

Report on the Philadelphia Parking Authority's On-Street Parking Expenses and Other Matters



City Controller
Rebecca Rhynhart
December 2020



CITY OF PHILADELPHIA

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Deputy City Controller

Wednesday, December 9, 2020

Joseph T. Ashdale
Board Chairman
Philadelphia Parking Authority
701 Market Street, Suite 5400
Philadelphia, PA 19106

Dear Chairman Ashdale,

The Office of the City Controller conducted a performance audit of the Philadelphia Parking Authority (PPA) pursuant to Section G.1.5 of the Agreement of Cooperation between the City of Philadelphia and the PPA. The objectives of this audit were to determine if enhancing the efficiency of on-street parking operations could increase the revenue pledged to the School District of Philadelphia (SDP) in accordance with applicable law. The audit also assessed the PPA's progress on implementing certain recommendations made by the Pennsylvania Auditor General's Office in its 2017 audit reports regarding financial and employment practices. Our report examined on-street parking and support expenses for fiscal years 2016 through 2018, and evaluated the PPA's system of internal control over the processing of these transactions. In addition to the testing period ending in fiscal year 2018, the analysis included examining 2019 data, as needed. The results of our work, which was performed in accordance with *Government Auditing Standards*, are detailed in the attached report.

While the PPA has made some improvements following the Auditor General's audits and the PPA's payment to the School District had increased from \$10 million in FY17 to \$16 million in FY19, serious issues remain. Overall, our audit found that the PPA's on-street parking workforce and personnel costs are inflated compared to most of the other publicly managed parking organizations considered. We also found high levels of patronage and a lack of transparency in the PPA's hiring processes, as well as issues with oversight and other inefficiencies.

Specifically, we found that several management positions, including the PPA's executive director, are paid at a higher rate than their counterparts in other public parking organizations. When adjusted for cost of living, our audit found that between 83% and 88% of selected comparable positions in Boston, Portland, and Pittsburgh, are paid less than the PPA. The PPA's executive director's annual salary of \$210,000 exceeds the salary of Portland's Transportation Director by more than \$16,000 and Boston's Commissioner of Transportation and Parking by nearly \$91,000. At the same time, the PPA pays its parking enforcement officers at the lowest rate compared to other cities included in our analysis.

Additionally, despite recommendations to curtail payroll expenses by the Auditor General, we found that salaries for management increased during the period following the audit. In response to our finding, you stated, “the PPA followed exactly the recommendation of the Auditor General to have an independent, professional evaluation of PPA salaries, then followed those recommendations as we committed.” While the PPA did engage an independent consultant to review PPA salaries, the Auditor General specifically said that “employees in the public sector should not be receiving excessive salary increases, especially at the expense of the children of Philadelphia.” However, as noted, we found that the PPA increased certain management salaries in 2019 and added a cost of living adjustment of 3%.

If you do not prioritize fixing the findings identified in the audit, the public will continue to rightfully believe that the PPA is not operating in the best interest of Philadelphians or our city’s children. Our specific findings and recommendations to improve management of expenses, and thereby increase allocated revenue to the SDP, were shared with your staff during our exit conference. We believe that our recommendations, if implemented by management, will improve the PPA’s ability to contribute to the sustained economic well-being of the SDP. We included management’s written response to the findings and recommendations as part of the report, as well as our comments on management’s response.

We would like to express our thanks to the management and staff of the PPA for their courtesy and cooperation in the conduct of our audit.

Sincerely,

A handwritten signature in black ink, appearing to read 'Rebecca Rhynhart', with a stylized, cursive script.

Rebecca Rhynhart
City Controller

CC: PPA Board Members
Scott Petri, Executive Director
Richard Dickson, First Deputy Executive Director



REPORT ON THE PHILADELPHIA PARKING AUTHORITY'S ON-STREET PARKING EXPENSES AND OTHER MATTERS

FISCAL YEAR 2016 – FISCAL YEAR 2019

EXECUTIVE SUMMARY

After years of aggressive ticketing practices, a lack of funding provided to the School District of Philadelphia (SDP), and workplace culture problems, including excessive pay and benefits to top officials, as well as patronage hires of family members, friends, and political connections, many Philadelphians have come to feel frustrated by and dissatisfied with the Philadelphia Parking Authority (PPA). Over the years, many of these issues have been explored by the press, and in 2017 the Pennsylvania Auditor General's Office released audits of the PPA's employment practices as well as certain financial and procurement matters.

The Office of the City Controller (Controller's Office) conducted a performance audit of the PPA with two goals. The first goal was to assess the validity of the PPA's on-street parking expenses for fiscal years 2016 through 2018 to determine if better management of the PPA's On-Street Parking (OSP) Unit's operating expenses could increase funding provided to the SDP. The second goal was to determine if the PPA had implemented certain recommendations made by the Auditor General in his 2017 audit reports. The analysis included examining 2019 data, as needed, to evaluate conditions that were updated during audit period.

KEY FINDINGS

Given that payroll costs have the greatest impact on OSP operations, the Controller's Office evaluated if the PPA's staffing levels and costs were reasonable. With the help of an expert in parking operations, the Controller's Office compared the PPA's staff size to other publicly managed parking organizations across the country. The comparison showed that the PPA's workforce and personnel costs are inflated compared to on-street parking operations in many other cities. The audit found that the PPA had a higher number of employees per metered space and a higher employee cost per metered space than most of the cities considered. The PPA's OSP Unit has 15,406 spaces and 651 employees. In contrast, Portland, for example, has 14,000 metered spaces and only 111 employees. Portland generates only \$1 million less in metered revenue than the PPA (\$36 million versus \$37 million).

The outside expert also determined that several of the management positions within the PPA are paid more than their counterparts in other public parking organizations across the country. Analysis of the data indicated that when adjusted for the cost of living, between 83% and 88% of selected comparable positions in Boston, Portland, and Pittsburgh are paid less than the PPA. This analysis further revealed that the PPA's executive director is the highest paid executive compared to other cities surveyed. The PPA's executive director receives

an annual salary of \$210,000. This exceeds the salary of Portland's Transportation Director by more than \$16,000 and Boston's Commissioner of Transportation and Parking by nearly \$91,000. Even more significantly, while the PPA's executive director is paid at the highest salary among comparable parking organizations, the PPA pays its parking enforcement officers (PEOs) at the lowest rate. Our analysis found that the PPA paid its executive director 4.8 times the annual salary of its PEOs. For comparison, Boston's executive director is paid at a rate only 2.6 times more than its PEOs.

Auditors also followed up on the Auditor General's finding that salary increases were given imprudently. Since the Auditor General's report, the PPA hired an outside consulting firm to review job descriptions and salary levels for non-represented employees. However, the firm recommended new pay scales for non-represented employees that were not comparable with other public sector entities such as the City of Philadelphia, the Commonwealth of Pennsylvania and the federal government. While the new pay scales recommended no salary increases for the two lowest pay grades, the consultant proposed new pay scales that recommended maintaining or increasing salary levels for higher pay grade positions. Despite the Auditor General's recommendations for the PPA to evaluate its policies and limit salary increases, the PPA adopted the new pay scales in September 2019. In addition to the new pay scales, the PPA also granted a three percent cost of living adjustment (COLA) for most higher-level non-represented employees in 2019.

Additionally, many Philadelphians have long believed that the PPA's employees are hired due to patronage. Auditors used a random sample of 107 employees who work in the on-street parking and support units to determine how prevalent political patronage was in the units. Of the 107 employees sampled, we found that 25 employees, or 23 percent, either held political positions themselves or resided with someone who did. Specifically, 21 employees were or lived with a committeeperson, two were ward leaders, and two were both committeepersons and ward leaders. Our review did not extend to employees who might otherwise have an influential political connection, such as close friends or extended family members. While the review does not address how or why so many politically connected people work at the PPA or whether there were additional familial or personal connections, it does appear that political connections have a positive correlation to employment at the authority.

In response to the Auditor General's findings related to the PPA's "closed" hiring process, our audit found that the PPA has worked toward implementing fairer hiring practices. This includes posting available positions on its website in many instances. However, our audit found that these fairer hiring practices were not utilized during the hiring of the current executive director or the chief financial officer. While the PPA did publicly advertise for the executive director position, the person who was ultimately selected for the job did not meet the primary criteria outlined in the job description. Additionally, the PPA did not publicly post either of the positions held by the current chief financial officer. Instead, the PPA retained the services of a financial consultant, who was a former associate of the newly hired executive director, to initially serve as the chief investment officer. At the request of the executive director, the Board of Directors eventually named the consultant to the chief financial officer position.

As the PPA does not seek funding from either the Commonwealth or the City, it is not required to obtain budget approval from governmental entities at either level and is, therefore, not subject to the oversight, transparency, or accountability that either budgetary process would provide. Consequently, no government body questions the PPA's hiring practices, the large size of its workforce, or the organization's salary structure. These responsibilities fall to the PPA's Board of Directors, which is the only entity in a position to offer such oversight to the PPA. However, our audit found that the Board's oversight responsibilities are not clearly defined in its bylaws.

Our analysis also looked at the PPA's operations from the perspective of best practices in the parking industry. During the period of our audit, the PPA still relied heavily on visual enforcement. While the PPA has begun to use License Plate Recognition (LPR), an industry best practice, the technology employed is handheld and still requires parking enforcement officers to enforce the regulations on foot. Reducing the use of manual parking enforcement and increasing the use of mobile LPR technology could result in reduced labor costs and improved ticketing practices. The PPA also utilizes multiple types of parking meters, which can result in costly maintenance. Streamlining the types of meters used would increase the PPA's efficiency, as well as potential compliance with parking regulations.

RECOMMENDATIONS

We believe that these conditions diminish the PPA's ability to contribute to the sustained economic well-being of the SDP. Our recommendations to the PPA's officials for improved management of expenses, and thereby increased allocated funding to the SDP, include:

- Refraining from automatically granting salary increases and COLAs to management employees;
- Creating a leaner, more efficient workforce through workforce attrition and closely evaluating the need for each position;
- Publicly advertising open positions and filling them using a merit-based system that considers the candidates' qualifications and experience; and
- Engaging in robust public discourse of the annual budget to increase transparency and scrutiny of expenses.

Additional recommendations are included in the body of this report.

AUDITOR'S REPORT



REPORT ON THE PHILADELPHIA PARKING AUTHORITY'S ON-STREET PARKING EXPENSES AND OTHER MATTERS

FISCAL YEAR 2016 – FISCAL YEAR 2019

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INTRODUCTION

Purpose of the Audit

Over the last several years, many Philadelphians have been dissatisfied with the Philadelphia Parking Authority (PPA) due to aggressive ticketing practices, a lack of funding to the School District of Philadelphia (SDP), and workplace cultural problems, including excessive pay and benefits to top ranking officials, and patronage in hiring practices. Since PPA's funding to the SDP comes directly from the net revenue generated by the On-Street Parking (OSP) Unit, the Office of the Controller (Controller's Office) conducted a performance audit of the PPA to assess the validity of their on-street parking expenses as every dollar saved is another dollar that would go to the School District. In addition, the audit sought to assess the PPA's progress on implementing certain recommendations made by the Auditor General's Office in their 2017 audits regarding accounting and employment practices.¹ We initiated this audit pursuant to Section G 1.5 of the Agreement of Cooperation between the City of Philadelphia (City) and the PPA which permits the controller to audit the PPA's on-street parking program.

Background Information

When the PPA was established on January 11, 1950 by an Ordinance of Philadelphia City Council², its primary mission was to operate and maintain the City's parking lots and garages (i.e. off-street parking facilities). It financed its operations through the issuance of bonds and the collection of parking fees. Although the PPA was designated as an agency of the Commonwealth, City officials had primary oversight responsibility for its operations since the mayor appointed all members of the PPA's Board of Director's (Board). The Board's chairman was charged with overseeing the affairs of the PPA, authorizing its legal obligations, and monitoring the actions of the executive director who is responsible for the day-to-day operations of the PPA.

Over the succeeding years, the PPA's responsibilities increased substantially. The City delegated additional in-house functions to the agency, including parking management at the airport, operation and maintenance of its on-street parking program³, and the towing and impoundment of live-stop vehicles⁴. These responsibilities are managed separately, with net revenues from airport and on-street parking⁵ remitted to the City, while live stop collections are retained by the PPA and used to support this function.

¹ In December 2017, the Pennsylvania Department of the Auditor General released a report on Financial Objectives, and Employment Policies and Procedures.

² Pursuant to the *Commonwealth of Pennsylvania Parking Authority Law (Parking Authority Law)* of June 5, 1947 and May 9, 1949.

³ Pursuant to an amendment of the *Parking Authority Law* in July 1982 and City Council Ordinance (Bill No.1633) in April 1983.

⁴ Live Stop is a program authorized by Pennsylvania Act 93 of 1996 that allows the Philadelphia Police Department to tow and impound cars when motorists are found to be driving without a valid license or registration. The legislature mandated that revenue generated by Live Stop can only be used for the program and shall be maintained separately from revenue generated from OSP operations.

⁵ Pursuant to the Agreements of Cooperation between the City and the PPA dated May 27, 1983, June 9, 1983, and February 16, 1994. Net revenue from on-street parking was further divided between the City and the SDP pursuant to Act 9 of 2004 and revised by Act 84 of 2012.

With the passage of Act 22 of 2001, the Commonwealth formally took control of the PPA's operations. It again amended the *Parking Authority Law* by adding a special provision applicable to Philadelphia but not to any other state parking authority. It supplanted the mayor's appointment privileges over the PPA Board and reassigned those powers to the governor, with a requirement that four of the six Board members chosen by the governor be appointed based on recommendations from state legislators. The PPA's bylaws charge the board chairman with the duty to sign all legal documents, deeds, bonds, and other obligations of the agency. The bylaws further indicate that the chairman of the Board shall preside as the PPA's chief executive officer. Other members hold positions as secretary, assistant secretary, treasurer, and assistant treasurer. Board members serve staggered 10-year terms, with one of the two eligible seats changing on June 1, 2020 and two seats subject to change on both June 1 of 2021, and 2022. Beyond assigning fiduciary duties, the bylaws do not establish specific oversight responsibilities for the Board.

Through Act 9 of 2004, the Commonwealth added the SDP as a secondary recipient of net revenue collections resulting from on-street parking operations, and thereby introduced another stakeholder in the PPA's expanding operations. Act 9 established the formula by which net revenues from the OSP Program would be divided between the City and the SDP, specifying that the PPA was to transfer \$25 million⁶ annually to the City and net revenues in excess of the City share to the SDP. Pennsylvania Act 84 of 2012 increased the City's share of net revenue to \$35 million⁷, with any excess transferred to the SDP.

The legal life of the PPA extends through December 5, 2037.

⁶ Adjusted in subsequent years for any increase in the gross revenue generated by the system.

⁷ Continuing the previous provision that the net revenue to the City would be adjusted in subsequent years for any increase in the gross revenue generated by the system.

FINDINGS AND RECOMMENDATIONS

FINDINGS AND RECOMMENDATIONS

While the legislative actions previously noted designate the PPA as a legal entity under the jurisdiction of the Commonwealth, it has greater ties to the City. Philadelphia has substantial property and financial interest in the PPA, by virtue of its parking facilities, use of public streets, and the revenue the City receives. The City must also include the PPA as one of its component units for financial statement reporting purposes because of the significance of the PPA's operational and financial relationship with the City.⁸ The City has also provided funding as the guarantor for PPA revenue bonds related to the construction of an off-street parking lot. However, the Commonwealth has no such obligations or reporting requirements, and the City has no power to influence Board decisions or mandate operational changes within the PPA.



Summary of Testing Results

We initiated our audit of the PPA with two objectives - to determine if better management of OSP operating expenses could increase revenue provided to the SDP, and to follow-up on the auditor general's recommendations for transparent employment practices and financial accountability. With the formal transfer of control over the PPA to the state and the declaration that the agency should not be deemed an instrument of Philadelphia's government, the Controllor's Office authority to review PPA operations was limited to the OSP Unit and related subsidiary units.⁹ Therefore, we focused our testing on OSP operating expenses since the possibility of increased funding for the SDP would most likely come from improved administration of these outlays. Additionally, the OSP Unit is the largest unit within the PPA with the legal mandate to provide funding to the SDP.

Our testing found that:

- The OSP workforce is significantly larger, and incurs greater cost per employee, than most other publicly managed parking organizations that we evaluated across the country.
- The PPA compensates its executive director at the highest salary among the comparable parking organizations, while paying its parking enforcement officers (PEOs¹⁰) at the lowest rate when compared to other cities.
- Despite concerns in the Auditor General's report that management salaries were excessive, PPA administrators awarded a salary increase, along with a 3% cost of living adjustment (COLA) to most of its non-represented workforce.

⁸ The criteria to determine an entity as a component unit is established by Governmental Accounting Standard Board (GASB) Statement No. 14 which has been amended by GASB Statement Nos. 39, 61, and 80.

⁹ The controller's right to audit the PPA, on behalf of the City, rested solely on a contractual clause in the Agreements of Cooperation between the City and the PPA that only allowed the controller to review accounts relating to the PPA's on-street operations, and related subsidiary units such as Support, Fleet and Security that allocate a share of their operating costs to OSP.

¹⁰ PEO's are the employees charged with the duty to issue citations for parking violations.

