

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.

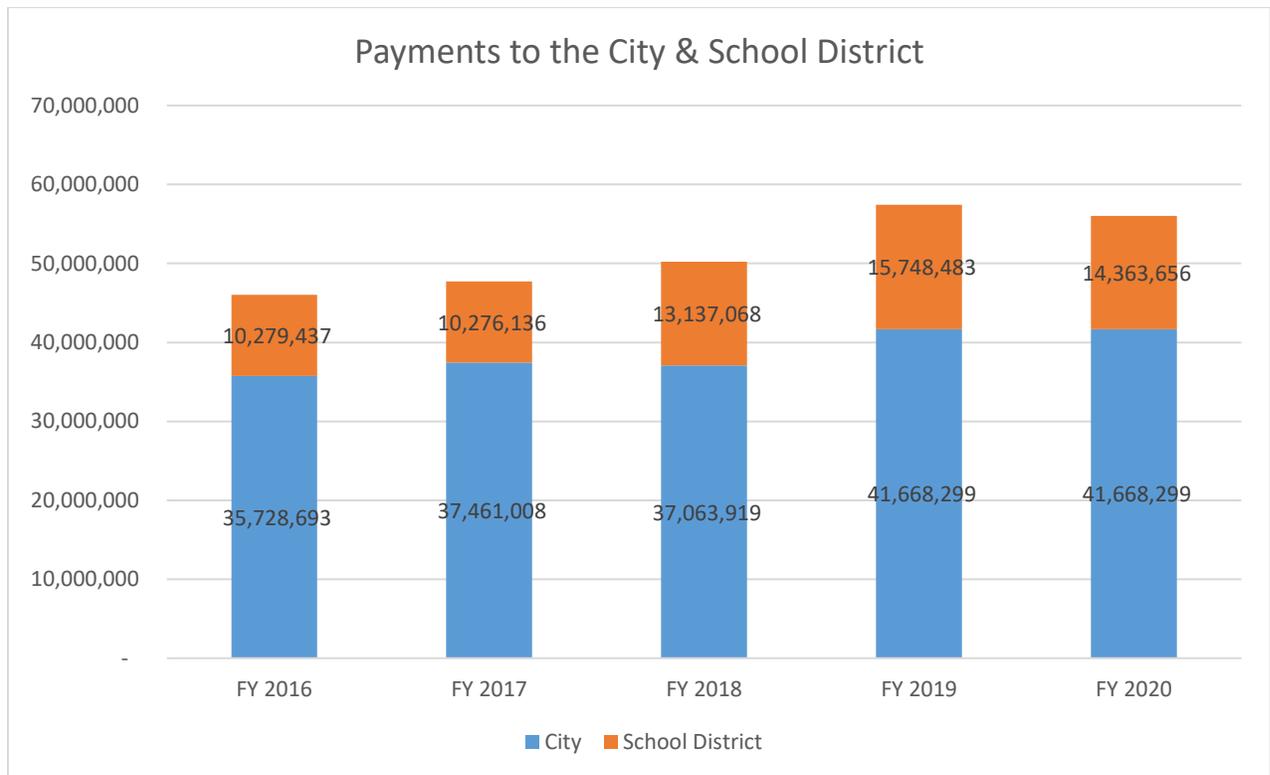
Among the comments, the City Controller's Office makes two essential points. Many misinterpret or do not understand the funding allocation for revenues. This audit demystifies the funding apportionment protocols. While there is an interest in providing the majority of revenues to the School District, 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.

