheet and tow slip classify the tow at Heavy Duty Off-Road Recovery, but the Parking System Software classifies it as Heavy Duty.

**These types of errors could cause an over/undercharge by the towing company to the City of Buffalo or an over/undercharge by the City of Buffalo to the customer.** The amounts of these erroneous charges could not be determined since auditors were unaware of which documentation takes precedence when paying vendor invoices. Additionally, misclassifications of these types of tows will not provide an accurate count of how many types of tows were performed.

**Our recommendation is as follows:** Invoices are normally sent once a month by each towing company. A search can be performed in the Parking System Software that can list all the tows for a towing company for a specified period of time. Using this search method would allow for easy comparison between the invoice and the tow list in the Parking System Software. Any tows that did not match could be further analyzed or changed in the system. We would also recommend adding additional tow codes (Heavy Duty ORR, etc.) in the Parking System Software if possible, to provide an accurate count of tow types.

### **Mini-Tows and Gone on Arrivals**

A mini-tow is defined as when the contractor is only required to tow a vehicle up to 1,000 feet to a legal parking area or out of the traveled traffic lanes. The most common reason for a mini-tow is an emergency situation (e.g. accidents, construction/repair work, snow plowing, paving and special events). Auditors noticed that mini-tows are not entered into the Parking System Software like all other tow types. Mini-tows are actually recorded in the Parking Summons area in the Parking System Software. The mini-tow is added as an additional charge on the customer's parking summons ticket. Although the City still profits from mini-tows, they lose money on Gone on Arrivals (GOA). A GOA is when a Parking Enforcement Officer calls in for a tow and either the vehicle has been moved before the tow truck arrives or the owner claims the vehicle before it is hooked up to the tow truck. Although the owner of the vehicle is still charged for their parking violation, no money at this time is recouped by the City for the tow truck charge. The Parking System Software calculates that there were 106 GOA instances for vehicles towed between January 2011 and March 2012. That equates to approximately \$1,802 in additional costs to the City.

### **Towing and Storage Costs & Revenue Analysis**

Vehicles must be picked up by owners at the Impound during normal business hours. These hours are from 8 AM through 3:30 PM. Any outstanding tickets under the registered owners' name and/or the titled owner must be paid, the vehicle must be registered and insured and all towing and storage charges satisfied in order to obtain a release form. If the police have a hold on the vehicle, they will also need written authorization from the Police Department in order to retrieve the vehicle.

As shown previously in *Figure 15*, customers whose vehicles are towed to the Impound are normally charged either \$90 or \$141 by the City, depending on the type of tow needed. By breaking down towing charges, the City can analyze the cost of each tow, the price charged for each tow and the revenues generated for each tow. With these figures, the City can determine **actual** profits from the towing operation itself.

If the customer's car is stored at the Impound, they are also charged a storage fee of \$25 per day for each day their car is at left at the Impound. Storage fees are normally based on the difference between the removal date and the tow date entered in the Parking System Software. If a car has been put on police hold or came in over the weekend, charges will be adjusted accordingly depending on the circumstances. It should also be noted that if a customer pays for their vehicle in Treasury, but fails to pick their car up from the Impound that day, they will be charged an additional late storage fee of \$25 per day. The customer then has to return to Treasury to pay the late fees before they can pick up their vehicle. There were approximately 52 instances within the audit time frame where customers had to pay the late storage charge. This amounted to \$8,175 in late storage fee revenue taken in. Auditors were unable to determine if the \$25 per day storage fee was a feasible amount to cover all costs associated with storing a vehicle.

All towing and storage fees must be paid for in the Division of Treasury at City Hall. All payments are entered in the Parking System Software and at the end of the day, the head teller prints out the Daily Journal for Towing Payments (the same report printed for auction vehicles mentioned previously). They then summarize the total towing and storage charge payments received and enter them as a batch in the MUNIS software.