- Twenty-five of the 107 OSP employees we sampled (23%) had direct political connections in that they live with, or are themselves, committee persons or ward leaders, thereby reinforcing long-held beliefs that the PPA often uses the patronage system to hire employees.
- Current ticketing practices are inefficient and costly.
- Other questionable expenses involving tuition, travel, and other employee reimbursements further reduce funding that should go to the SDP.

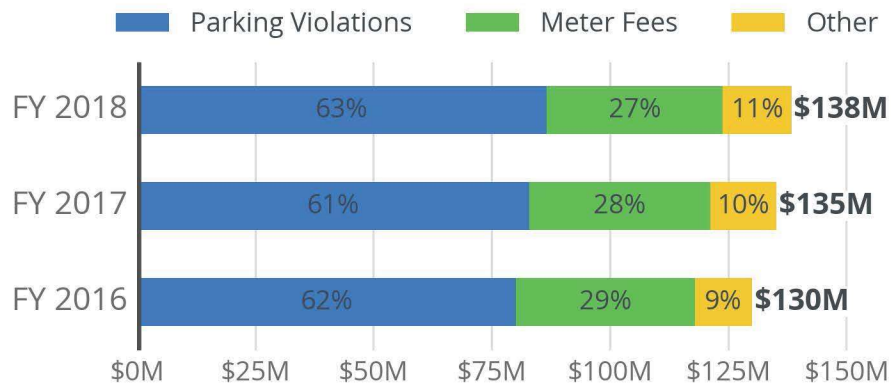
We also noted other items of concern that contribute to the PPA's lack of transparency and accountability, including:

- The PPA is not accountable to any city or state oversight. Since the PPA presently generates its own revenue and does not seek additional funding from either government, it is not required to testify before, or obtain budgetary approval from State Appropriation Committees or Philadelphia City Council.
- Procurement decisions lack complete and documented criteria for selecting one contract proposal over another, despite costs associated with the winning proposal for one of the contracts we reviewed being twice the costs of the second-highest bidder.
- Internal auditors report to the executive director and work with unit management instead of being accountable only to the PPA Board. This limits the auditors' ability to independently and objectively monitor PPA operations.
- Internal auditors are not required to obtain relevant credentials, such as becoming Certified Internal Auditors. Additionally, per the PPA's procedures, the onus is on the employees to determine what continuing education is sufficient. One of the two employees serving in this function has no relevant education or work history.
- Standard operating procedures are incomplete, unstructured, and not clearly worded, which impedes PPA employees' ability to perform their job duties effectively.

We believe that these conditions diminish the PPA's ability to contribute to the sustained economic well-being of the SDP. Our recommendations to PPA officials for improved management of expenses, and thereby increased allocated revenue to the SDP, are noted in the body of this report.

***How Changes in Revenues
and Expenses Affect Payments
to the City and SDP***

Revenue for the OSP Unit comes from two primary sources – parking violation fines and on-street meter collections. Together, these revenue sources account for approximately 90% of the OSP's total gross revenue. The remaining revenue primarily comes from fines and fees related to the booting, towing, and storage of impounded vehicles, parking permits, proceeds from the auction of unclaimed vehicles, and credit card convenience fees. **Chart I** shows the breakdown of these revenue sources over the three-year period ending March 31, 2018.

Chart I: On-Street Parking Unit Revenues

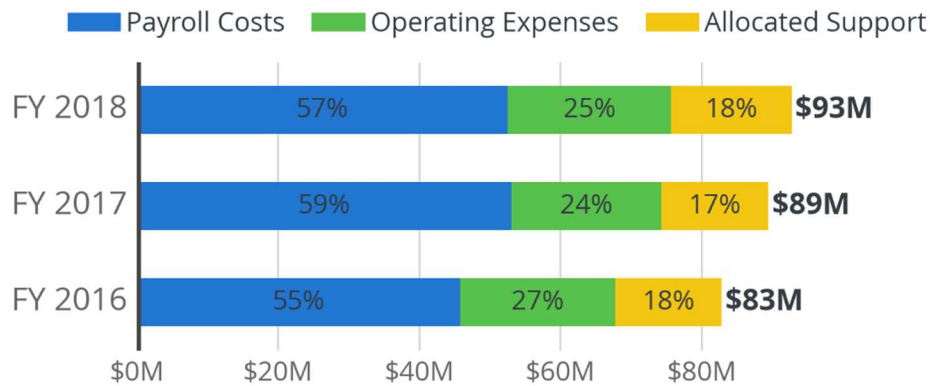
Source: Prepared by the Office of the City Controller

Expenses incurred by the OSP Unit are grouped into three principal categories: unit payroll costs, operating expenses, and allocated support costs. Unit payroll includes employee salaries, pension contributions, other fringe benefits, and other post-employment benefits that are charged directly to the OSP unit. Combined, these represent the single largest expense for the unit, averaging 57% of its overall costs. Operating expenses, the daily non-payroll costs incurred by the OSP, average approximately 25% of the unit's total expenses. These expenses include ticket processing fees, insurance costs, credit card fees, rent expense and several other smaller expense categories. Lastly, total expenses of the OSP Unit include an allocation of payroll¹¹ and operating costs incurred by other service divisions within the PPA, the most significant of which is called Support. The Support division consists of the executive and general business functions that benefit all PPA divisions. These functions include executive management, legal, payroll processing, human resources, engineering and design, internal audit, information technology, finance, revenue control, risk management, procurement, and facilities maintenance. The smaller service divisions for which costs are allocated include Fleet and Security¹².

The allocation of Support Unit costs to OSP and each of the PPA's other revenue-generating functions (Off-Street Parking, Airport, Live Stop, Red Light Camera Program, and Taxi & Limousine Divisions) are determined by calculating each function's monthly expense total as a percentage of the PPA's total expenses, and then applying the percentages to the supporting service units mentioned above. Since the OSP Unit performs the primary mission of the PPA, incurring the largest portion of the agency's expenses, it also receives the largest share of the expense allocation from the Support Unit and other service units. **Chart II** below shows the breakdown of expenses over the same three-year period ending March 31, 2018.

¹¹ Payroll costs for the Support Unit also include employee salaries, pension costs, other fringe benefits, and other post-employment benefits.

¹² Expenses for Fleet and Security are allocated based on the number and type of vehicles assigned to the unit, and the number of security shifts worked on behalf of services performed for the operating unit being charged, respectively.

Chart II: On-Street Parking Unit Expenses

Source: Prepared by the Office of the City Controller

The net revenue produced by the OSP Unit (i.e. gross revenues in **Chart I** minus payroll, operating and support expenses in **Chart II**) is then allocated between the City and the SDP in accordance with Act 84 of 2012. This Act specifically guaranteed the City a minimum \$35 million payment, which is increased by adding an “escalator” amount based upon the percentage increase of gross revenue generated by the OSP Unit before any of its related expenses are charged, subject to certain conditions. Each year that the PPA collects more money in meter fees, parking violations, and other related revenue, it is required to increase the base amount due to the City. The Act further states that “No adjustment shall be made if the gross revenue generated by the system of on-street parking regulation did not increase over the prior fiscal year.”

In 2014, the City received the guaranteed \$35 million payment from the net revenue generated by the OSP Unit. As gross revenues steadily increased each year between 2015 and the 2019, the escalator also increased, resulting in a \$41.7 million payment to the City for fiscal year 2019. When OSP gross revenue decreased during fiscal year 2020, the escalator was not applicable, and the fiscal year 2019 payment became the new base amount paid to the City in 2020. Refer to **Table I** below.

Table I: OSP Gross Revenue and Corresponding Payments to the City and SDP

	2016	2017	2018	2019	2020 (unaudited)
Gross Revenue	\$ 130,041,252	\$ 135,169,044	\$ 138,397,800	\$ 148,737,994	\$ 143,557,691
Payments to the City	\$ 35,728,693	\$ 34,663,213	\$ 37,063,919	\$ 41,668,299	\$ 41,668,299
Payments to SDP	\$ 10,279,437	\$ 10,274,136	\$ 13,137,068	\$ 16,204,074	\$ 14,363,656

Source: Prepared by the Office of the City Controller

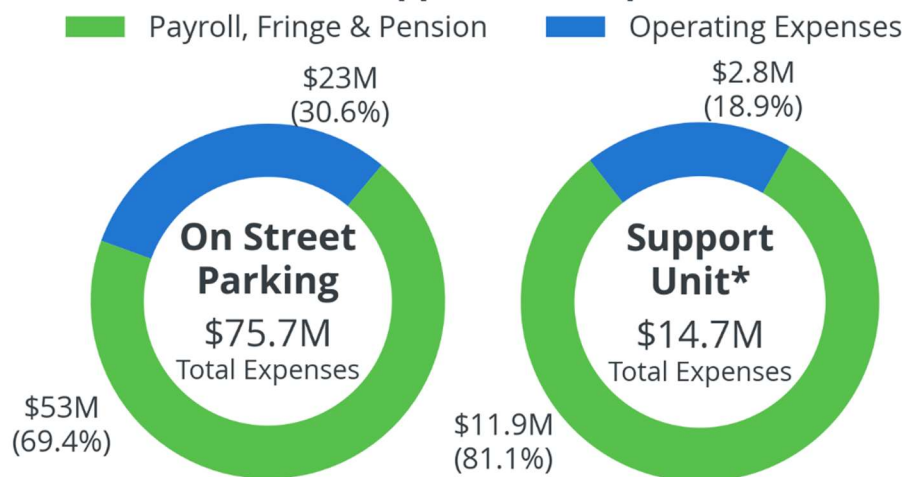
While these minimal payments to the City are guaranteed, the allocations to the SDP are uncertain and unpredictable. As the SDP receives the residual share of net revenue, it has no legal assurance of how much funding the PPA will provide to them. For fiscal year 2020 the combination of a decline in gross revenues due to the COVID-19 pandemic shutdown and increased payroll expenses resulted in a \$1.8 million decrease in OSP net revenue, which caused the residual allocation to the SDP to decrease by the same amount.

The PPA can ensure that the SDP receives adequate funding by better controlling its operating expenses which are largely under management control. PPA administrators determine staffing requirements, management salaries, equipment needs, and other normal business outlays.

PPA's Workforce Larger than Other Comparable Cities

The combined payroll and related fringe benefit expenses have the greatest impact on the OSP Unit operations, accounting for 69% and 81% of the OSP and support unit's overall expenses, respectively. Refer to **Chart III** below.

Chart III: OSP and Support Unit Expenses in FY 2018



* Includes only Support expenses that were allocated to the OSP Unit.
Source: Prepared by the Office of the City Controller using the PPA's Fiscal Year 2018 Audited Financial Statements

Given the significance of payroll costs, we compared the PPA's staff size to other publicly managed parking organizations across the country to determine if other cities function with similar staffing requirements. Considering the PPA's reliance on employee labor to accomplish many of its routine functions, the magnitude of its payroll costs and the ability of management to control these expenses led auditors to focus attention on the size and reasonableness of the agency's staffing levels. We engaged the services of a management consultant with expertise in parking operations to provide us with comparable workforce data for our review. Using publicly available resources, including annual reports, city websites, right-to-know requests and direct communication, they surveyed public parking operations across the country and obtained information, such as the number of metered on-street spaces in the city, the number of employees, expenses associated with on-street services, and revenue collected. They obtained this data for several cities including Boston, Detroit, Houston, Miami, Pittsburgh, and Portland.

Analysis of the data shows that the PPA is one of the largest publicly managed parking organizations in the United States with 15,406 on-street metered spaces. The size of its OSP Unit workforce, along with allocated support services, far surpasses other cities with 651 full-time employees. **Table II** below summarizes the key data collected by the consultant and includes these observations:

- The next largest publicly managed parking organization in relation to the size of the PPA's on-street operations is in Portland, Oregon. Portland has 14,000 on-street metered spaces that generate \$36.2 million in meter revenue, only \$1 million less than the PPA's meter revenue. Portland can accomplish this with staff size of only 111 employees. This equates to approximately 126 spaces per employee in Portland, compared to only 24 spaces per employee in Philadelphia.
- While Philadelphia generates more violation revenue, Boston, Massachusetts generated \$60.7 million in violation revenue with only half the number of the PPA's metered spaces and approximately half the number of employees.
- The city of Miami, Florida maintains almost 12,000 metered spaces with a workforce of 114 employees. While Miami's meter and violation collections are lower than the PPA, Miami generates 40% of the PPA's meter collection with only 18% of the employees.

Table II: Comparison of PPA Operational Data to Other Cities

(Refer to **Appendix II** for the explanation of footnotes a/ to o/)

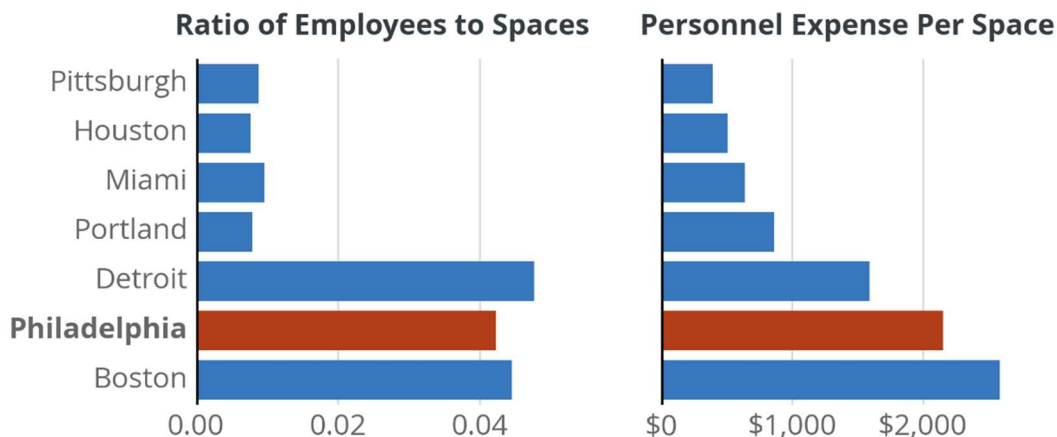
City	Metered Spaces	Number of Employees n/	Employee Salaries o/	Total Expenses	Total On-Street Meter Revenue	Total Violation Revenue
Boston, Massachusetts	7,660	341	\$19,830,276	\$35,559,547 ^{h/}	CND	\$60,722,214
Detroit, Michigan	2,200	105	\$3,502,211 ^{f/}	\$13,637,349 ^{f/}	\$6,200,000	\$12,785,902
Houston, Texas	9,500	73 ^{e/}	\$4,820,764 ^{e/}	\$20,435,000 ^{i/}	\$10,306,000	\$8,900,000
Miami, Florida	11,800 ^{a/}	114 ^{a/}	\$7,543,801 ^{e/}	\$20,789,712 ^{i/}	\$14,713,148	\$9,200,000 ^{m/}
Pittsburgh, Pennsylvania	9,400 ^{b/}	83	\$3,697,691	\$7,557,204	\$20,750,081 ^{l/}	\$9,852,537
Portland, Oregon	14,000 ^{c/}	111	\$12,096,280	\$34,423,138 ^{k/}	\$36,200,000	\$6,900,000
The Philadelphia Parking Authority	15,406^{d/}	651	\$33,197,475	\$92,767,967	\$37,247,860	\$86,606,687
Data Year (Unless otherwise noted)	2019	2019	2019	2018	2018	2018

Source: Prepared by the Office of the City Controller using data obtained by parking management consultant and auditors.

To further show the disparity between the PPA and other cities, we calculated workforce size and personnel costs on a per parking space basis. This allowed for comparison to smaller cities that did not have the same parking space capacity as Philadelphia. The analysis showed that the PPA had a higher number of employees

per metered space (0.0423) and a higher employee cost per metered space (\$2,155) than most of the cities considered. These metrics are shown for all cities considered in **Chart IV** below. The PPA is most similar to Boston and Detroit with both a high ratio of employees to spaces and a high personnel expense per space relative to the other cities considered. Pittsburgh, Houston, Miami, and Portland, on the other hand, have both a substantially lower number of employees per space and overall personnel costs per space. This suggests that the PPA, similar to Boston and Detroit, have inflated workforces and personnel costs when compared to on-street parking operations in other cities.

Chart IV: Comparison to Similar Parking Operations in Other Cities



Source: Prepared by the Office of the City Controller using data obtained from our parking management consultant.

Salaries Increased Despite Recommendations to Curtail Payroll Expenses

In addition to reviewing the PPA's workforce, we also followed-up on the state Auditor General's recommendations regarding the PPA's employment policies and procedures. The Auditor General found that the PPA was not prudent in its handling of salary increases to management employees. The report cited the PPA for increasing senior management salaries by 19.4% over a 28-month period¹³, a rate that far exceeded a collective 3.0% change in the consumer price index over the same time period. The Auditor General also found that the PPA was automatically adding annual COLAs to employee salaries, which resulted in excessive pay increases for senior level management.

In their response to the report, PPA management stated that they would forego COLAs for the executive director and deputy directors for 2018 and review them moving forward. Additionally, they had begun to review workers' salaries to ensure they are consistent with public employees in similar positions. To that end, they hired a private consulting firm, specializing in human resource management, to review job descriptions and salary levels for non-represented (non-rep) PPA employees, to assist the agency in creating job descriptions which reflect its operational needs, and to provide PPA management with the flexibility to combine position

¹³ July 1, 2014 through October 31, 2016.

duties, when appropriate. The consulting firm completed its research and presented its recommendations to the Board in March 2019.