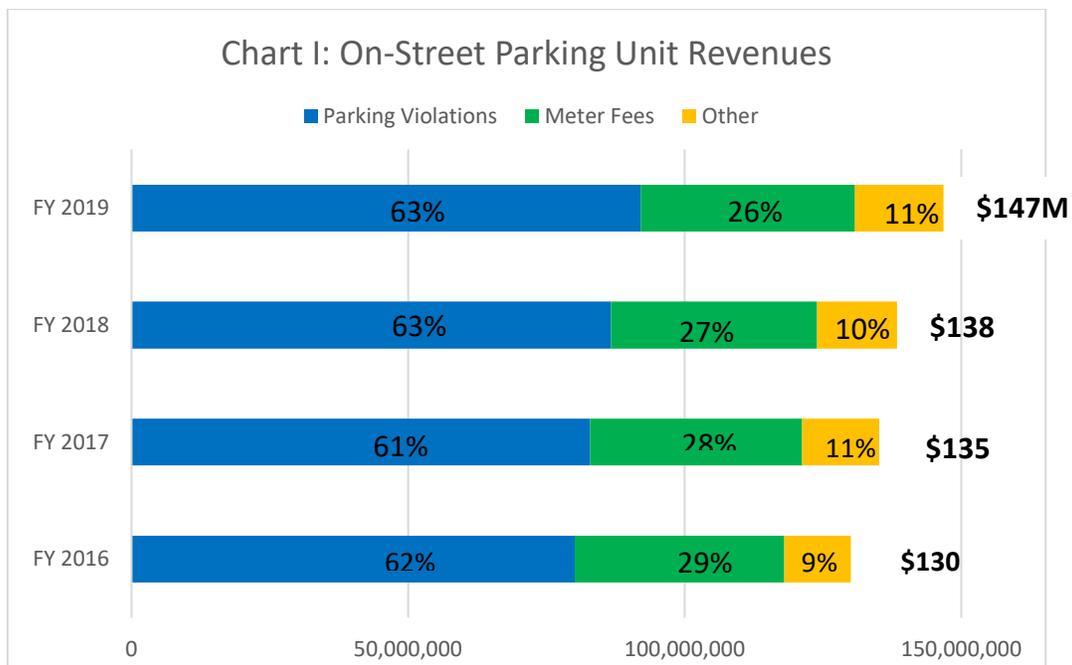
Item of Concern: “Standard operating procedures are incomplete, unstructured, and not clearly worded, which impedes PPA employees’ ability to perform their job duties effectively.”

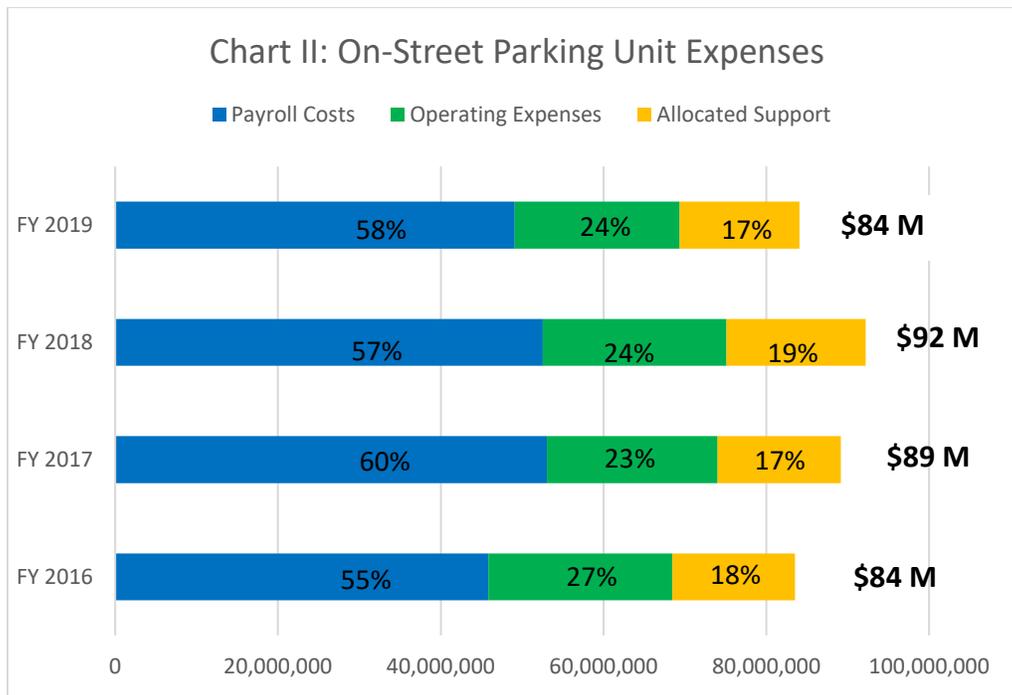
Response: PPA agrees that standard operating procedures require regular review and updating. Standard operating procedures should be constantly reviewed and updated. We will continue that process to make the minor adjustments recommended. We cannot adequately respond to this concern as no specific examples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