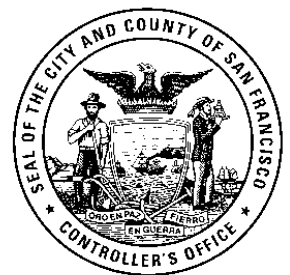


# LAZ Parking, in General, Adequately Performed Operational Duties, but a Few Improvements Can Strengthen Its Operations at the Ellis O'Farrell Parking Garage

San Francisco Municipal Transportation Agency



February 8, 2024

City & County of San Francisco  
Office of the Controller  
City Services Auditor

## About the Audits Division

The City Services Auditor (CSA) was created in the Office of the Controller through an amendment to the Charter of the City and County of San Francisco (City) that was approved by voters in November 2003. Within CSA, the Audits Division ensures the City's financial integrity and promotes efficient, effective, and accountable government by:

- Conducting performance audits of city departments, contractors, and functions to assess efficiency and effectiveness of service delivery and business processes.
- Investigating reports received through its whistleblower hotline of fraud, waste, and abuse of city resources.
- Providing actionable recommendations to city leaders to promote and enhance accountability and improve the overall performance and efficiency of city government.

### Team:

Winnie Woo, *Audit Manager*

Mark de la Rosa

Director of Audits

Office of the Controller

### Consultant:

Sjoberg Evashenk Consulting, Inc.

City and County of San Francisco

(415) 554-7574

For media inquiries, please contact

[con.media@sfgov.org](mailto:con.media@sfgov.org).



<http://www.sfcontroller.org>



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## Audit Authority

CSA conducted this audit under the authority of the San Francisco Charter, Section 3.105 and Appendix F, which requires that CSA conduct periodic, comprehensive financial and performance audits of city departments, services, and activities.



**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller  
Todd Rydstrom  
Deputy Controller

February 8, 2024

Board of Directors  
San Francisco Municipal Transportation Agency  
1 South Van Ness Avenue, 7th Floor  
San Francisco, CA 94103

Mr. Jeffrey Tumlin  
Director of Transportation  
San Francisco Municipal Transportation Agency  
1 South Van Ness Avenue, 7th Floor  
San Francisco, CA 94103

Dear Board Chair, Board Members, and Director Tumlin:

The Office of the Controller's City Services Auditor (CSA), Audits Division, engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the lease agreement (lease) under which LAZ Parking (LAZ) operates the Ellis O'Farrell Parking Garage (garage). SEC also reviewed the management and oversight of the lease by the San Francisco Municipal Transportation Agency (SFMTA).

Reporting Period: January 1, 2021, through December 31, 2022

Revenue: \$6,012,718

Results:

LAZ reported to SFMTA \$6,012,718 in operating revenues and \$2,927,626 in expenses during the audit period. In general, SFMTA ensured that LAZ appropriately performed most garage activities, with the goal of ensuring satisfactory operational and financial performance at the garage. However, the audit identified a few areas in which SFMTA could improve its oversight of the garage's operations and better monitor LAZ's compliance with the lease.

The report includes eight recommendations for SFMTA to improve its oversight of the garage lease. The responses from SFMTA and LAZ are attached. CSA will work with the department to follow up every six months on the status of the open recommendations made in this report.

CSA appreciates the assistance and cooperation of all staff involved in this audit. For questions about the report, please contact me at [mark.p.delarosa@sfgov.org](mailto:mark.p.delarosa@sfgov.org) or 415-554-7574 or CSA at 415-554-7469.

Respectfully,

A handwritten signature in black ink, appearing to read "Mark de la Rosa".

Mark de la Rosa  
Director of Audits

cc: Board of Supervisors  
Budget Analyst  
Civil Grand Jury  
Citizens Audit Review Board  
City Attorney  
Mayor  
Public Library

# LAZ Parking, in General, Adequately Performed Operational Duties, but a Few Improvements Can Strengthen Its Operations at the Ellis O'Farrell Parking Garage

December 2023



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# Executive Summary

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## Purpose of the Audit

As authorized by the San Francisco Administrative Code, the Office of the Controller's City Services Auditor engaged Sjoberg Evashenk Consulting, Inc., to assess whether LAZ Parking (LAZ) complied with certain provisions in its lease agreement (lease) with the City and County of San Francisco to operate the Ellis O'Farrell Parking Garage (garage). The audit also assessed whether the San Francisco Municipal Transportation Agency (SFMTA) appropriately managed and oversaw the lease.

## Highlights

SFMTA ensured LAZ appropriately performed parking garage activities to ensure satisfactory operational and financial performance at the garage. However, SFMTA can improve its oversight of garage operations and better monitor compliance with the lease. The audit found that:

- LAZ overcharged SFMTA an estimated \$66,000 in monthly management fees from February 2018 through October 2021.
- SFMTA and LAZ must ensure the daily reconciliation of credit card collections and deposits is accurate.
- LAZ lacks a process to reconcile active monthly parking access cards to revenue collected and deposited into SFMTA's bank account.
- LAZ must improve its reporting of manual gate lift exceptions.
- A few operating fees charged by LAZ are not formally authorized by SFMTA.