While union employees, with collectively bargained compensation and benefit packages, comprise the majority of the PPA workforce, many employees, especially those at or above management level are non-represented employees. These higher-level non-rep positions are subject to pay adjustments at the discretion of the Human Resources (HR) Committee, which is comprised of three current members of the PPA Board including the board chair. The HR Committee was charged with evaluating the results of the firm's work and creating an implementation plan, if warranted, for the PPA. In September 2019, the HR Committee implemented a plan to adopt the recommended pay scales, while also adding a 3% COLA on top of the suggested rates. This COLA had already been awarded to the PPA's represented workers through collective bargaining and was being extended to the non-represented portion of the workforce through the HR committee ruling. The executive director and one deputy executive director did not take this COLA increase, however two other deputy executive directors did, raising their annual salaries to \$214,410. Employees who were already compensated above the consultant's recommended salary structure are exempt from these new maximums and will maintain their existing pay rates. This includes the two deputy executive directors earning \$214,410 per year, which is \$17,680 over the consultant's maximum recommended pay scale for their positions after adjusting for the COLA.

While the PPA's HR Committee may have reviewed the underlying assumptions made by the private consultant in determining the appropriateness of the pay structure, the consultant's results were not comparable with most pay scales found within the public sector, specifically pay ranges within the City of Philadelphia, the Commonwealth of Pennsylvania or the federal government.

Additional analysis completed by our parking management consultant determined that several of the positions within the PPA were paid more than their counterparts in the other public parking organizations across the country. Refer to **APPENDIX III** on page 26. We narrowed the comparison to fourteen management positions, and the PEOs, since this staff position embodied an essential function of each organization's mission.¹⁴ Analysis of the data by city indicates that when adjusted for the cost of living:

- Seven of eight (88%) comparable positions in Pittsburgh are paid less than the PPA.
- Six of seven (86%) comparable positions in Portland are paid less than the PPA.
- Five of six (83%) comparable positions in Boston are paid less than the PPA.

Our consultant's analysis further revealed that when adjusted for the cost of living:

- The PPA's executive director is the highest paid executive compared to five of the six other cities surveyed¹⁵. His \$210,000 annual salary exceeds Portland's Transportation Director by more than \$16,000, and Boston's Commissioner of Transportation and Parking by almost \$91,000.

¹⁴ Many cities do not have positions comparable to those within the PPA.

¹⁵ A comparable salary for Miami's chief executive officer was not available.

- The PPA's senior director of on-street parking receives a \$180,000 annual salary, which exceeds comparable positions in Miami, Pittsburgh and Portland by \$26,000, \$62,000 and \$66,000, respectively.

More significantly, the salary and position analysis in **APPENDIX III** showed that while the PPA compensates its executive director at the highest salary among the comparable parking organizations, the PPA pays its PEOs at the lowest rate when compared to its peers in other cities.¹⁶ As of September 1, 2019, the PPA paid its executive director \$210,000, which is 4.8 times the annual \$44,000 salary of its PEOs. Boston's executive, on the other hand, is paid at a rate only 2.6 times more than their PEOs. Refer to **Table III** below.

Table III: Salary Disparity Between Executive Director and Parking Enforcement Officers			
<i>Sorted by the ratio of pay for Executive Director to Parking Enforcement Officers (PEO)</i>			
	Annual Pay for Executive Director	Annual Pay for PEO	Ratio of Pay for Executive Director to PEO
Philadelphia	\$210,000	\$43,894	4.8
Portland	\$193,681	\$47,783	4.1
Pittsburgh	\$176,235	\$46,552	3.8
San Francisco	\$163,411	\$46,010	3.6
Houston	\$193,081	\$59,949	3.2
Boston	\$119,397	\$45,179	2.6

Source: Prepared by the Office of the City Controller using data obtained from our parking management consultant.

To further add to the inequity, the PPA's revised administrative pay plan includes a salary of \$307,970 for the executive director's position. Since PPA policies limit annual raises to 10% of an employee's current salary (for those making above \$50,000), the executive director would not receive this amount immediately, but could reach that annual salary in approximately five years, provided that the Board approves the annual raises. This would even more significantly exceed salaries currently paid by any of the other parking organizations. Other significant changes in salary, as recommended by the PPA's consultant and approved by the HR Committee are noted in **Table IV** below.

¹⁶ Comparison based on the position's highest pay step in the negotiated pay grade.

Table IV: Greatest Salary Increases by Percentage*Sorted by greatest percentage change in salary after raises.*

	Former Maximum Salary	New Maximum Salary	\$ Change	% Change
Executive Assistant	\$51,536	\$82,000	\$30,464	59.1%
Towing Coordinator	\$57,907	\$88,500	\$30,593	52.8%
Project Manager	\$68,967	\$97,000	\$28,033	40.6%
Chief Information Officer	\$130,921	\$170,000	\$39,079	29.8%
Vehicle Inspection Specialist	\$45,868	\$58,500	\$12,632	27.5%
Procurement Coordinator	\$48,621	\$62,000	\$13,379	27.5%
Deputy Manager, Revenue Control	\$73,104	\$88,500	\$15,396	21.1%
Social Media Coordinator	\$51,536	\$62,000	\$10,464	20.3%

Source: Prepared by the Office of the City Controller.

We also calculated the additional costs incurred by the PPA as a result of these recent salary and COLA increases. For fiscal year 2020, the PPA budgeted \$38.7 million for OSP and allocated support payroll expenses. Auditors projected the cost of the non-rep pay increase for the remaining portion of that year and have determined that the pay change could result in a \$1.0 million budget shortfall for the OSP Unit. Almost half of the deficit would occur within the Support Unit, as many of that unit's employees are non-rep professionals who benefitted from the salary increases. Since the PPA awarded the pay increases in early September of 2019, the negative impact on future net revenue available to the SDP would only include the last seven months of the 2020 fiscal year. However, future budgets for the OSP Division will require a larger allocation for payroll and pensions, thereby causing a potentially greater impact on the funding available to the SDP.

It should be noted that the consultant did not recommend salary increases for all non-rep positions. In several cases, they recommended reducing salaries for some non-rep positions, many of which were in lower compensated pay grades. None of the positions assigned to the two lowest pay grades, which included clerks, housekeeping, and security, received increases. For example, prior to the approved changes, a security guard could earn up to \$48,621. This maximum pay step was reduced to \$42,230 for all future hires. Higher pay grades, covering positions such as directors, deputy directors, associate counsel, and internal auditors, either maintained current salaries or were given increases.

OSP Unit Relies on Visual Parking Enforcement and Older Technology

In addition to the previous side-by-side comparisons of the PPA's operating expenses, ticket collections, and salary comparisons, our consultant also evaluated the on-street parking operation from the perspective of best practices in the parking industry. It is their belief that there are certain elements of the PPA's operations and current technology that could be improved to increase efficiency and collections. They identified the following areas of concern:

- Use of visual enforcement for parking meters – At present, the PPA still relies on visual enforcement of on-street parking rules and regulations, including payment of parking meters. PEOs must physically see that each single-space parking meter has been paid and verify at each multi-space parking kiosk that all parked vehicles complied with time limits.

In the parking industry, especially for larger on-street parking operations, the trend in payment and enforcement technology is toward payments tied to vehicle license plates and enforcement using License Plate Recognition (LPR). For this type of system, a parking customer either pays at a kiosk or via a mobile application and the payment is associated with the vehicle's license plate. A PEO in an LPR-equipped vehicle drives the streets scanning each vehicle's license plate as they pass. Each license plate is compared to a database of vehicles that indicates whether a vehicle is parked in compliance with the area's time and fee requirements. If the person parking the car has not paid for the correct time or has stayed beyond a posted time limit, the system indicates that the vehicle is in violation and a ticket is issued.

This system of payment and enforcement for on-street parking is incredibly efficient when compared to PEOs walking their enforcement routes and visually enforcing parking regulations. In addition to the potential for labor cost savings, the use of LPR-equipped enforcement vehicles makes it possible to enforce parking regulations on each street on a more frequent basis, often resulting in a significant increase in the number of parking violators ticketed.

Implementing this type of technology typically results in significant increases in the efficiency and decreases in the cost of the enforcement operation, as well as improved compliance with paid parking rules. The PPA has been transitioning to newer technology, and as part of this transition the PEOs were provided with handheld LPR devices during November 2019. Although they have adopted this new technology, the PEOs still enforce parking regulations on foot.

- Use of multiple types of parking meter technology – According to the PPA's website, the on-street parking system is currently comprised of approximately 9,000 single-space parking meters and 1,030 multi-space kiosks that control an additional 6,000 spaces. The single-space meters accept only coins, while the multi-space kiosks accept coins, bills, and credit/debit cards. Additionally, the MeterUP mobile payment option can be used in various parts of the city.

The use of various types of parking meter technology results in the PPA's operation being less efficient in several ways including, but not limited to: 1) each type of meter/kiosk must be enforced differently, as described above; 2) repairing each meter type requires different parts and skills; 3) collecting currency from the single-space meters requires different procedures and equipment than collecting currency from the multi-space kiosks; 4) drivers in the city must be acquainted with three different payment technologies; 5) the utilization of spaces cannot easily be tracked using older single-space meters, limiting the ability of the PPA to analyze the data and enhance the performance of the system; 6) the rates at the single-space

meters are not easily changed, making it difficult/impossible to charge based on parking demand in the area; and 7) older parking meter technology is incapable of accurately tracking the amount of currency that has been deposited, potentially leading to theft.

The inefficiencies created by both visual enforcement of parking compliance and the continued use of different types of meters, could be improved by newer technology.

***Identified Political
Connections Reinforce PPA's
Patronage Image***

Many Philadelphians have long believed that employees who work at the PPA are hired due to patronage, including familial, personal and political connections. Since payroll costs constitute the majority of the OSP and Support Unit expenses, which in turn, significantly affect the share of net revenue available to the SDP, we sought to

determine how prevalent patronage connections were within the units. Using a random sample of 107 employees who work in these PPA units, we compared employee residency data with publicly available records for ward leaders and city committee persons. Through our analysis, we found that 25 of the employees sampled (or 23%) also held political positions within Philadelphia or resided with someone who held such a position. Specifically, 21 employees lived with, or are themselves committee people, two employees are ward leaders, and two other employees hold positions as both a committee person and a ward leader. These political ties are bipartisan in nature, and the positions they are employed in are both management and rank and file positions. Without further personal data, we could not extend our analysis to employees who may otherwise have an influential political connection, such as close friends or extended family members. Additionally, this review does not address how or why so many politically involved people work for the PPA, but it does appear that political association positively correlates to employment with the agency.

As the state Auditor General noted in his employment practices report, the PPA once maintained a “closed” hiring process, in which information about available job openings was not widely disseminated to the public. The report further detailed how the former executive director would arbitrarily create positions and fill them without using a competitive hiring process or promote individuals without using merit-based criteria. In the years since the change in administration, the PPA has worked toward building fairer hiring practices, including posting available positions on their website.

However, the new policies were not applicable to the hiring of the PPA’s current executive director or his chief financial officer (CFO). When the Board needed to replace the former executive director who abruptly resigned in September 2016, it issued written job specifications outlining the duties and required experience of the new director. The ideal candidate would possess a master’s degree in Business Administration or Public Policy and have 15 or more years of experience in a municipal transportation or parking authority setting. Additionally, this professional background should include six years of “progressively responsible public administration experience” with exposure to finance, budget, real estate, personnel, and program coordination. Three of the six years must have included managing and directing at least one of the major programs applicable to the transportation or parking function.

While the current executive director’s resume illustrates a highly educated lawyer and long-time public servant, his experience did not meet the qualifications set forth in the written specifications. His Bachelor of Arts degree

in English and Political Science and his Juris Doctorate in Law do not fulfill the same educational requirements sought in a Business Administration or Public Policy degree. Additionally, while he served as a member of several planning commissions and chaired a traffic impact committee in the township he represented, his experience as a lawyer and state representative did not bring to the position the in-depth knowledge and insights into the inner-workings of parking and transportation programs.

In August 2018, the agency retained the services of a financial consultant who was briefly given the title of chief investment officer (CIO). Despite having no experience in government or parking operations the same consultant took over the CFO position, after the former CFO was terminated. This position has been on a part-time basis since the consultant was hired, and therefore he receives no benefits related to his employment. The appointment was made by Board action at the request of the new executive director, a former associate of the consultant. The PPA did not publicly advertise for either the CIO or CFO positions.

Furthermore, the Board minutes often make note of personnel decisions that were, or would be, discussed before or after the public Board meetings. We found it noteworthy that despite the importance of the Board's search for a new executive director, Board minutes contained no mention of interviews with any applicants, no discussion of applicant qualifications and no information which indicated that the search was narrowed to a choice among candidates. This appears to be a highly questionable practice that once again demonstrates the PPA's lack of transparency.

***Lack of Accountability also
Contributes to Inflated
Expenses***

In December 2017, City Council passed Resolution No. 171072-A requesting the mayor, the Pennsylvania General Assembly, and the Governor of Pennsylvania to relinquish control over the PPA and its revenues to the City. Through this resolution, City Council publicly asserted that the City should be able to control the revenues generated by the PPA so that the PPA could be made accountable to the City alone. They have also stated that since the 2001 takeover, the PPA "is not accountable to the City", and they have not adequately funded the SDP as the Commonwealth and the PPA declared when they sought to ratify Act 22. With control of the SDP being returned to a locally appointed Board of Education, relinquishing control of the PPA to the City could also ensure that the PPA may be more responsive to the needs of the SDP. While the governor supports giving immediate control of the PPA to the City¹⁷, without further state legislative action, the PPA remains under the Commonwealth's jurisdiction until 2037.

Officials from the City's Finance Office and the SDP have also stated that the PPA is not as responsive to their needs as they would like. The Auditor General recommended that the PPA "provide the City and School District with detailed and meaningful information to any questions or concerns that may arise over on-street revenues, related expenses, and/or expected funds to be available." Engaging in meaningful conversation with the Finance departments of the City and SDP should be a paramount concern given the PPA's fiduciary responsibility. While PPA executives meet with the City and SDP more frequently since the Auditor General's report was published, information is not always exchanged timely or in a useful manner. Requests for additional or follow-up information are frequently not addressed and significant information impacting the PPA's required

¹⁷ <https://www.governor.pa.gov/newsroom/governor-wolf-calls-abolishing-state-control-philadelphia-parking-authority/>

payments to the City and SDP, such as pay increases, are often discussed in broad terms and lack the detail and documentation necessary to engage in an informed conversation.

The PPA does not effectively report to any government entity at either the state or city level. The PPA presently generates its own revenue and does not seek additional funding from either legislative body.¹⁸ Therefore, it is not required to testify before, or obtain budgetary approvals from State Appropriation Committees or Philadelphia City Council. The PPA is not subject to the transparency and accountability that either budgeting process would provide. Both governments have reported using the PPA's budgets for planning purposes, but neither has asserted any form of influence over the PPA's annual projections. Without budgetary oversight, the PPA has no incentive, or legal requirement, to reduce its operating and support expenses. Consequently, no one questions the PPA's hiring practices, the large size of its workforce, or the organization's salary structure. These responsibilities should fall to the Board as they are the only entity in position to offer such oversight to the PPA. However, the current bylaws that govern the Board provide little guidance for oversight activities, and do not address what actions should be taken if a Board member fails to operate in the best interest of the PPA. Robust bylaws include specific oversight responsibilities.

Recommendations:

Mindful of the PPA's obligation to the SDP, PPA management should:

- Strive to create a leaner and more efficient workforce by closely examining the need for each position and reducing any redundancies. As natural attrition occurs, job duties should be combined, where possible, or employees reassigned to areas with established labor needs. [200119.01]
- Utilize lean management techniques including improved technology and the implementation of new efficiency measures to keep costs to a minimum. Ideally, the PPA's on-street parking system would consist of one type of physical parking payment device, as well as a mobile payment option, such as the existing MeterUP system. [200119.02]
- Publicly advertise open positions and fill them using a merit-based hiring system that considers the candidates qualifications and experience. [200119.03]
- Ensure that all executive level hiring decisions are publicly discussed and documented in the Board minutes. [200119.04]
- Refrain from automatically granting salary increases and COLAs to management employees. Pay increases should be based on specific criteria including written evaluations documenting high levels of employee performance. [200119.05]
- Engage in robust public discourse of the annual budget, ensuring adequate scrutiny and transparency of expenses. [200119.06]

We also recommend that the PPA Board develop policies that address its oversight responsibilities. The Board chairperson should then evaluate member compliance with these duties and designate actions to be taken if these responsibilities are not met. [200119.07]

¹⁸ With the exception of the Taxicab Medallion Fund and Taxi and Limo Regulatory Fund, which receive appropriations from the Commonwealth.

***Other Questionable
Expenses Result in Lower
Payments to SDP***

The Auditor General also cited the PPA for charging questionable and excessive non-payroll expenses to the OSP Division. Specifically, the state auditors identified improper tuition reimbursements, excessive travel costs, and other unnecessary expenses as some of the reasons why the PPA did not meet its annual pledged commitment to the City's schools. While not as significant as payroll, failure to properly control and authorize other operating expenses further erodes SDP's funding. As part of our testing, we also reviewed tuition, travel and other employee reimbursements to determine if the PPA implemented the Auditor General's recommendations and to ensure expenses were reasonable and necessary to support the mission of the PPA.