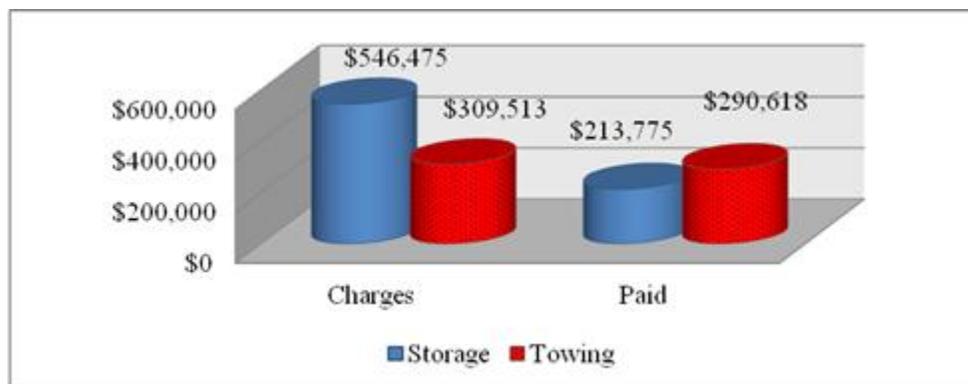
As mentioned previously in the Impound Auction section, discrepancies were discovered in the Daily Journal for Towing Payments report. One of the issues was the report classifying auction car sales as towing and storage payments and vice versa. This in turn caused incorrect amounts being entered into the towing and storage revenue account. **In addition to the recommendations** mentioned previously in the Impound Auction section, the Department of Parking may want to consider having separate towing and storage revenue accounts. The separation between the two accounts could prove to be beneficial by providing a better understanding of the revenues produced for each type of charge.

In addition to towing and storage costs, the City pays an additional \$75 per hour to private contractors to move and rearrange vehicles throughout the Impound lot. This includes moving vehicles from their regular storage area to the auction area when being put up for auction. Discussions with the employees of the Department of Parking revealed the possibility of obtaining an old Police flatbed so that they could perform the moves themselves without relying solely on an outside party.

All towing and storage fees charged by the City of Buffalo can be found in Chapter 307 of the City Code. These fees have not been changed since April 8, 2004. The following figure depicts the towing and storage charges and payments for all vehicles towed from January 2011 through March 2012 based on the Parking System Software:

**Figure 16**

**Towing and Storage Charges/Payments**  
*For Vehicles Towed from January 2011 through March 2012*



*\*Graphical information does not account for any possible input errors*

In **Figure 17** below, the towing and storage revenue was obtained from the MUNIS software. Review of that data shows a steady decrease in revenues from year to year.

**Figure 17**

Fiscal Year	Towing/Storage Revenue	% Decrease over Fiscal Year 2009	Number of Tows	Number of Towing & Storage Payments	Number & Estimated Reduction Amt. of Fees Paid	Vehicles Missing/Stolen	Estimated Amount of Potentially Lost Revenues Due to Missing Vehicles**
July 08'-June 09'	\$491,353	-	3706	2628	89 \$40,572	19	\$58,637
July 09'-June 10'	\$462,521	-6.23%	3597	2484	63 \$19,170	40	\$116,413
July 10'-June 11'	\$442,027	-11.16%	3647	2580	68 \$28,294	13	\$71,720
July 11'-Mar 12'	\$338,119	-45.32*	2499	1918	67 \$33,781	-	\$0

\*July 2011-March 2012 is only displayed as a partial Fiscal Year due to the audit time frame, but it is estimated to produce slightly higher revenues than the previous year.

\*\*It should be noted that the lost revenues calculated were based on the amount of the tow charge and total storage charges for the vehicle from the date it was noted as released/missing in the Parking Software.

