



ADMINISTRATIVE OFFICE OF THE COURTS

Contract with Diamond Parking for Parking Services
Independent State Auditor's Report on
Applying Agreed-Upon Procedures
For the Period January 1, 2005 through December 31, 2007

Report No. 08-AOC-A

*Keeping Utah
Financially Strong*

AUSTON G. JOHNSON, CPA
UTAH STATE AUDITOR



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INDEPENDENT STATE AUDITOR'S REPORT ON
APPLYING AGREED-UPON PROCEDURES

REPORT NO. 08-AOC-A

Daniel J. Becker, Court Administrator
Administrative Office of the Courts
450 South State Street
P.O. Box 140241
Salt Lake City, Utah 84114-0241

We have performed the procedures described below, which were agreed to by you, solely to assist you in evaluating the transactions related to the management contract for parking services ("contract") between the Administrative Office of the Courts and Diamond Parking for the period January 1, 2005 through December 31, 2007. Diamond Parking (hereinafter referred to as "Diamond") is responsible for the management of the public parking at the Matheson Courthouse and remits parking revenues collected less applicable and reasonable expenses to the Administrative Office of the Courts (hereinafter referred to as "the AOC"). This agreed-upon procedures engagement was conducted in accordance with the attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of the AOC. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

We performed the following procedures for the period January 1, 2005 through December 31, 2007. A description of the procedures and any associated findings are as follows:

1. We reviewed and documented the procedures and internal control over cash receipting and revenue recording by Diamond under the contract. We evaluated the separation of duties as it related to control of revenue.

We found no exceptions as a result of applying these procedures.

2. We performed trend analysis on revenues and expenditures over the three-year period to identify possible risk areas for sampling.

We noted that total revenue for 2006 was approximately 12% higher than both 2005 and 2007. The only readily identifiable contributor to the increase was an increase in jurors that were called in 2006 and a subsequent decrease in 2007. However, this mainly affects validation revenue and not the daily parking revenue. It is unclear what caused the remaining fluctuation in revenue. See comments in #3 below. We found no other exceptions as a result of applying these procedures.

3. Based on your request, we tested all revenue activity for three days to determine if data was properly recorded and reported to the AOC. The underlying records for daily revenue transactions were only available for the most recent three month period (Diamond destroys the records after three months); therefore, we tested one day from each month as you requested. We obtained the parking tickets, daily receipt records kept by the booth attendant, and the daily accounting records to determine whether all funds received were properly recorded. We verified the ticket counts were correct, footed totals, determined the number of tickets issued that were not accounted for and agreed the information to the amounts recorded on the system for deposit. We ensured the daily deposit information was included in the monthly totals that are reported and remitted to the AOC. Based on your request, we also agreed a sample of revenue data from Diamond’s accounting records to the management report for the three-year period to determine whether data was accurately reported to the AOC.

We found the following issues:

- a. Our attempt to ensure all tickets were accounted for revealed the following:

	Test Date		
	10/17/2007	11/19/2007	12/14/2007
Tickets issued on test date	570	682	465
Tickets issued but not collected	28	40	16
Tickets collected from prior days	25	20	24
% of tickets issued but not collected on test day	5%	6%	3%

We discussed percentages of uncollected tickets with the AOC management services director and deemed them to be reasonable given that not all tickets are expected to be returned on the same day due to after-hours exits and other factors. Therefore, we did not pursue this matter.

- b. Diamond sells “scrip” coupon books to the public at a discount of 10%. These coupons can be used to pay for parking at any Diamond location in the country. Therefore, Diamond does not record the sale as revenue when the books are purchased; but instead, records the revenue when the coupons are redeemed so that the revenue can be passed through to the correct parking facility. Diamond charges an 8% administrative fee at the time the revenue is recorded. Therefore, the AOC receives 82% of the face value of the coupon (face value – 10% discount – 8% administrative fee). For the three-year period tested, the AOC was charged \$2,676 for this administrative fee. This fee does not seem reasonable since the AOC is already charged by Diamond for what we consider to be the administrative costs associated

with the scrip coupons, which include the cost of the coupon books (\$0.43 per book), the wages and salaries of the booth attendants and supervisor, and overhead costs for accounting services.

4. We tested a sample of expenditures to determine if expenditures are reasonable as they relate to the contract objectives and that they agree to amounts reported to the AOC. Based on your request, we tested expenditures by expenditure categories (Supervision, Risk Management, Banking, and Other) for 7 sample months. We used analytical procedures to test 100% of Wages and Salaries expense. As a result, 60% of the amount charged to the AOC was tested for the three-year period.

We found the following issues:

- a. Out of 44 expenditures tested which were classified as “other expense,” we noted one charge of \$160 for attorney fees that was related to a City tax issue. The contract is unclear if these legal fees are allowable administrative costs.
- b. For one of seven sample months tested, it appears that the charges for “Supervision” may have been duplicated. The August 2007 statement from Diamond to the AOC noted charges of \$999.53 for supervision. However, the normal charges for supervision are approximately \$500 per month. When we examined the detail for the statement, we noticed one charge for \$499.74 and another charge for \$499.79. The supervisor involved at the time is no longer with Diamond and other Diamond personnel were unable to determine with certainty or provide additional documentation to conclude whether the charge was in error or whether additional supervision time was required that month. Furthermore, we found four instances over the three year period where an amount substantially higher or lower than \$500 was charged (including the sample item discussed above). Overall, the AOC has paid an average of \$517.02 per month for supervision.

In addition, it appears that the monthly supervision charge is not a pass-through of actual costs (hours times rate of pay); but rather, Diamond indicated that they show hours times rate of pay for the supervisor but the number of hours is adjusted to arrive at approximately \$500 per month regardless of the number of hours spent or rate of pay. While the average amount of supervision costs charged per month does not seem unreasonable, we noted nothing in the contract stipulating a specific amount to be charged.

- c. We determined that the following two expenditure categories were reasonable; however, since the categories are based on allocations, we included them here for informational purposes:
 - 1) The banking expenditures consist of two components: 1) actual costs related to credit card fees; and 2) an allocated cost related to banking fees. Diamond calculated the allocation to be \$0.005 per dollar collected.
 - 2) For risk management expenditures, Diamond calculates a per stall rate based on their national risk pool. The rate is currently \$2.22 per stall.

We were not engaged to and did not perform an audit, the objective of which would be the expression of an opinion on Diamond's revenue and expense accounts as they relate to the AOC. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of management of the Administrative Office of the Courts and is not intended to be and should not be used by anyone other than these specified parties. However, the report is a matter of public record and its distribution is not limited.

Sincerely,

Auston G. Johnson, CPA
Utah State Auditor
February 29, 2008