Tuition Reimbursements

In their December 2017 report, the Auditor General cited the PPA for reimbursing employees for tuition costs that violated the requirements established in PPA's tuition policy. Our follow-up testing of 46 tuition reimbursement transactions, totaling more than \$84,000, found that between January 2016 and December 2018, the PPA improperly provided full or partial reimbursement for 39 (85%) of these transactions. These exceptions, totaling \$26,616, affected 22 of the 24 employees we tested. Specifically, we found that:

- Seventeen of the 24 employees tested (71%) were reimbursed for student activity fees, enrollment fees, and/or technology fees that are not specifically identified as allowable under the PPA's tuition policy. The policy prohibits reimbursement for travel, meals, books, "*or other expenses*".
- Seven of the employees (29%) were reimbursed for courses that were not relevant to the employees' professional development at the PPA. Courses taken include homeland security, nursing, sociology, biology, anatomy/physiology, entrepreneurship, mutual fund counseling, and health administration.
- Six of the 24 employees (25%) received full reimbursement even though their intended courses of study (major) was not clearly indicated on the reimbursement request forms. Failure to include this relevant information on the face of the request increases the risk that the PPA will continue to improperly reimburse employees for courses that do not satisfy the intent of the tuition reimbursement policy.
- Four of the employees (17%) were either overpaid or underpaid due to erroneous calculations in the reimbursement or inaccurate application of the policy. The errors included not considering grants or parent loans in the calculation and incorrectly applying the reimbursement rates allowed for the grades received.

Additionally, a deputy executive director who was permitted to take on-line master-degree courses in Project Quality Management did not fulfill the PPA's minimum required six-month probationary period before enrolling. The deputy started working with the PPA in January 2018 and enrolled in the course in May 2018. The PPA's tuition policy does not exclude senior management from adherence to probationary provisions. The deputy continued to take degree courses well into the summer of 2019 before his services were terminated by the PPA Board in October 2019. According to the tuition policy, employees must continue to work at the PPA for two years after tuition is reimbursed, or else repay the costs on a declining scale based upon time employed

after reimbursement.¹⁹ The PPA HR Committee waived the repayment requirement of \$4,429 for the deputy executive director.

Travel Reimbursements

While most travel incurred by the PPA is for conferences and expos, we found that the PPA spent \$16,950 on travel related to training that was ultimately cancelled and non-refundable. During FY 2017, the PPA implemented a new software update for Microsoft Dynamics GP System users. As part of the implementation process, the PPA decided to send employees to Florida for training. According to the PPA, the trip was later cancelled by the interim executive director, and the employees were trained internally through an existing contract with the vendor at no additional cost. Proper oversight and management pre-approval of the intended conference would have helped avoid this unnecessary expense.

Other Employee Reimbursements

A candidate for the executive director position was not hired for that title but the PPA Board later hired him as the deputy executive director of the Off-Street Parking Unit. Management reimbursed the individual \$10,000 for lodging and relocation expenses resulting from his move to the Philadelphia area. This included \$2,925 for the security deposit required on his 12-month lease of a home in New Jersey. Details of the leasing contract show that upon expiration of the lease the landlord must return the entire security deposit plus any undistributed interest to the lessee. While this reimbursement was processed as an expense of the Support division, and therefore only partially charged to the OSP Unit, it should not have been charged at all. We deemed the \$2,925 reimbursement to be excessive and unreasonable, as it was not an expense to the PPA but rather a long-term asset to the employee. The deputy executive director was not asked to return these funds upon termination of the lease or separation from the PPA.

During our testing, we also noted, and management verified, that the PPA does not currently have a way of separating expenses related to employee reimbursements from other expenses within the general ledger. As a result, the PPA is unable to specifically track employee reimbursements. Failing to track expenses reimbursed directly to employees could result in unnecessary spending, unauthorized purchases, and duplicate reimbursements.

Recommendations:

To ensure that tuition, travel and other employee reimbursed expenses are necessary and accurate, we recommend that PPA management:

- Require employees to include their college major on the reimbursement request to ensure that management is aware of the courses the employee intends to take. [200119.08]

¹⁹ If the employee leaves within six months, he/she must repay 100% of tuition costs. For every additional six months worked, the amount to be repaid decreases by 25%.

- Provides reimbursement only for courses leading to an employee's professional development within the PPA. [200119.09]
- Revise the tuition policy to specifically address technology and other fees that may be submitted for reimbursement in lieu of traditional instruction materials. [200119.10]
- Ensure that only permanent (non-probationary) employees are approved for tuition reimbursement. [200119.11]
- Review proposed travel plans to evaluate the purpose and necessity of such travel and whether more cost-effective alternatives exist. [200119.12]
- Consider the use of more cost-effective methods of training such as, web-based classes and webinars. [200119.13]
- Develop and institute a policy that specifically addresses other potential employee reimbursements, beyond those associated with tuition and travel. [200119.14]
- Require the use of employee expense reports that track costs incurred while performing necessary job functions. [200119.15]
- Create a specific code that identifies an expense as a reimbursement within the general ledger system, so these types of expenses can be accurately tracked and analyzed throughout the year. [200119.16]

Other Areas of Concern

While not directly related to specific expense items, there were several management control matters that came to our attention during the course of our audit. These matters affected the overall environment in which the PPA conducts its daily activities.

Non-Compliance with New Procurement Policy

The state Auditor General also addressed the need for open and transparent procurement policies, criticizing the PPA for a lack of written policies and procedures that resulted in an informal and inconsistent contracting process. Specifically, the auditors found that with no formal procurement policy or written procedures, contract proposals and bid evaluations were not adequately documented, contracts did not include all the required administrative documents,²⁰ and proposals were incorrectly evaluated. In response to these findings, the PPA instituted written policies for procuring goods and services through documented Request for Proposals (RFPs) and Invitation for Bids (IFBs). These newly instituted policies recognize that “every dollar expended by the Authority to acquire products is public money and carries with it a heightened duty to exercise good judgement” and indicates first and foremost that the “primary factor used to determine whether the Procurement Department or the Contract Administrator will procure products is cost.” Including this acknowledgement of their fiduciary responsibility in the general provisions of the procurement policy reflects the intent to work toward responsible purchasing.

We reviewed all five RFPs issued after the implementation of these new policies to determine if the guidelines are effective and consistently applied to all contract proposals. Our testing results indicate that while

²⁰ Administrative documents include statements of insurance, affidavits of non-collusion, performance bonds, and the bidder's financial statements.

management appeared to substantially comply with these new policies, which will help the PPA make prudent purchasing decisions and reduce unnecessary spending, there was one instance in which the procurement policies were not carried out as expected.

The RFP in question pertained to booting and towing of vehicles parked illegally in metered spaces. The PPA's new procurement policy²¹ specifies that the winning vendor should have the proposal that scores the highest in criteria established specifically for the RFP. Upon review of the proposals and scoring matrix for this bid, we found that two vendors were extended the opportunity to contract with the agency. Reviewing the evaluation matrices for the RFP, we noticed that the two highest rated vendors received similar scores for pricing, although the cost of equipment for one vendor was more than twice that of the other vendor's bid. Despite this significant cost discrepancy, the contract was offered to both bidders. The PPA explained that they split the contract offer between both vendors because the evaluation committee was concerned that the more affordable product would fail in the field. Proper evaluation of this RFP should have included evaluating the quality and expected durability of the equipment. The lower price bidder opted not to participate in a split contract because the additional insurance coverage required by the PPA was too costly for the small women-owned business if they were not guaranteed the full contract amount.

This departure from the written policy raises further questions since the documentation supplied to us did not provide the rationale for selecting one bidder over the other, and the scoring matrix redacted the names of the PPA employees included in the evaluation committee.

Recommendation:

To ensure that all RFPs and IFBs are fairly evaluated, we recommend that PPA management establish clear rating criteria for bid evaluation committees. The criteria for a responsible bidder should include an evaluation of the product's fitness for the particular purpose. [200119.17]

Inadequate Use of the Internal Audit Function

As stated earlier, the state Auditor General expressed serious concern about the PPA Board's failure to adequately oversee and monitor the activities of the former executive director. Consequently, the former head of the PPA violated policies, manipulated leave records, and was able to totally control the hiring of all employees. The effective and proper use of an internal audit function would have allowed someone within the organization to act as an agent of the Board and independently and objectively monitor operations.

At the time of the Auditor General's review, the PPA had one internal audit position in place, but it had been vacant for several months. The Auditor General recommended that the PPA fill the open position and consider expanding the internal audit function beyond just that one position. PPA management complied with the recommendation by hiring an internal auditor and an assistant internal auditor, however, the agency has fallen short of the intentions behind the state's recommendations.

²¹ Established by board approval in September 2017 and revised September 2019.

Currently, the internal auditors report to both the PPA Board and the executive director. The Institute of Internal Auditors (IIA) believes that internal auditors should report to a single committee or board member who has oversight authority over the internal auditing function in order to maintain independence. We found that the internal auditors have performed duties that are generally the responsibility of management, such as revising the agency's chart of accounts, performing an inventory of fleet vehicles and sending emails warning employees of phishing scams. The PPA's Audit Policy Manual also specifically states that the internal audit function "*may include special projects and consultation as directed by the Executive Director and General Counsel.*" While the IIA indicates that it is acceptable for an internal audit unit to report to a company's senior management, this should be limited to administrative reporting²² only. Any reporting relationship that impedes the independence and operations of internal auditing should be viewed as a serious limitation of the unit's effectiveness.

Furthermore, the individuals hired to fill the internal audit positions do not possess the desired certifications or, for one of the employees, educational requirements necessary to perform the duties of an internal auditor. The chief internal auditor is not a Certified Public Accountant or a Certified Internal Auditor (CIA) and the associate auditor does not have a bachelor's degree in accounting or other related field. Prior to assuming his duties, the associate auditor was a PPA customer service manager for six years and previously worked in the automotive industry. The associate auditor is also a City committee person.

The PPA would benefit by requiring that employees obtain a professional certification, such as the CIA, and accordingly, receive 40 continuing professional education (CPE) hours annually to enhance their knowledge, skills and other competencies. The PPA's Audit Policy Manual puts the onus for training on the employee as part of their "professional obligation". However, without the necessary educational requirements or desired certifications, the PPA internal auditors are not currently obligated by professional licensing requirements to receive appropriate and on-going training.

To ensure transparency and decrease the risk of compromising the independence and objectivity of the internal audit function, we recommend that the PPA amend the Audit Policy Manual to clearly:

- Define the reporting lines between the PPA Board, the executive director, and the Internal Audit Unit. The Internal Audit Unit should report directly to the Board. [200119.18]
- Establish minimum educational requirements, required certifications, and continuing professional training expectations for all employees in the Internal Audit Unit. [200119.19]
- Incorporate the requirements of the IIA to ensure the competency and ongoing development of the Internal Audit Unit. [200119.20]

Inadequate Standard Operating Procedures

In its two audit reports, the state Auditor General cited PPA management for lacking written policies over operating procedures and employment practices. Written procedures, generally referred to as Standard

²² Administrative reporting is limited to activities such as time and leave approval, expense approval, fulfilling equipment requirements, office space requirements, and other activities that do not impede an internal auditor's independence in evaluating an organization.

Operating Procedures (SOPs) are essential for operations management. They provide clarity, consistency, and continuity to help ensure that daily activities are conducted accurately and predictably. Every significant process included in a governmental unit's daily operations should be documented with specific and detailed procedures that illustrate each step and variable in the process. Employees benefit by having a resource to guide their work without uncertainty or confusion. Management benefits by improved and consistent work performance.

The Auditor General called on the PPA to formally document their employment practices, such as hiring, promotions, etc., while also revising existing SOPs for procurement practices, revenue collection and expenditure processing. As part of our audit, we followed up with the PPA to determine if the SOPs for several operating units are being maintained as required. While we found that SOPs for their hiring and promotional practices were prepared, and the financial SOPs were updated, many of the written tasks in these documents were incomplete and vaguely worded, which consequently, would not provide adequate guidance to anyone wanting to perform their job duties effectively. For example, some of the SOPs designed for financial accounting processes referred to key employees in the process by their first names, instead of by their position titles. This could create confusion and inhibit the PPA's ability to maintain consistency and reliability in job performance over time. The PPA also presents the SOPs in a narrative format that tries to describe the subject matter. There are no screenshots of program applications used in the procedures or numbered steps to guide the employee's implementation of their duties. This lack of a structured format can undermine a reader's comprehension of specific tasks in a multi-step process.

Additionally, while we found that the SOPs for the procurement process were substantially more comprehensive than those used in the accounting policies, these written procedures still contained inaccuracies and omissions. For example, the updated version of the procurement policy, approved by the PPA's Board in September 2017, includes directives that could not be easily followed since the forms necessary to initiate the procurement process were not added to the PPA website until over a year after the policy was adopted. Also, the procurement policy still contains ambiguous and unstipulated language, using words such as "may" or "should" to direct implementation of the procedures. These conditional word choices do not adequately convey the required and authoritative intent of the procedure.

Recommendations:

We recommend that PPA management revise the SOPs to:

- Replace employee names with position titles. [200119.21]
- Remove vague and conditional language. [200119.22]
- Incorporate screen prints to illustrate computer processes. [200119.23]
- Discontinue the use of a narrative format in explaining complex processes. Instead, use sequential instructions or bullets for clarity and understanding. [200119.24]

APPENDICES

APPENDIX I: OBJECTIVE, SCOPE AND METHODOLOGY

This appendix provides information on the scope and methodology we used to ascertain the PPA's progress on implementing recommendations made by the state Auditor General's Office in their December 2017 audit reports, and to determine if additional efficiencies in on-street parking operations can further increase the net revenue pledged to the SDP.

To satisfy our audit objectives, we performed the following:

Reviewed the findings and recommendations made by the state Auditor General in his December 2017 reports on the accounting and employment practices of the PPA.

Met with the City Finance Director and spoke with the School District's Chief Financial Officer to determine if the PPA has been actively communicating with them and providing detailed and meaningful information regarding concerns that either party may have about on-street parking revenues, expenses, and or expected available funding.

Selected a sample of accounting and human resource policies and obtained copies of the SOPs for these processes from applicable division heads. Reviewed the quality of the SOPs to determine if the processes that they cover are thoroughly described, accurate, and consistent with actual procedures.

Prepared budget to actual analysis of expenses for the PPA's fiscal years ended March 31, 2016, 2017, and 2018.

Reviewed updated HR policies and procedures, with emphasis on hiring practices, and tuition reimbursements.

Tested internal control over employee reimbursements, travel, and other miscellaneous expenses. Reviewed transactions by obtaining supporting documentation and analyzing the frequency and necessity of the expenses.

Reviewed procurement policies to verify controls over purchasing and contracts. Selected sample contracts to ensure that goods and services were obtained through competitive bidding, where necessary.

Obtained and reviewed the salary evaluation report of the HR management consultant, hired by the PPA to determine if the PPA's management pay structure was excessive.

Obtained the services of a consultant specializing in parking operations to assist us in determining how PPA operations measure against comparable publicly-run parking organizations in other cities.

Selected a sample of OSP Division employees and performed procedures to determine if patronage hiring could have contributed to the PPA's incompatibly large number of employees. These procedures included comparing employee residency data to public records for city ward leaders and committee persons.

We performed our work from August 2018 through March 2020 in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

APPENDIX II: COMPARISON OF PPA OPERATIONAL DATA TO OTHER CITIES

City	Metered Spaces	Number of Employees n/	Employee Salaries o/	Total Direct Expenses	Total On-Street Meter Revenue	Total Violation Revenue
Boston, Massachusetts	7,660	341	\$19,830,276	\$35,559,547 ^{h/}	CND	\$60,722,214
Detroit, Michigan	2,200	105	\$3,502,211 ^{f/}	\$13,637,349 ^{f/}	\$6,200,000	\$12,785,902
Houston, Texas	9,500	73 ^{e/}	\$4,820,764 ^{e/}	\$20,435,000 ^{i/}	\$10,306,000	\$8,900,000
Miami, Florida	11,800 ^{a/}	114 ^{a/}	\$7,543,801 ^{g/}	\$20,789,712 ^{j/}	\$14,713,148	\$9,200,000 ^{m/}
Pittsburgh, Pennsylvania	9,400 ^{b/}	83	\$3,697,691	\$7,557,204	\$20,750,081 ^{l/}	\$9,852,537
Portland, Oregon	14,000 ^{c/}	111	\$12,096,280	\$34,423,138 ^{k/}	\$36,200,000	\$6,900,000
The Philadelphia Parking Authority	15,406^{d/}	651	\$33,197,475	\$92,767,967	\$37,247,860	\$86,606,687
Data Year (Unless otherwise noted)	2019	2019	2019	2018	2018	2018

^{a/} Data obtained for 2018. Source: Department of Off-Street Parking, Comprehensive Annual Financial Report, City of Miami, Fiscal Year Ended September 30, 2018.

^{b/} Data obtained for 2020. Source: Pittsburgh Parking Authority Website – March 2020.

^{c/} Data obtained for 2020. Source: Portland Bureau of Transportation Website – March 2020.

^{d/} Data obtained for 2018. Source: Philadelphia Parking Authority's On-street Annual Report 2018.