The decrease in revenues can be a combination of reasons and vary from year to year. One of the reasons for the decline in revenues when compared to fiscal year 2009 is the decrease in towing and storage payments collected. This could be justified partly due to the fact that fewer vehicles were towed in the following years. Another reason for the revenue decrease was because of the increase in reductions of towing and/or storage fees paid. Reductions of fees occur in abnormal circumstances such as a vehicle owner passing away, police holds, input errors that were discovered, etc. The decision to waive or reduce fees is normally performed by the Commissioner of Parking or the Commissioner of Police. Additionally, when analyzing the Parking Software, several vehicles were noted as missing or stolen. These unaccounted for vehicles would have a negative impact on revenues as well. Due to employment changes and tighter internal controls, missing vehicles are no longer an issue in the current fiscal year. Finally, as noted before in the audit, input errors would also play a role when examining revenues. The revenues could fluctuate positively or negatively depending on the number and types of errors.

A recent audit was performed by the City of Escondido in California in regards to their impounding and storage processes. Their analysis and calculations showed the real **administrative** costs to impound a vehicle to be over \$180 per vehicle. This \$180 administrative cost was considered separate from the towing and storage costs. **See website:**

[http://www.nctimes.com/news/local/sdcounty/escondido-aclu-presses-city-for-independent-checkpoint-towing-audit/article\\_daa2bf53-d0e8-5d60-8267-9859e426ce82.html](http://www.nctimes.com/news/local/sdcounty/escondido-aclu-presses-city-for-independent-checkpoint-towing-audit/article_daa2bf53-d0e8-5d60-8267-9859e426ce82.html)). We

**recommend** that the Department of Parking review costs periodically to make sure fees are on line with costs. Additionally, if needed, a third-party could perform a cost-based analysis in regards to the overall cost of impounding a vehicle. By taking the total expenditures (e.g. utilities, supplies, repair work, police investigations, etc.) and administrative costs associated with towing and impounding of a vehicle, it could help determine if the Department is breaking even for these services. If not, then they could decide to raise prices to cover the costs accordingly.

### **Conclusion**

The Department of Parking provides essential services for the citizens of Buffalo. This Audit examined one major part of its division: The Towing and Storage operation. Revenues were examined for materiality and authenticity using various resources provided to auditors. Internal controls based on past occurrences were also observed and tested during the course of the audit.

Another function of the towing and storage operation included the Auto Impound Auction. Enhancing internal controls within the Department is a real focal point for the current leadership. Some improvements, as mentioned in the audit, have been made since the previous audit in 1999. These changes have caused an increase in revenues which have exceeded expectations and the Department should be acknowledged for this. However, the audit did uncover software reporting issues and human input errors in its revenue examination of the Impound Auction and the Towing and Storage entity that will need to be corrected and more intently monitored. Some of these errors could be eliminated by adjusting the Parking Software to better serve the Department. For example, a file could be created that could be imported directly into MUNIS that would eliminate entering the information twice and reducing the amount of key stroke errors. If the current Parking Software cannot be modified to correct these types of errors, **then it is strongly recommended** that the City research other software to accommodate their needs. There are currently hundreds of new, advanced parking softwares that aid management in the oversight of revenue reporting, inventory, budget projections, and actual costs. Some of these softwares are also less prone to human errors, allowing for more accurate records and reports. An upgrade to a newer system would also eliminate the need of using two separate programs to input and store parking information. By taking these options into consideration and providing additional personnel training, these types of errors can be easily reduced.

License plate readers (LPRs) are a new technology that is on the horizon for the Department of Parking. This new type of surveillance system will be able to scan and read license plates by using a camera affixed to Parking Enforcement vehicles. This could potentially increase revenues by making it easier to impound vehicles that are stolen or that have outstanding violations even if a vehicle is parked legally. These types of systems have been implemented in other governments throughout the country and have shown positive results in both parking and law enforcement. In conclusion, we feel the Department is performing at a higher level of

competence and has taken steps to prevent past corruption from happening again. As like other City departments being audited, the Division of Treasury and the Department of Management Information Systems contributed valuable insight into the scope of the audit and should be recognized accordingly.