^{e/} Data obtained for 2018. Parking enforcement is performed by ParkHouston and the Houston Police Department. Information presented for ParkHouston only. Source: City of Houston, Civilian Job Classifications, 2018.

^{f/} Data obtained for 2018. Breakdowns of services, divisions, or costs were not available. Source: City of Detroit Mayor's Recommended Four-Year Financial Plan 2019 -2022 and 2020-2023

^{g/} Data obtained for 2018. Includes off-street parking services and fringe benefits. A breakdown of division costs was not available. Source: Miami Parking Authority Financial Statements FY 2018.

^{h/} Includes costs for traffic management. A breakdown of division costs was not available. Source: FY 20 Budget for the City of Boston (FY 2018 actual data).

^{i/} Includes costs for off-street parking division. A breakdown of division costs was not available. Source: City of Houston Financial Statement – FY 2018.

^{j/} Includes costs for off-street parking division. A breakdown of division costs was not available. Source: Department of Off-Street Parking, Comprehensive Annual Financial Report, City of Miami, Fiscal Year Ended September 30, 2018.

^{k/} Data obtained for 2019. Source: Portland Bureau of Transportation – FY19-20 Budget.

^{l/} Includes revenue for off-street parking. A further breakdown of revenue was not available. Source: Pittsburgh Parking Authority Financial Statements, Fiscal Year Ended December 31, 2018.

^{m/} Includes \$5.5 million collected for Miami Dade County. Source: City of Miami Department of Off-Street Parking Financial Statements – FY 2018.

^{n/} Represents on-street parking employees along with support unit employees, where available. PPA Support Unit employees allocated at 60% based on actual data.

^{o/} Excludes fringe benefits unless otherwise noted.

CND – Could not determine.

Source: Prepared by the Office of the City Controller using data obtained by parking management consultant and auditors.

APPENDIX III: SALARY COMPARISON TO OTHER PUBLIC PARKING ORGANIZATIONS

(Highlighted amounts represent salaries that are lower in other cities)

Philadelphia		Miami			Portland		
Job Title	Annual Pay	Job Title	Adjusted Pay	Percentage Variance	Job Title	Adjusted Pay	Percentage Variance
Cost of Living ("-" indicates higher cost of living)			6.40%			-8.37%	
Executive Director	\$ 210,000	CEO	Not Available		Transportation Director	\$ 193,681	-8%
Chief Financial Officer	\$ 186,186	CFO	\$ 228,783	23%	X		
General Counsel	\$ 208,166	Sr. Executive Advisor to CEO	\$ 154,296	-26%	X		
Deputy Executive Director	\$ 205,238	X			Assistant Transportation Director	\$ 149,207	-27%
Senior Director, On-Street Parking	\$ 180,455	Director of Operations	\$ 154,296	-14%	Parking Services Group Manager	\$ 114,035	-37%
Senior Director, Administration	\$ 157,590	X			X		
Chief Information Technology Officer	\$ 140,808	Director of Information Services	\$ 186,219	32%	X		
Senior Director, Human Resources	\$ 140,808	Director of Human Resources	\$ 154,296	10%	X		
Director, Enforcement	\$ 134,930	X			Parking Operations, Div. Manager	\$ 88,098	-35%
Director, Parking Management	\$ 134,930	X			Parking Enforcement, Div. Manager	\$ 85,215	-37%
Director, Risk Management	\$ 107,944	X			Risk Specialist	\$ 69,207	-36%
Manager, Parking Management Operations	\$ 100,769	Senior Manager of Operations	\$ 105,610	5%	X		
Manager, Ticketing	\$ 100,769	X			X		
Manager, Towing and Impoundment	\$ 100,769	X			X		
Parking Enforcement Officer (PEO)	\$ 43,894	Parking Enforcement I	\$ 55,334	26%	Parking Code Enforcement Officer	\$ 47,783	9%

Philadelphia		Boston			Houston		
Job Title	Annual Pay	Job Title	Adjusted Pay	Percentage Variance	Job Title	Adjusted Pay	Percentage Variance
Cost of Living ("-" indicates higher cost of living)			-17.90%			17.82%	
Executive Director	\$ 210,000	Commissioner of Trans & Parking	\$ 119,397	-43%	Assistant Director	\$ 193,081	-8%
Chief Financial Officer	\$ 186,186	X			X		
General Counsel	\$ 208,166	X			X		
Deputy Executive Director	\$ 205,238	X			X		
Senior Director, On-Street Parking	\$ 180,455	X			X		
Senior Director, Administration	\$ 157,590	X			X		
Chief Information Technology Officer	\$ 140,808	X			Asst. Director - Information Tech.	\$ 239,827	70%
Senior Director, Human Resources	\$ 140,808	X			Human Resources Director	\$ 225,614	60%
Director, Enforcement	\$ 134,930	Asst. Parking Clerk	\$ 109,897	-19%	Division Manager	\$ 164,010	22%
Director, Parking Management	\$ 134,930	Operations Manager BTM	\$ 103,545	-50%	Division Manager	\$ 164,010	22%
Director, Risk Management	\$ 107,944	X			X		
Manager, Parking Management Operations	\$ 100,769	Assistant Director of Park Mgmt	\$ 82,129	-60%	Maintenance Supervisor	\$ 82,403	-18%
Manager, Ticketing	\$ 100,769	Supervisor of Parking Enforcement	\$ 91,799	-9%	Office Supervisor	\$ 86,814	-14%
Manager, Towing and Impoundment	\$ 100,769	X			X		
Parking Enforcement Officer (PEO)	\$ 43,894	Parking Meter Supervisor	\$ 45,179	3%	Parking Compliance Officer	\$ 59,949	37%

Philadelphia		San Francisco			Pittsburgh		
Job Title	Annual Pay	Job Title	Adjusted Pay	Percentage Variance	Job Title	Adjusted Pay	Percentage Variance
Cost of Living ("-" indicates higher cost of living)			-32.26%			17.49%	
Executive Director	\$ 210,000	Parking Director	\$ 163,411	-22%	Executive Director	\$ 176,235	-16%
Chief Financial Officer	\$ 186,186	X			Director of Finance	\$ 117,684	-37%
General Counsel	\$ 208,166	X			X		
Deputy Executive Director	\$ 205,238	X			Asst. Director of Parking Services	\$ 86,157	-58%
Senior Director, On-Street Parking	\$ 180,455	X			Dir. of On-Street & Metered Parking	\$ 117,684	-35%
Senior Director, Administration	\$ 157,590	X			Director of Administration	\$ 117,684	-25%
Chief Information Technology Officer	\$ 140,808	X			Chief Technology Officer	\$ 92,566	-34%
Senior Director, Human Resources	\$ 140,808	Human Resources Director	\$ 176,304	25%	X		
Director, Enforcement	\$ 134,930	Director of Parking Enforcement	Not Available		X		
Director, Parking Management	\$ 134,930	X			X		
Director, Risk Management	\$ 107,944	X			X		
Manager, Parking Management Operations	\$ 100,769	Manager V	\$ 125,614	25%	X		
Manager, Ticketing	\$ 100,769	Manager V	\$ 125,614	25%	Enforcement Manager	\$ 64,192	-36%
Manager, Towing and Impoundment	\$ 100,769	Manager V	\$ 125,614	25%	X		
Parking Enforcement Officer (PEO)	\$ 43,894	Parking Control Officer	\$ 46,010	5%	PEO	\$ 46,552	6%

X = No comparable position exists.

Source: Prepared by the Office of the City Controller using data obtained from our parking management consultant.

RESPONSE TO AUDITOR'S REPORT

Response of the Philadelphia Parking Authority Auditor's Report of the Philadelphia Controller On-Street Parking Expenses and Other Matters

The Philadelphia Parking Authority has been pleased to cooperate with the City Controller's office to complete an audit of its On-Street Parking Program for fiscal year 2016 through fiscal year 2019.

At our meeting to initiate the audit in September 2018, we pledged to cooperate fully with the auditors from the City Controller's office and respond promptly to all requests for information. We believe we have done so throughout the audit period. For several months, the PPA provided office space in our Finance Department for the auditors and agreed without hesitation to the City Controller's interest in expanding the audit scope to include a fourth year (FY2019).

Over the past four years, the PPA has been audited or subject to independent review 28 times. Two audits by the Pennsylvania Auditor General. Twenty-one times by independent CPA firms required by state law. One external review of the entire PPA operation by the International Parking and Mobility Institute (accreditation), one review of the PPA's procurement policies and procedures by the National Institute for Government Purchasing, one review of the PPA's salary structure and job descriptions, another focused on human resources policies, and now the audit by the Philadelphia City Controller. All of the resulting reports are publicly available.

In terms of transparency, the public can also find the following information on the PPA's website:

- Every PPA contract
- All invitations for Bids and Requests for Proposals
- Job vacancies
- Employment applications and instructions
- Financial statements, including monthly updates
- Audit reports
- Annual program reports for various PPA operations
- Each Board meeting agenda
- Access to virtual attendance to Board meetings
- All Board Minutes dating back 70 years
- Instructions for submitting Right-to-Know requests
- Table of violations and associated fees
- Red light camera and speed camera footage to facilitate citizen violation disputes
- Organizational chart and contact information
- Key policies and procedures

MISSION

The mission of the Philadelphia Parking Authority is to enhance the quality of life for all those who live, work and visit Philadelphia through our strategic partnership with the Commonwealth of Pennsylvania and the City of Philadelphia. That is accomplished by supporting the region's economic vitality through the provision of comprehensive parking, regulatory, and transportation services. A focus on improved

access, greater mobility, and increased vehicular and pedestrian safety are the guiding principles of our program. While the City Controller's Audit Report does not address the qualitative aspects of our programs, that is the foundation of our mission as established in law and regulation.

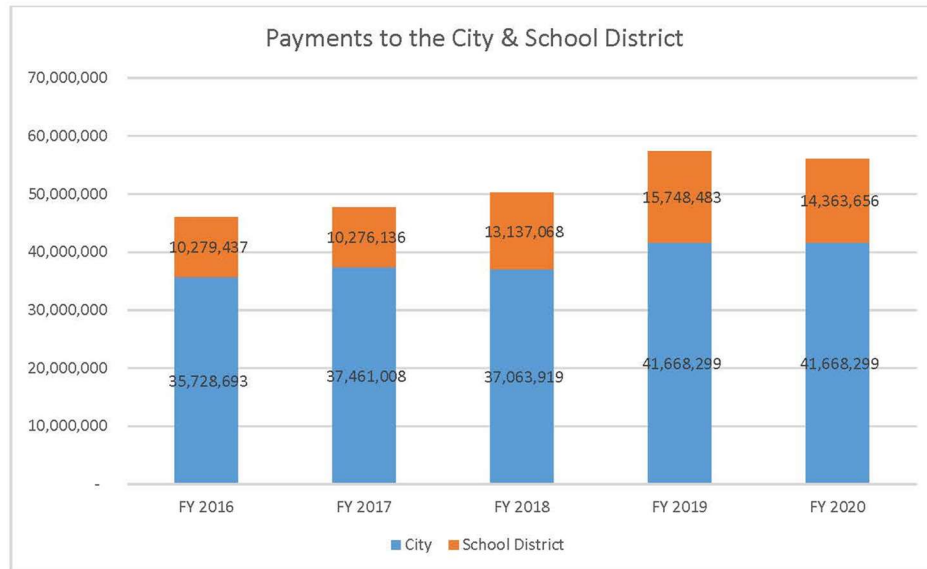
Among the comments, the City Controller's Office makes two essential points. Many misinterpret or do not understand the funding allocation for revenues. This audit demystifies the funding apportionment protocols. While there is an interest in providing the majority of revenues to the School District, state law establishes the allocation of funds between the City and the Philadelphia School District. Pursuant to Pennsylvania Act 84 of 2012, the Authority is bound by a distribution formula. The City is guaranteed the first \$35 million and the School District receives any excess. Further, as revenues increase, the City's allocation increases while the School District portion may not increase. This allocation formula is particularly relevant because as the Authority improves efficiency, the School District's support may not rise.

The second point is related to the first. The Authority understands its role to support the City of Philadelphia and the School District. We are focused on providing services in the most efficient manner possible to maximize our contribution to fund important public services. The stated purpose of the audit was to "assess the validity of their on-street parking expenses as every dollar saved is another dollar that would go to the School District." Therefore we are pleased that the audit recognizes that we have provided record contributions to both the City and School District during the audit period without increasing ticket fines, meter rates, or other fees.

PAYMENTS TO THE CITY AND SCHOOL DISTRICT

The chart below shows the annual payments to both the City and School District for the period of the audit as well as for fiscal year 2020. During the four years covered by the audit, PPA contributed over \$200 million to the City and School District from the On-Street Parking Program, an increase of \$11.4 million (25%) from the beginning of the audit period until the end. The contribution to the City went from \$35.7 million to \$41.7, an increase of \$6 million (17%). The contribution to the School District went from \$10.3 million to \$15.7 million, an increase of \$5.4 million (53%).

We have included the results for FY 2020, though it is not within the audit period because it was included in the Audit Report. The COVID-19 pandemic caused all On-Street operations to stop on March 17, 2020, reducing our revenue by approximately \$4.3 million. Prior to the shutdown, we were on target to make a total contribution of \$60.3 million with \$18.7 going to the School District.



These continually improving payments to the City and School District did not happen by accident. At the direction of the Board, the PPA has worked diligently to improve the efficiency of our operations consistent with our mission to improve access for people who live, work, and visit Philadelphia.

APPLES AND ORANGES

No other parking authority or similar agency in the United States is responsible for the diverse transportation duties assigned to the PPA. With 17 business units we are responsible for nearly \$265 million in annual revenue. In 2017 the Pennsylvania Auditor General noted the complexity of our organization and the difficulty of drawing appropriate comparisons with other municipal parking operations. As we will note later, none of the entities selected by the City Controller for comparison to the PPA perform the same range of work nor are they of like size. Even the organizations selected to compare on-street related duties do not perform all of the functions completed by the PPA.

That is why we disagree with the analysis derived by the City Controller from its consideration of the comparisons it has made in this report. Those comparisons amount to a classic case of comparing “apples to oranges” and are simply not instructive.

ADDITIONAL AUDITS AND REVIEW

When appropriate, the PPA has relied on professional consultants to review aspects of our operations to get objective feedback needed to improve the quality and efficiency of our work. In addition to the recent Auditor General audits, we contracted for two independent reviews. Those included a review of our human resources policies and procedures, as well as a review of our job descriptions and administrative employee salary scales.

We have also submitted to peer reviews by professional associations. We are pleased that in 2018 the PPA was accredited *with distinction* by the International Parking and Mobility Institute, an international organization of parking and transportation professionals. The Accreditation with Distinction designation is granted by IPMI's independent APO Board, established to ensure and support the development and maintenance of industry standards representing the highest level of professionalism and competency. Accreditation indicates that an organization has met 25 required criteria, plus 80% of the remaining 105 criteria. Accredited with Distinction is reserved for those organizations meeting 80% of 86 criteria that represent exceptional practices.

In addition, in 2019 the PPA received the Outstanding Agency Accreditation Achievement Award (OA4) from the National Institute for Government Purchasing (NIGP). NIGP, also known as "The Institute for Public Procurement" is regarded as one of the premier professional associations for public procurement with members from the United States, Canada and countries outside of North America. OA4 accreditation is only granted to those members of NIGP who achieve at least 100 of a possible 132 points on a list of criteria emphasizing prominence of the procurement function in planning, budgeting and policy making within the member organization along with adherence to current best practices in the public procurement profession. The NIGP award letter indicated that only 155 of their 3,000 member agencies attained this distinction.

COMMUNICATION WITH THE CITY AND SCHOOL DISTRICT

The PPA's executive staff meets regularly with the finance officers of the City and School District at which there is a full exchange of information and questions answered. The PPA presents its financial information at those meetings and responds immediately to questions. We are unaware of a single instance where a question was asked or information sought without a timely response. The Audit Report does not cite a single example to the contrary.

PPA RESPONSE TO SUMMARY OF TESTING RESULTS

Summary of Testing Results – We will respond in detail to these issues in later sections of our response but will briefly comment on the summary findings:

Finding: "The OSP workforce is significantly larger, and incurs greater cost per employee, than the other publicly managed parking organizations across the country."

Response: **The PPA disagrees with this finding.** The Audit Report does not review the parking operations of large densely populated cities in the United States. In addition to fundamental population and overall density issues, the PPA performs far more functions and raises far more revenue than any other parking organization reviewed in the Audit Report. Therefore, the Audit Report presents a classic case of comparing "apples to oranges" and is not instructive.

Finding: "The PPA compensates its executive director at the highest salary amount among the comparable parking organizations, while paying its parking enforcement officers (PEOs) at the lowest rate when compared to other cities."

Response: The PPA disagrees with this finding. The flaw inherent in the apples to oranges comparison noted above undermines this finding as well. Consistent with the Auditor General's recommendation, last year an independent consultant reviewed the PPA's salary structure. The executive director's compensation was found to be significantly below the true comparable and recommended level. The salary actually paid to the executive director position is *lower* now than it was 5 years ago. The Audit Report did not consider size, complexity or total revenue as is customary in any salary review.

Also, referencing the salaries of newly hired parking enforcement officers with that of the executive director is invalid. The benefits, pay, and working conditions of parking enforcement officers are negotiated through collective bargaining.

Finding: "Despite concerns in the Auditor General's report that management salaries were excessive, PPA administrators awarded a salary increase, along with a 3% cost of living adjustment (COLA) to most of its non-represented workforce."

Response: The PPA disagrees with this finding. Salary adjustments and COLAs in 2019 were the result of the review by the independent consultant engaged consistent with the Auditor General's recommendation.

Finding: "Twenty-five (23%) of the 107 OSP employees we sampled had direct political connections in that they live with, or are themselves, committee persons or ward leaders, thereby reinforcing long-held beliefs that the PPA often uses the patronage system to hire employees."

Response: The PPA disagrees with this finding. On its face the Audit Report finds that the vast majority (77%) of the PPA's employees have no political connections. This finding undermines the "patronage" stereotype often errantly restated about the PPA. The PPA makes certain that all applicants are evaluated for employment based solely on his or her qualifications.

Finding: "Current manual ticketing practices are inefficient and costly."

Response: The PPA disagrees with this finding. It is axiomatic that technology can enhance efficiency. That is why we began using increasingly advanced equipment in 2007. We have used License Plate Recognition technology since 2007, we have taken pictures of license plates associated with parking violations since 2012, and last year all parking enforcement officers were equipped with handheld LPR technology. All single-space parking meters and older kiosks are being replaced with license plate based equipment and all will be replaced by the end of this year.

Finding: "Other questionable expenses involving tuition, travel, and other employee reimbursements further reduce funding that should go to the SPD."

Response: The PPA disagrees with this finding. None of the expenses identified in the Audit Report were determined to be inappropriate. The aggregate of \$50,000 identified represents .02% of the amount transferred to the City and SDP during the same period. This certainly does not pass the

materiality threshold normally applied to an audit. The PPA will continue to conduct internal and third party audits to monitor and control expenses.

Item of Concern: "The PPA is not accountable to any city or state oversight. Since the PPA presently generates its own revenue and does not seek additional funding from either government, it is not required to testify before, or obtain budgetary approval from State Appropriation Committees or Philadelphia City Council."

Response: **The PPA disagrees with this finding.** The purpose of creating an authority is to take advantage of the benefits derived from separating some functions from the larger and often less efficient operations of a primary government body. That is certainly the case with the PPA. However, that separation does not equate to a lack of accountability and we disagree with that finding. The PPA interacts regularly and seamlessly with all levels of city and state government and is responsible as an agent of the city and state to perform according to identifiable standards. PPA staff regularly testify before committees of the City Council as well as the Pennsylvania General Assembly. The PPA is required to undergo and file annual reports, and is always subject to additional audits such as those conducted by the Auditor General, Attorney General, and the City Controller.

Item of Concern: "Procurement decisions lack complete and documented criteria for selecting one contract proposal over another, despite costs associated with the winning proposal for one of the contracts we reviewed being twice the costs of the second-highest bidder."

Response: **The PPA disagrees with this finding.** The Audit Report does not identify a single failure to follow a procurement law or policy. The City Controller misunderstands the law as it applies to procurement functions, particularly RFPs. This finding should have been deleted as erroneous.

Item of Concern: "Internal auditors report to the executive director and work with unit management instead of being accountable to the PPA Board. This limits the auditors' ability to independently and objectively monitor PPA operations."

Response: **The PPA disagrees with this finding.** The Audit Report only addresses half of the internal auditor's reporting structure. The internal auditor reports directly to the Board with the Board treasurer, and chair of the Audit Committee as the designated report. The internal auditor also reports to the executive director to provide audits when requested when specific issues need to be addressed regarding normal PPA operations.

Item of Concern: "Internal auditors are not required to obtain relevant credentials, such as becoming Certified Internal Auditors. Additionally, per the PPA's procedures, the onus is on the employees to determine what continuing education is sufficient. One of the two employees serving in this function has no relevant education or work history."

Response: **The PPA disagrees with this finding.** The internal auditor is highly qualified with over 25 years in senior auditing positions in the federal government. He is a member of the Institute of Internal Auditors (IIA) and regularly completes continuing education courses offered by the IIA. A prior assistant to the Internal Auditor had more limited audit experience but has since retired.

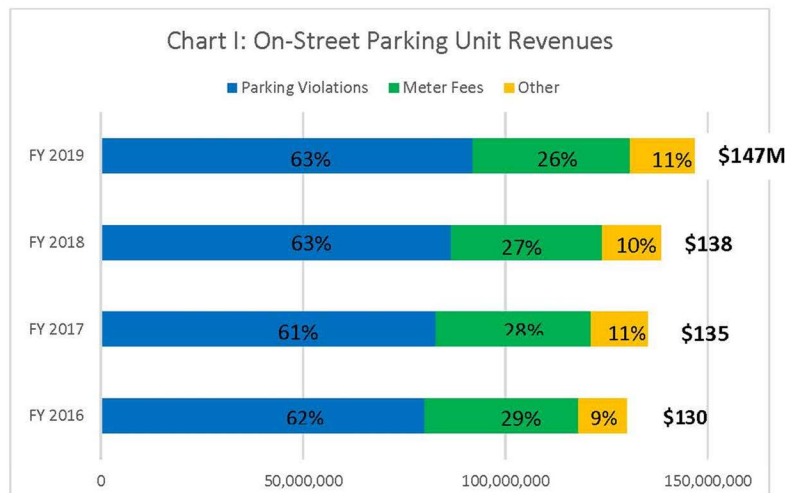
Item of Concern: "Standard operating procedures are incomplete, unstructured, and not clearly worded, which impedes PPA employees' ability to perform their job duties effectively."

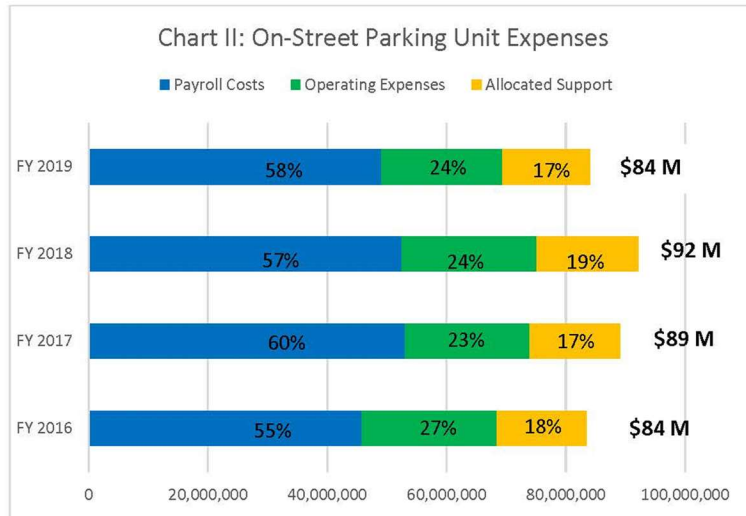
Response: PPA agrees that standard operating procedures require regular review and updating. Standard operating procedures should be constantly reviewed and updated. We will continue that process to make the minor adjustments recommended. We cannot adequately respond to this concern as no specific examples were provided.

How Changes in Revenue and Expenses Affect Payments to the City and SDP

Despite the fact that PPA identified to the City Controller that the Audit Report inaccurately adds employees who work in the administrative division of the PPA to the On-Street employee roster for calculation and comparison purposes, the Audit Report still includes that error. Administrative employees support all the divisions of the PPA's operations. They represent such departments as procurement, legal, human resources, risk management, finance, etc. While a portion of the cost associated with those functions is allocated to the On-Street division, they do not engage in direct on-street work. This artificially inflates the number and cost of on-street personnel and salaries.

We find it peculiar that certain portions of the Audit Report use data from 2019, however, Charts I and II in the Audit Report only show FYs 2016 through 2018. When FY 2019 is added to the charts you can see growth in revenue and reduction in expenses in FY 2019.





PPA's Workforce Larger than Other Comparable Cities

The data purported to provide comparisons with other cities is fatally flawed for several reasons. First, some of the comparisons are authorities, while others are departments of a city. Some cities contract out services such as towing, booting, or ticketing and some do not have elements of Philadelphia's program at all. Perhaps most importantly, there is no attempt to account for variations in population, size or population density in drawing comparisons. PPA added those more relevant statistics to the chart below for comparison purposes.

As indicated in the footnotes to Appendix II: Comparison of PPA Operational Data to Other Cities, (The chart in Appendix II is replicated in this section of the Audit Report without footnotes), some elements included in the data of certain comparison cities are not part of on-street parking. In other cases, essential parts of any on-street parking program are not included in the data. Other footnotes indicate that no one knows what is included in the data. The data provided for other cities is incomplete, not comparable to PPA or unreliable on its face therefore these comparisons are not relevant.

For example, from the City Controller's footnotes:

- Boston – Total expenses include costs for traffic management, no meter revenue noted.
- Detroit – Indicates that "breakdowns of services, divisions or costs were not available." An earlier version of this footnote said "Excludes the cost of outsourced parking enforcement services but may include costs for the city's parking garages." It is impossible to determine what is included here.
- Houston – "Parking enforcement is performed by ParkHouston and the Houston Police Department." Since this does not include any cost of enforcement it is not relevant to comparison purposes.

- Miami – Includes costs for off-street parking services and revenue collected for Miami-Dade County.
- Pittsburgh – Includes revenue from off-street parking.

The table below demonstrates the disparity in city size, population, density and scope of parking services provided.

	Philadelphia, PA	Boston, MA	Detroit, MI	Houston, TX	Miami, FL	Pittsburg, PA	Portland, OR
Population	1,584,064	681,728	655,057	2,320,268	467,963	300,286	654,741
Square Miles	134	48	606	638	36	55	134
Population Density	11,804	14,114	1,080	3,640	12,999	5,420	4,904
City/Authority	Authority	City	City	City	Authority	Authority	City
Planning & Analysis	X	X			X		X
Residential Permit Parking	X	X	X	X	X	X	
Parking for People With Disabilities	X				X		X
Parking Meter Maintenance	X	X	X			X	X
Parking Meter Collection	X	X	X	X	X	X	X
Ticket Issuance	X	X			X	X	X
Towing	X	X					X
Booting	X	X		X	X		X
Revenue Collection	X	X	X	X	X		X

The consultant used by the City Controller chose the number of meter spaces as the benchmark to compare workforce size and cost per unit (meter space). That does not create a consistent benchmark for comparison. In Philadelphia for example, our ticketing staff enforces - in addition to over 15,000 meter spaces - more than 1,700 Residential Permit Parking blocks containing nearly 34,000 spaces. Additionally, PPA enforces many loading zones, no parking zones, corner clearances, fire hydrants, double parking and dozens of other violations not included in calculating staffing and personnel costs per space. Also as indicated above, the PPA provides comprehensive parking management services including many functions not provided by other cities. PPA's staff size is larger due to those additional responsibilities, unrelated to meter enforcement.

Additionally, these cities have dramatically different populations, geography and population densities. Density is a consistent predictor of parking space availability and violation rates. More dense population means higher demand for parking and fewer parking spaces. The Audit Report asserts that Philadelphia, along with Boston and Detroit "have inflated workforces and personnel costs when compared to on-street parking operations in other cities." Without any attempt to compare the scope of services provided by other cities, the Audit Report makes conclusions that three city's workforces and personnel costs are too high. Yet, Boston, Detroit and Philadelphia themselves have significantly different population densities ranging from 1,080 in Detroit to 14,114 in Boston and 11,084 in Philadelphia. Table II and Chart IV and the conclusions drawn from them are therefore invalid. The degree to which the data presented is inconsistent, and in some cases unknown, makes the

conclusions fatally flawed. Additionally, and most importantly, there is no information presented concerning the net revenue that is returned by these parking programs to their cities.

Salaries Increased Despite Recommendations to Curtail Payroll Expenses

The report of the Auditor General issued in December 2017 included the PPA's agreement to hire an independent consultant to review and update job descriptions as well as the salaries of non-represented employees. The PPA advertised a Request for Proposals for firms to complete that analysis. Included in the scope of work was the task of producing appropriate pay scales for non-represented employees after a market analysis of similar positions.

In March 2019 the consultant submitted its report with a proposal for new salary scales and a salary range for each non-represented position in the PPA. The recommended pay plan has a step structure with six steps, where the first step is at approximately 80% of the market 50th percentile and the top step approximates the market 50th percentile (half of all organizations pay less than the 50th and half pay more than the 50th percentile). Using the step system means that an employee can expect to reach the benchmark 50th percentile after five years in the position. Jobs were aligned to grades based on external and internal hierarchies; this resulted in some pay grade adjustments to better meet the market 50th percentile at the 6th step.

The three most senior executives, executive director, first deputy executive director, and general counsel, were removed from the step system and proposed a range to be from 80% of the market 50th percentile to 110% of the 50th percentile for each of those positions. The consultant recommended that the Board HR Committee set the salary annually for those positions.

The consultant also noted that failure to make COLA adjustments consistent with those granted to represented employees would result in compression between management and other employees, undermining the internal hierarchies established in the plan.

The consultant presented the full report, including salaries in each pay range to the Board in a public meeting on March 19, 2019. The meeting was advertised and posted on the PPA web site, open and attended by members of the public. The full consultant's report was also included in the Board minutes and posted on the PPA web site.

The Board engaged in a full discussion of the recommendations including questions for the consultant on the methodology and basis for their conclusions. At the conclusion of the discussion the Board accepted the report and announced that the plan would be assigned to the HR Committee for implementation. The HR Committee developed an implementation plan to put the new scales in place on September 1, 2019. Because of the September 1 effective date, the pay scales were adjusted for the COLA awarded to represented employees consistent with the consultant's recommendation to apply COLAs consistently to maintain internal hierarchies. Though it is not part of the audit period, the HR Committee did not award COLAs to non-represented employees in 2020 in light of the impact of COVID-19 on PPA revenues.

The HR Committee made no changes to the pay plan, including the application of the COLA to the proposed pay rates, consistent with those applied to represented employee salaries, from what was presented to the Board and the public on March 19, 2029.

The City Controller selectively surveyed other cities in an attempt to find lower salaries to compare to PPA. There are two flaws in those comparisons. First, there is great disparity in the size of the cities surveyed. Second, there are significant differences in the size and complexity and revenue generated by the agencies being compared. The chart below illustrates some of those issues.

	Philadelphia	Miami	Portland*	Boston	Houston	San Francisco	Pittsburgh
Population	1,584,064	467,963	654,741	681,728	2,320,268	881,549	300,286
Size	134	55	134	48	638	219	55
Total Revenue	\$275 M	< \$50 M		\$100 M	< \$50 M		\$75 M
On-Street Parking	X	X		X	X	X	X
Live Stop	X						
Off-Street Parking	X	X		X	X	X	X
Airport Parking	X						
Red Light Camera Enforcement	X						
Speed Camera Enforcement	X						
Taxi/Limo/TNC Regulation	X						

* PPA was unable to obtain parking data from Portland

No city offered in comparison, has the number of different operating units nor comes close to the revenue generated by Philadelphia. The PPA has more than 250% of the annual gross revenue as the next highest city selected by the City Controller for comparison. As with the earlier comparisons of staffing and personnel costs, the comparisons included in Appendix III make no attempt to adjust for size, complexity or revenue generated in analyzing salaries for the positions listed.

The chart below shows a comparison of executive directors' salary, gross revenue where available, and the ratio of the Executive Director's salary to gross agency revenue. This measure alone cannot completely show the disparity in responsibilities between cities but it is more apt than those cited in the Audit Report.

City	Annual Gross Revenue	Annual Pay for Executive Director	Gross Revenue per Dollar of Executive Director's Pay
Philadelphia	\$265,000,000	\$210,000	\$1,262
Portland	N/A	\$193,681	
Pittsburgh	\$75,000,000	\$176,235	\$426
San Francisco	N/A	\$163,411	
Houston	\$50,000,000	\$193,081	\$259
Boston	\$100,000,000	\$119,397	\$838

The “disparity” alleged between the salaries of executive directors and parking enforcement officers in various cities fails for the same reason. The scope of responsibility of the PPA executive director is not comparable to that of any of the other cities noted.

Finally, the Audit Report notes that the consultant’s market analysis placed the median salary for an executive director with similar responsibilities at \$307,907 and indicates that this salary could reach that amount in five years. As noted previously, the consultant recommended that the top executive salaries be set by the HR Committee within a recommended range, however the Committee made no adjustment to the executive director’s salary when the plan was implemented and made no commitment to moving his salary to the recommended range.

The purpose of the independent salary review was to inform the Board on the appropriate salary levels for each position within the PPA. Certain levels were found to be too low to attract and retain high caliber employees. Certain other positions were found to be above the recommended levels and will be adjusted for new hires in those jobs.

OSP Unit Relies on Visual Parking Enforcement and Older Technology

The PPA has used Mobile LPR technology in our booting operations for more than 13 years. We agree that the application of technology is an important tool to improve efficiency and provide high quality service to the public which is why we have steadily implemented more expansive technology for many years.

Use of visual enforcement for parking meters

Beginning in 2007, the PPA began using mobile LPR technology in our booting operations. That resulted in improved efficiency and a higher parking ticket collection rate, one of the highest in the nation. All booting vehicles are LPR equipped.

In 2015, we began to employ the same technology for Residential Permit Parking enforcement. There are currently over 1,700 RPP blocks with approximately 34,000 parking spaces. This is an important quality of life issue for residents of every neighborhood of our densely populated city. The technology has enabled us to provide more consistent enforcement with less staff. Additional LPR equipped vehicles will be deployed as we move to a completely virtual permit. That will also reduce the cost of printing, processing and mailing physical permits.

There are areas in which the use of mobile LPR technology will work against efficiency and public safety. Dense commercial areas regulated primarily with meters are usually the most congested and have the greatest complexity of regulations on a block making mobile LPR impractical. A typical Center City block has clearance for a corner and crosswalk, meters, loading zones, a zone reserved for people with disabilities, fire hydrants and another clearance for the next corner and crosswalk. Philadelphia’s parking enforcement officers enforce all of those regulations. Some are important for improving vehicle and pedestrian safety; some improve access for people with disabilities; some prevent unsafe

double parking by providing curb loading space. Mobile LPR systems can only be programmed to recognize one type of regulation, expired meter for example. It cannot recognize where a meter area ends and a loading zone begins. In a dense city such as Philadelphia, foot patrols permitting visual inspection to determine if a vehicle is in violation is required. While improving efficiency is important, trading efficiency for safety is inconsistent with our mission and unwise.

In November of 2019, the PPA awarded a new contract for a backend system for OSP. With that contract, each parking enforcement officer was issued an LPR equipped hand held device for capturing license plates and checking meter payment, RPP status and scofflaw status. The handheld LPR equipped devices enables us to apply the best aspects of the technology while addressing the full spectrum of parking violations to fulfill our mission.

Use of multiple parking meter technology

The Audit Report indicates that we are using both kiosks and single-space meters as well as MeterUp. In 2019, the PPA issued a public bid to replace all kiosks, which are at the end of their useful life, and all single-space meters with new, license plate-based kiosks. The popularity of PPA's mobile payment app, MeterUp, for meter payments also allowed us to reduce the number of kiosks on a block. The kiosk installation began in early 2020 but was slowed by the COVID-19 shut down. We expect to have the process completed by the end of the year. When fully implemented, this will reduce maintenance and collection costs and significantly improve our ability to collect and analyze data to measure the effectiveness of our operations on improving parking availability.

Identified Political Connections Reinforce PPA's Patronage Image

The City Controller's sampling of employees found that some lived in a household with, or were themselves elected committeepersons or ward leaders. However, as included in the 2017 Auditor General's report and as reported to the City Controller's staff, beginning in December 2016, the PPA's hiring practices were opened to anyone wishing to apply. Job vacancies are posted on our web site and all applications are evaluated without any reference to political affiliation. Even if a public official submits a letter of reference, that information is not included with the material provided to the evaluation committee. Applicants are evaluated in a documented process. We are proud of the progress we have made in our human resources policies especially as they apply to the hiring process.

The Audit Report also raises questions about the hiring of the current executive director. The process for selecting a new executive director began in early 2017 when a professional search firm was retained to assist the PPA in recruiting and evaluating applicants. The process involved every board member and was extensive and thorough.

The Board evaluated the relative qualifications of dozens of applicants and determined that at that time, technical expertise in the parking industry was less important than selecting an individual with the highest level of integrity and having demonstrated a keen understanding and application of ethical policies in a consistent manner. The Board determined that parking expertise already existed within the PPA. A different skill set was determined necessary in order to further the transformation of the agency's culture as directed by the PPA's Board.

The current executive director presented unique qualifications, as an attorney and a former member of the Pennsylvania House of Representatives. While serving in the legislature, he served as vice chair of the Appropriations Committee, chair of the Ethics Committee and chair of the subcommittee on First Class Cities of the Urban Affairs Committee. Since joining the PPA, the executive director has become very involved in various parking and transportation professional associations. He helped spearhead an independent review of our entire operation by voluntarily submitting to an accreditation process. Through that process, the entire agency was examined from policies and procedures to cyber security, to customer service to corporate governance, to collections and other professional standards. As was mentioned earlier, that review process resulted in the PPA receiving accreditation with distinction from the International Parking and Mobility Institute.

The Audit Report suggests that the lack of public updates in the Board meetings on the status of the executive director search demonstrates a lack of transparency. Searches for a high level position such as this do not take place in public in order to protect the privacy of applicants, most of whom were employed elsewhere.

The Audit Report also questions the hiring of a part-time chief financial officer (CFO) in 2019 after the former CFO departed. The individual to which the Audit Report refers had a short consulting contract earlier in 2018. He agreed to take the CFO responsibility on a part-time basis until a decision was made on a revised organizational structure for the department and while a search for a permanent CFO took place. He continues to work part-time, without benefits. The posting for CFO has been advertised and a permanent replacement is expected to be in place by the end of the year.

Lack of Accountability also Contributes to Inflated Expenses

The City Controller presents the governance structure of the PPA as established in law and concludes that a different undefined structure would result in lower expenses.

First we will address accountability. The PPA is the most examined agency in the City. Members of the press regularly examine our operations for efficiency, effectiveness and fairness. There have been reports with conflicting perspectives: excessive ticketing, too little ticketing, heavy handed towing, not enough towing, too many employees, not enough of the right employees, and so on.

This is the *fourth* audit of the PPA's operations in four years. The first was an independent review of our human resources functions initiated by the PPA. Two other audits were conducted by the Auditor General, and now the City Controller. That does not include annual required financial audits. Members of the public attend and comment at our Board meetings. Elected officials request and receive information regularly.

Since 2015 we have had meetings with the City and School District finance staff, long before the report of the Auditor General. While the Audit Report states that "information is not always exchanged in a timely or in a useful manner," there is no support for that statement. Neither the City nor School District has reported to us that they were unsatisfied with the information flow since our joint

meetings began, and the Audit Report cites no examples to support this statement. We have never had a request for more information that has not been honored.

Second, while we constantly strive to reduce expenses where we can, the Audit Report does not identify any significant expense that is inappropriate. While it is salacious to aver that salaries are excessive, it is unquestionable that the PPA followed exactly the recommendation of the Auditor General to have an independent, professional evaluation of PPA salaries, then followed those recommendations as we committed.

Finally, the Audit Report raised the issue Board of oversight. While PPA staff has been hired to manage the day-to-day affairs of the organization, the PPA Board has retained involvement in the many key areas of the PPA's operations. The Board created and has assigned significant oversight responsibilities to its Audit Committee, Investment Committee and Human Resources Committee, each comprised of three Board Members (the PPA's Board is comprised of only 6 members). Also, the work of these Board Committees goes beyond that completed by the full Board, such as approval of all budgets, financial performance, contracts, policies and procedures and the myriad of other duties assigned to a large public agency.

The HR Committee is responsible for evaluating the work performance of employees with direct report obligations to the Board. The Committee also reviews or recommends human resources policies and procedures. Employee complaints and investigations are also reported to and reviewed by this Committee. Finally, the HR Committee must approve every hire, termination, promotion or salary adjustment for each PPA employee at the level of Deputy Manager or above. We believe this to be a tremendously high level of direct oversight by the Board of this key area of the PPA's operations.

The Audit Committee is responsible for oversight of the PPA's finances. It reviews and recommends approval of annual budgets, hires and receives directly the required annual audits by an independent auditing firm, reviews actuarial reports on certain employee benefit liabilities and funding requirements, and reviews recommendations on insurance lines of coverage and other matters. It is chaired by the Board treasurer who is also a CPA.

The Investment Committee was established to advise and approve the chief financial officer's recommendations on investment of PPA funds. That includes required reserve accounts for certain employee benefits as well as the investment of operating funds prior to making required payments to government entities.

There are also now three senior staff employees with direct report obligations to the Board. These direct report positions were created to enable the more rapid flow of varied and important information to the Board, so that the Board can more timely address significant issues.

PPA RESPONSE TO THE RECOMMENDATIONS IN THIS SECTION OF THE AUDIT REPORT:

Recommendation: "Strive to create a leaner and more efficient workforce by closely examining the need for each position and reducing any redundancies. As natural attrition occurs, job duties should be combined where possible, or employees reassigned to areas with established labor needs."

Response: This is already in place. The revised hiring and promotion policy adopted by the Board in 2017 requires any request to fill a vacancy or establish a new position must complete a review process. That process requires that the requesting department first explore options to assign duties to existing employees before permission to fill a vacancy is approved.

Recommendation: "Utilize lean management techniques including improved technology and the implementation of new efficiency measures to keep cost to a minimum. Ideally, the PPA's on street parking system would consist of one type of physical parking payment device, as well as a mobile payment option as the existing MeterUp system."

Response: This is already in place. All of these items are either in place (some for years) or in the process of being installed.

Recommendation: "Publicly advertise open positions and fill them using a merit-based hiring system that considers the candidates qualifications and experience."

Response: PPA agrees with this recommendation and it has been in place since December 2016. This process is already in place. The Audit Report identifies one part-time *temporary* position that was hired without posting during a four year period.

Recommendation: "Ensure that all executive level hiring decisions are publicly discussed and documented in the Board minutes."

Response: PPA disagrees with this recommendation. This recommendation is not consistent with sound human resources or basic management practices. In order to get the largest applicant pool for consideration, the confidentiality of those applying must be maintained. No fair review of applicants can be conducted in a public forum.

Recommendation: "Refrain from automatically granting salary increases and COLAs to management employees. Pay increases should be based on a specific criteria including written evaluations documenting high levels of employee performance."

Response: This policy is already in place. COLAs must be approved by the HR Committee and step increases are granted only upon an annual performance evaluation of satisfactory or above.

Recommendation: "Ensure that all salary increases are presented to the full PPA Board for a public discussion and vote."

Response: PPA disagrees with this recommendation as stated. The PPA established a Human Resources Committee for this purpose and salary adjustments will be made consistent with the Board approved plan.

Recommendation: "Engage in robust discourse of the annual budget, ensuring adequate scrutiny and transparency of expenses."

Response: This is already in place. This happens every year when the budget is presented to the Board for approval. Because of the unique circumstances caused by the COVID-19 pandemic, the FY 2021 budget was presented at a special meeting of the Board one week before it was to be approved to allow full discussion and feedback from both Board members and the public.

Recommendation: "We also recommend that the PPA Board develop policies that address its oversight responsibilities. The Board chairperson should then evaluate member compliance with these duties and designate actions to be taken if these responsibilities are not met."

Response: PPA already operates consistent with this recommendation. As noted above, in addition to the general provisions of the by-laws, the Board established an HR Committee, Audit Committee and Investment Committee to oversee specific areas of the PPA's operations. These committees are actively involved in their area of responsibility and provide essential guidance for policy development, implementation and oversight.

Other Questionable Expenses Results in Lower Payments to SDP

Tuition Reimbursement

The PPA's Tuition Reimbursement Policy is intended to assist the workforce in acquiring knowledge and skills that will enhance their contribution to the PPA and prepare them to be able to compete for promotional opportunities. Some courses, though not directly tied to an employee's current position may be required for the degree program in which they are enrolled. Some fees are directly related to course work. Reimbursement in those circumstances is within the guidelines of the policy.

The total cost for the payments questioned, though most were appropriate, is \$31,045, or \$7,761 for each year of the audit. That is .0052% of annual on-street parking revenue, not material in any audit.

Travel Reimbursements

The Audit Report describes a non-refundable deposit on hotel rooms for a conference in Florida to train employees in new financial software, which had been approved by the previous executive director. The interim executive director determined that the training could be provided virtually without additional cost. The trip was cancelled saving \$16,000.

Other Employee Reimbursements

The Board authorized a \$10,000 relocation allowance for a deputy executive director hired in 2018. Audit Report raises a \$2,925 security deposit listed as a relocation cost included in the relocation expense. When the employee separated, the PPA did not recover that expense. This was a very unusual occurrence and is not material and was part of a separation settlement.

PPA RESPONSE TO THE RECOMMENDATIONS IN THIS SECTION OF THE AUDIT REPORT:

Recommendation: "Require employees to include their college major on the reimbursement request to ensure that management is aware of the courses the employee intends to take."

Response: **This is already a requirement.** This has been in place since 2017.

Recommendation: "Provides reimbursement only for courses leading to an employee's professional development within the PPA."

Response: **This is already in place.** Agree, and already in place since 2017.

Recommendation: "Revise the tuition policy to specifically address technology and other fees that may be submitted for reimbursement in lieu of traditional instruction materials."

Response: **PPA agrees.** The policy will clarify fees that may be included in reimbursement.

Recommendation: "Ensure that only permanent (non-probationary) employees are approved for tuition reimbursement."

Response: **PPA agrees.**

Recommendation: "Review proposed travel plans to evaluate the purpose and necessity of such travel and whether more cost-effective alternatives exist."

Response: **This recommendation has been in place.** It is as a result of this policy that the trip referenced was cancelled saving \$16,000.

Recommendation: "Consider the use of more cost-effective methods of training such as, web-based classes and webinars."

Response: **This is already in place.** This is already done. That is why the trip referenced was cancelled saving \$16,000.

Recommendation: "Develop and institute a policy that specifically addresses other potential employee reimbursements, beyond those associated with tuition and travel."

Response: **We do not know to what this refers.** There are no other employee reimbursements cited in the Audit Report.

Recommendation: "Require the use of employee expense reports that track costs incurred while performing necessary job functions."

Response: **PPA agrees and this has been in place for many years.**

Recommendation: "Create a specific code that identifies an expense as a reimbursement within the general ledger system, so these types of expenses can be accurately tracked and analyzed throughout the year."

Response: PPA disagrees with this recommendation. Employee reimbursements are a tiny fraction of PPA expenses. They are coded based on the type of expense being reimbursed. For example, a maintenance employee working on a plumbing problem that needs a part on the weekend, purchases the required part and requests reimbursement. The expense is charged to repairs and maintenance expense because that enables us to track the cost of maintenance at a particular facility. These reimbursements are not income to the employee but expenses to be tracked by the nature of the expenditure.

Other Areas of Concern

Non-Compliance with New Procurement Policy

The procurement identified in the Audit Report did not violate the PPA's Procurement Policy. The Request for Proposals (RFP) included clear evaluation criteria to be utilized during the scoring of the proposals consistent with the requirements of the Procurement Policy. The quality of the sample submitted was one element of the evaluation criteria. The Evaluation Committee was unsure how one Proposer's boot would perform on the street, though it was lower in price. It was decided that it would be in the PPA's best interest to contract with the two highest scoring Proposers to reduce risk and loss of revenue in the event that the lower priced boot did not perform. It allowed the PPA to test the lower priced, untested boot, while also purchasing the boot whose performance was not in question. If the lower priced boot proved to be adequate, the PPA could move to the less expensive model. If it did not perform satisfactorily, the PPA would have enough fully functioning boots. The lower priced company declined to accept a contract with a smaller quantity so the contract was awarded to the other company which scored highest in the evaluation though it was a higher price.

Inadequate use of the Internal Audit Function

The Audit Report questions the independence of the internal auditor because of a dual reporting structure. The internal auditor has a direct reporting relationship to the Board. All audit reports are sent directly to the Board treasurer. The internal auditor has a secondary reporting relationship to the executive director to respond to audit requests the executive director believes may be helpful in reviewing the quality and efficiency of PPA operations. Those reports are also sent directly to the Board treasurer, who also chairs the Board Audit Committee.

The Audit Report also indicates that the "internal auditors have performed duties that are generally the responsibility of management..." These assertions are not correct. The internal auditor did not revise the chart of accounts as indicated in the Audit Report. The internal auditor reviewed the chart of accounts to see if accounts were properly titled and have accurate descriptions. Similarly, the internal auditor did not perform an inventory of fleet vehicles. A report was written with the objective of identifying the number of vehicles serviced by the fleet maintenance department and to determine if adequate policies were in place for that department.

The internal auditor regularly collaborates with the Risk Management and Information Technology directors. The phishing scams were seen as a serious risk and the information was disseminated in an urgent manner to prevent serious harm to the PPA and its mission.

The assertion that the internal auditor is unqualified for his position is simply wrong. With a master's degree in business administration with a concentration in finance and twenty years' experience as a senior auditor in the Office of Inspector General of the Social Security Administration and an additional six years as an auditor in the office of Inspector General in the Department of Health and Human Services, our internal auditor is clearly qualified for this position. His integrity and experience are an asset to the PPA and attempts to undermine his qualifications are totally inappropriate. He is a member of the Institute of Internal Auditors and regularly participates in continuing education through that association. The associate auditor recently retired but has years of experience as a quality auditor in private industry. The fact that he holds a committeeperson position is irrelevant to his qualifications for the position.

PPA RESPONSE TO THE RECOMMENDATIONS IN THIS SECTION OF THE AUDIT REPORT:

Recommendation: "Define the reporting lines between the PPA Board, the executive Director and the Internal Audit Unit. The Internal Audit Unit should report directly to the Board."

Response: PPA disagrees with this recommendation as stated. The Internal Auditor does report directly to the Board, however, his additional reporting line to the executive director enables the PPA to use his skills for audits to improve the efficiency and effectiveness of our operations.

Recommendation: "Establish minimum educational requirements, required certifications, and continuing professional training expectations for all employees in the Internal Audit Unit."

Response: PPA agrees with this recommendation and it is already in place. Education in the job description exceeds those recommended by the Controller. They are: BA/BS degree in business, finance, accounting, or a related field required, 5 - 7 years of related experience, 5 - 7 years functional experience as an internal auditor, compliance officer or management consultant with extensive knowledge of the government regulatory environment, CGAP, CPA, CIA or related certification is beneficial, Managerial experience is beneficial.

Recommendation: "Incorporate the requirements of the IIA to ensure the competency and ongoing development of the Internal Audit Unit."

Response: PPA will review this recommendation.

Inadequate Standard Operating Procedures

The Audit Report recommends some changes to certain standard operating procedures (SOP) to improve clarity. We will review the SOPs and revise as appropriate, however the Audit Report does not cite any specific examples to support these recommendations.

The following is our response to the recommendations in this section of the Audit Report:

Recommendation: "Replace employee names with position titles."

Response: Agree

Recommendation: "Remove vague and conditional language."

Response: PPA will review and revise if appropriate.

Recommendation: "Incorporate screen prints to illustrate computer processes."

Response: PPA will review and revise if appropriate.

Recommendation: "Discontinue the use of a narrative format in explaining complex processes. Instead, use sequential instructions or bullets for clarity of understanding."

Response: PPA will review and revise if appropriate.

AUDITOR'S EVALUATION OF PPA'S RESPONSE

Government Auditing Standards require auditors to report instances where the auditee's comments to the auditor's findings, conclusions, or recommendations are not, in the auditor's opinion, valid or do not address the recommendations. We believe this to be the case with statements made in the PPA's response (noted below) regarding the following findings in our report:

- PPA's Workforce Larger than Other Comparable Cities
- Salaries Increased Despite Recommendations to Curtail Payroll Expenses
- Identified Political Connections Reinforce PPA's Patronage Image
- OSP Unit Relies on Visual Parking Enforcement and Older Technology
- Other Questionable Expenses Result in Lower Payments to SDP
- Lack of Accountability also Contribute to Inflated Expenses
- Other Areas of Concern

PPA's Workforce Larger than Other Comparable Cities

In its response on pages 29, 30, and 33 through 36, the PPA states that the data we used to compare their operations to other cities was flawed. Additionally, the PPA made the following assertions:

"The Audit Report does not review the parking operations of large densely populated cities in the United States. In addition to fundamental population and overall density issues, the PPA performs far more functions and raises far more revenue than any other parking organization reviewed in the Audit Report. Therefore, the Audit Report presents a classic case of comparing "apples to oranges" and is not instructive."

"The data provided for other cities is incomplete, not comparable to PPA or unreliable on its face, therefore these comparisons are not relevant."

We disagree with the PPA's position that our comparison is not informative and relevant. We engaged with a parking management consultant who could offer industry expertise to aid in compiling and analyzing relevant data from other cities with publicly managed on street parking operations.

Per our consultant, "These cities were chosen for comparison with Philadelphia based on a number of factors, including the size of the on-street system (number of spaces), the functions managed by the organization, the geographic location of the city, and the availability of data. Cities such as New York and Los Angeles were excluded from the analysis, given that their on-street parking systems (number of metered spaces) are significantly larger than Philadelphia's system (80,000+ and 35,000+ spaces, respectively, versus ~15,406 in Philadelphia). Other cities were excluded due to a lack of publicly available information and no response to direct requests for information. Lastly, cities like Chicago and Indianapolis were excluded due to the fact that the operations of these on-street parking systems have been privatized, in contrast to Philadelphia's system which is operated and managed by a public entity."

The types of data obtained provided a reasonable basis by which to evaluate the PPA against other parking organizations. Where possible, only relevant costs applicable to the on-street operations (such as towing, booting, ticket issuance and enforcement, etc.) were included. When a breakdown of data between on-street parking and other divisions (such as traffic management or off-street parking) was not available, information disclosing this was included in the footnotes to Appendix II. Furthermore, it is probable that if specific on-street data was available, the number of employees and salary expenses would be significantly less than presented for these other cities, which in turn, would show the PPA with an even greater disparity.

On page 33, the PPA also states that the audit report “inaccurately adds employees who work in the administrative division of the PPA to the On-Street employee roster for calculation and comparison purposes.” We disagree. This audit focused only on on-street parking, and only on the expenses borne by the OSP function, which includes their administrative unit. The portion of Support staff and related costs for these administrative employees is commensurate with the percentage of overall administrative expenses charged to OSP. This allocation of costs occurs because a significant portion of the Support Unit’s activities directly benefit the OSP Unit. If this relationship between Support and OSP is inaccurate, the PPA should address this allocation method as it may place an undue burden on the net revenue of OSP. To reiterate, the net revenue of OSP is transferred to the city and school district, and any improper expenses that reduce this net revenue will directly impact the funding available to the SDP.

Additionally, while the PPA claims that the information they present in the table on page 35 shows the disparity between the cities in our comparison, we believe that it further supports our finding, showing that Boston and Portland are exemplary points for comparison in that they both perform eight of the nine functions also performed by the PPA. Portland, specifically, covers the same number of square miles as the PPA with approximately the same number of parking spaces.

Salaries Increased Despite Recommendations to Curtail Payroll Expenses

On pages 31, 36 through 38, and 41, the PPA stated that the salary adjustments and COLAs awarded in 2019 resulted from following the recommendations of the Auditor General and the independent consultant engaged to review PPA salaries. Specifically, the PPA stated that:

“Salary adjustments and COLAs in 2019 were the result of the review by the independent consultant engaged consistent with the Auditor General’s recommendation.”

“It is unquestionable that the PPA followed exactly the recommendation of the Auditor General to have an independent, professional evaluation of PPA salaries, then followed those recommendations as we committed.”

The State Auditor General was unequivocal in his recommendation that PPA salaries for non-represented employees needed to be reined in. Specifically, the Auditor General stated that “employees in the public sector should not be receiving excessive salary increases, especially at the expense of the children of Philadelphia.” Furthermore, to say that the COLAs were the result of the consultant’s recommendation was

not supported by documentation provided to us during the audit, nor was this information offered during our exit conference.

On page 36, PPA management also stated that, "...failure to make COLA adjustments consistent with those granted to represented employees would result in compression between management and other employees, undermining the internal hierarchies established in the plan."

We disagree with a blanket application of COLA pay increases. When the new salary scales were adopted, employees making above the cap for their position were exempt from the new maximum pay rates for their positions, maintaining their already high salaries. These employees were also awarded the COLA. If the PPA continues to increase salaries for these employees through COLAs, they will always be above the recommended salary range for their position.

We also disagree with the PPA regarding the statements concerning the executive director's compensation on pages 30, 31, 37 and 38. Specifically, we disagree with the following:

"The executive director's compensation was found to be significantly below the true comparable and recommended level. The salary actually paid to the executive director position is lower now than it was 5 years ago. The Audit Report did not consider size, complexity or total revenue as is customary in any salary review."

The PPA's response does not address the premise of the comment - that the PPA's Executive Director is paid more than his peers in other organizations, and the PEO's are paid at the lowest rate with the same comparative cities. Given that after the 2019 COLA, the salary levels of two tenured deputy executive directors rose above the salary of the current executive director, it is conceivable that the executive director could receive a raise in the near future. In their response, the PPA asserts that the HR committee has made no commitment to increasing the executive director salary, but they have not indicated what benchmarked salary they feel is appropriate.

PPA management also states on page 31, that using the salaries of "newly hired" PEOs for comparison with the executive director's salary, is not accurate. The salary used for PEOs is the highest step available to them, not the salary of a newly hired employee.

Finally, on page 37, the PPA purported that we "selectively surveyed" the cities used in the salary comparison in order to undermine the propriety of their pay rates. We disagree with this statement as the cities included in the comparison were those that our parking management consultant deemed comparable, as noted above.

Identified Political Connections Reinforce PPA's Patronage Image

On pages 31 and 39, the PPA states that the audit report finds that the vast majority (77%) of the PPA's employees have no political connections.

We disagree with this conclusion. Our finding identified political connections among 23% of the OSP staff. We specifically stated that we could not extend our analysis to employees who may otherwise have influential political connections, such as close friends or extended family members, which could increase this percentage. Furthermore, the PPA's response is dismissive of the fact that political connections among 23% of its staff is unreasonable.

In response to our finding concerning the hiring process for the executive director's position, the PPA stated that:

“The Board evaluated the relative qualifications of dozens of applicants and determined that at that time, technical expertise in the parking industry was less important than selecting an individual with the highest level of integrity and having demonstrated a keen understanding and application of ethical policies in a consistent manner.”

The job specifications developed by the PPA's independent consultant and used for the nationwide search for executive director were specifically written to recruit candidates with extensive experience, requiring 15+ years in municipal transportation or a parking authority. Changing the primary criteria for the position at the end of the process enabled the selected candidate to qualify for the position. The PPA should have prioritized their requirements for the position prior to hiring a consultant to prepare job specifications and conducting a national search.

On pages 40 and 42, the PPA further states that in order to protect the privacy of the applicants, the search for the executive director's position should not be a matter of public discussion. They contend that “No fair review of applicants can be conducted in a public forum.” However, discussion in a public forum is fully transparent, and inherently fair in that regard. Reviewing the qualifications and merits of one candidate over another can be discussed and evaluated while maintaining anonymity. At a minimum, the change in required qualifications for the position should have been included in the public discussion.

Lastly, on pages 40 and 42, the PPA stated our recommendation to publicly advertise open positions and fill them using a merit-based hiring system was already in place. They went on to describe the hiring of the CFO where the integrity of the process was subverted. They minimized this appointment by describing it as a part-time temporary position, which has now continued for more than two years. They had not endeavored to publicly search for a candidate until October 2020, when they posted the CFO position on their website.

OSP Unit Relies on Visual Parking Enforcement and Older Technology

In their response on pages 31 38, and 39, to our recommendation stating that parking enforcement could achieve greater efficiency if the PPA implemented newer technology, management acknowledged that, in 2019, they equipped all PEOs with handheld LPR technology. However, they further stated that “mobile LPR systems can only be programmed to recognize one type of regulation.” They describe the need to enforce multiple regulations pertaining to “clearance for a corner and crosswalk, meters, loading zones, a zone reserved for people with disabilities, and fire hydrants,” as reasons why mobile LPRs are impractical in the City. They further state that:

“In a dense city such as Philadelphia, foot patrols permitting visual inspection to determine if a vehicle is in violation is required. While improving efficiency is important, trading efficiency for safety is inconsistent with our mission and unwise.”

The PPA's response does not address the core element of this finding, that the inefficiency noted is due to PEOs still having to enforce the regulations on foot. LPR technology can be vehicle mounted so that enforcement can be motorized. Additionally, our parking management consultant has indicated that LPR systems can be programmed to recognize different regulations within a city block. Crosswalks, loading zones, fire hydrants, and drivers who decide to double park are not unique to Philadelphia. The PPA should consider researching how other cities manage these constraints while using mobile LPR systems.

Other Questionable Expenses Result in Lower Payments to SDP

In their response on pages 31, 32 and 43 through 45, the PPA dismisses our findings concerning approximately \$50,000 in inappropriate tuition and travel reimbursements, stating that “none of the expenses identified in the audit report were determined [by the PPA] to be inappropriate.” Additionally, they stated that the total is not material to amounts transferred to the City and SDP.

We disagree with the PPA's response. While the amount identified may be small in comparison to the amounts transferred to the City and SDP, our determination of a finding was based on the significance of the matter, such as the impact improper disbursements could have on payments to the SDP.

Management also failed to acknowledge that the employees' pursued degrees, for example, nursing and homeland security, did not follow their tuition reimbursement policy. Additionally, the policy establishes minimum employment requirements before an employee can begin reimbursable coursework and requires repayment from individuals that separate from the PPA before those requirements are met. Management's response also neglected to address that they waived this requirement for a deputy executive director and failed to identify these expenses as inappropriate. This suggests that the PPA does not value the importance of the written policies or see the need to apply them uniformly for both management and staff.

Management further stated on page 43, that they were able to “save” the PPA the costs associated with a trip to Tampa, Florida for Microsoft training which was ultimately conducted in their home office. However, they ignored the fact that the PPA lost a significant non-refundable deposit of almost \$17,000, on accommodations for the trip.

On page 43, the PPA also failed to recognize that a refundable security deposit is not a reimbursable moving expense. The PPA reimbursed a newly hired executive for the security deposit on a rental home after he relocated from out of state. When the employee terminates this leasing contract, the security deposit will be returned to him, effectively paying him twice.

Finally, on page 45, the PPA questions the need to identify employee reimbursements in their accounting system, stating that they are a “tiny fraction of PPA expenses.” We disagree with their response. Improperly tracked employee reimbursements create an opportunity for errors or irregularities to occur without detection

and inhibit the administration's ability to identify such behavior. Additionally, by failing to track purchases made by employees for their units, the PPA could fail to obtain beneficial savings that would result from purchasing through an established contract.

Lack of Accountability also Contributes to Inflated Expenses

In reference to communications with the City and SDP, on pages 30, 40, and 41 the PPA stated that they are "unaware of a single instance where a question was asked, or information sought without a timely response." This contradicts the information that was communicated to us during interviews with the City and SDP. The City has indicated that they have asked for, but have not received, financial information prior to the meetings in order to prepare questions in advance. The City also stated that staffing data presented by the PPA has been outdated, and requests for follow up information have not been consistently addressed. As also noted in our report, significant information impacting the PPA's required payments to the City and SDP, such as pay increases, are often discussed in broad terms and lack the detail and documentation necessary to engage in an informed conversation.

In their response on pages 32, 41, and 43, the PPA disagrees with our finding that they are not accountable to any city or state oversight. Specifically, they stated that they:

"... interact regularly and seamlessly with all levels of city and state government and is responsible as an agent of the city and state to perform according to identifiable standards. PPA staff regularly testify before committees of the City Council as well as the Pennsylvania General Assembly."

We disagree since the PPA's response does not address the fact that they do not obtain budgetary approval from an outside entity, at either the state or local level. While they are audited, and may interact with various levels of government, none of these bodies control how the PPA decides to spend its revenue.

On page 43, the PPA also disputes the finding regarding a lack of oversight of the board, contending that they have "established an HR Committee, Audit Committee and Investment Committee to oversee specific areas of the PPA's operations. These committees are actively involved in their area of responsibility and provide essential guidance for policy development, implementation and oversight."

We find the PPA's response to be incomplete. While the Board has established these committees, the committees are not responsible for reporting to anyone outside of themselves. Additionally, these committees are not mandated in the bylaws. Moreover, the bylaws as written, do not include essential components for robust oversight and accountability. Also, as noted in the report, the bylaws offer no remedies for a board member that might not operate in the best interest of the PPA.

Other Areas of Concern

In their response on pages 32, 45, and 46, the PPA disagrees with our findings concerning procurement, the qualifications of their internal auditors, and the reporting structure for the internal audit unit.

Specifically, regarding the procurement finding, the PPA stated on page 32 that “the audit report does not identify a single failure to follow a procurement law or policy.” We disagree with the PPA’s response. It appears that the scoring matrix for evaluating the RFP for one of the contracts tested did not include criteria for determining the adequacy, quality, and expected durability of the equipment. If the PPA had concerns about the dependability of the less expensive boot, they should have included and evaluated applicable criteria as part of the RFP process. Additionally, the two highest rated vendors for this contract received similar scores for pricing, although the price from the winning vendor was twice that of the other vendor.

Additionally, the PPA disagreed with our findings concerning the role and qualifications of the internal audit unit. In their response on page 32, management stated that:

“The audit report only addresses half of the internal auditor’s reporting structure... The internal auditor also reports to the executive director to provide audits when requested.”

“The internal auditor is highly qualified with over 25 years in senior auditing positions in the federal government. He is a member of the Institute of Internal Auditors (IIA) and regularly completes continuing education courses offered by the IIA. A prior assistant to the Internal Auditor had more limited audit experience but has since retired.”

We disagree with the PPA’s response. Management may sometimes be in a position to override controls, particularly if the internal audit function reports to senior executives. The internal auditors should report functionally to an organization’s audit committee, which in this case, is the PPA Board of Directors. Stating that the auditor also reports to the executive director shows that the auditors’ extended duties could create working relationships that present a barrier to the auditors’ independence and objectivity.

Furthermore, while the current internal auditor may have relevant work history and a membership in the IIA, he does not currently possess credentials as either a Certified Internal Auditor, Certified Government Auditing Professional or Certified Public Accountant. As such, he has no minimum Continuing Professional Education requirements, nor do the SOP’s for the internal audit division of the PPA determine what may be sufficient for this position. Additionally, while the prior assistant to the Internal Auditor had “more limited audit experience” he was nonetheless hired to support a new internal auditor and was compensated at a level that would be appropriate for a more experienced and credentialed auditor.

Audit Scope

The PPA repeatedly refers to an expansion of the period under audit, saying that it is “peculiar that certain portions of the Audit Report use data from 2019” when the stated audit period covered FY 2016 to FY 2018. To clarify, 2019 financial data has been added in specific areas of our audit to evaluate changes that were made by the PPA in response to recommendations made in the State Auditor General’s report, such as the pay scale changes that occurred late in 2019. Including this data is essential for assessing the implementation and financial impact of such changes. Our parking management consultant also used 2019 data for comparison purposes when 2018 data was not available.

References to Information not in our Final Report

In their response on pages 34, 42, and 44, the PPA referred to footnotes and recommendations that were included in the draft we submitted to them for discussion but were removed from the final report after taking their comments into consideration. Management's mention of this information was irrelevant to the final audit report that they should be addressing.