## Recommendations

The report makes eight recommendations for SFMTA to ensure revenue and expenditure best practices are employed at the garage, including the following key recommendations:

- Ensure that LAZ refunds its management fee overcharges to SFMTA.
- Only reimburse the management fees of LAZ that are consistent with the lease.
- Require LAZ to clearly document on each invoice how the management fee charged was calculated, including providing the formula used and confirming the number of parking spaces the calculation includes.
- Require SFMTA's accounting department and LAZ to develop processes that ensure the daily reconciliation of credit card collections and deposits is accurate and supported.
- Require LAZ to do a monthly reconciliation between SKIDATA and amounts it deposits into SFMTA's bank account to ensure LAZ correctly collects the monthly fees due for all active parking access cards. A manager who is not involved in preparing the reconciliation should review and approve it. Any differences should be investigated and reviewed.
- Require LAZ to improve its monitoring of manual gate lifts, including by tracking all instances where the gate arm is manually lifted and/or the loop is triggered without a corresponding payment. LAZ should clearly explain exceptions, which should be reviewed by a manager for appropriateness.

# INTRODUCTION

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## **Audit Authority**

The lease agreement (lease) for the Ellis O'Farrell Parking Garage (garage) between the City and County of San Francisco (City) and LAZ Parking (LAZ) authorizes the City and its representatives to audit all accounts and records established under the lease. The San Francisco Administrative Code, Chapter 10.6-2, grants the Office of the Controller (Controller) the authority to audit departments to ensure they adequately manage their agreements for leased property. Also, the San Francisco Charter provides the Controller's City Services Auditor (CSA) with broad authority to conduct audits. This audit was conducted under these authorities and pursuant to an audit plan agreed to by the Controller and the San Francisco Municipal Transportation Agency (SFMTA). CSA engaged Sjoberg Evashenk Consulting, Inc., (SEC) to audit the lease, under which LAZ operates the garage, and to assess SFMTA's management of the lease.

## **Background**

The garage is a public parking facility located at 123 O'Farrell Street in San Francisco. LAZ's current lease to operate the garage commenced on December 12, 2011, and was set to expire on January 31, 2021. According to SFMTA, the lease term was extended due to the COVID-19 pandemic and because additional time was needed to develop a new competitive solicitation to select a garage operator. All stakeholders agreed to the extension, including SFMTA's Board of Directors and the City's Board of Supervisors. A new lease was executed in February 2023.

In recent years, SFMTA updated nearly all 22 city-owned parking garages with new parking equipment and software to enhance the efficiency and safety of the garages. The SKIDATA system features automated parking access and revenue control processes and, according to SFMTA's website, all city-owned garages had been updated with SKIDATA equipment as of July 2021.

SFMTA manages and oversees the City's public parking garages. The City delegated authority to SFMTA to oversee the activities of the operators responsible for the daily management and operations of the garages. SFMTA is responsible for reviewing and approving garage budgets and operational expenses, inspecting the garages, and ensuring the operators adhere to the terms and provisions of their leases.

The lease requires LAZ to supervise and oversee the garage's operational activities and ensure revenues generated and operational expenses incurred through the garage are appropriately remitted and reported to the City. LAZ remits to the City all garage revenue, including "transient" (non-monthly) parking and monthly parking revenue, and submits to SFMTA monthly requests for reimbursement of operational expenses.

## **Objectives**

The purpose of this audit was to determine whether LAZ:

- Reported and correctly submitted to SFMTA all revenues collected from the operation of the garage.
- Calculated and correctly reported its operating expenses.
- Complied with other provisions of its lease with the City.

The audit also included evaluating whether SFMTA's contract management practices and procedures adequately ensured that LAZ complied with certain lease provisions.

## **Scope and Methodology**

The audit covered January 1, 2021, through December 31, 2022. To meet the audit objectives, the audit team:

- Reviewed the applicable terms of the lease between the City and LAZ.
- Assessed LAZ's internal controls and procedures over collecting, reconciling, and reporting revenues and expenditures, including day-end close-out practices associated with verification of amounts collected and preparing the daily deposit.
- For June 2021, October 2021, June 2022, and December 2022, traced "transient" (non-monthly) and monthly revenue collected to SFMTA's bank account and determined whether expenses were accurately and appropriately billed to SFMTA and were supported with sufficient documentation.

## **Statement of Auditing Standards**

SEC conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that auditors plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. SEC believes that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



# AUDIT RESULTS

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## Summary

From January 1, 2021, through December 31, 2022, LAZ reported to SFMTA total operating revenues of \$6,012,718 and expenses of \$2,927,626. Exhibit 1 summarizes the garage's revenues, expenditures, and operating income for the audit period.

## Exhibit 1. Ellis O'Farrell Garage Operating Revenues and Expenses January 1, 2021, Through December 31, 2022

Reporting Period	Revenues*	Expenses	Operating Income (Revenues Less Expenses)
2021	\$2,655,033	\$1,395,329	\$1,259,704
2022	\$3,357,685	\$1,532,297	\$1,825,388
Total	\$6,012,718	\$2,927,626	\$3,085,092

\* Reported revenues exclude parking taxes.

Source: Garage Monthly Summary Reports.

As reflected in Exhibit 1, garage revenues increased from 2021 to 2022. This occurred due to the easing of COVID-19 restrictions and a resulting increase in parking activity.

The audit found, in general, LAZ Parking appropriately performed most parking garage activities in accordance with the lease, such as accurately collecting and depositing daily transient, validation, and special parking revenue and maintaining proper bonds and minimum liability insurance. However, we identified the following areas that warrant improvement:

- LAZ overcharged SFMTA for its monthly management fees.
- SFMTA and LAZ must ensure the daily reconciliation of credit card collections and deposits is accurate.
- LAZ lacks a process to reconcile active monthly parking access cards to revenue collected and deposited into SFMTA's bank account.
- LAZ needs to improve its reporting of manual gate lift exceptions.
- A few operating fees are not formally authorized by SFMTA.

## Finding 1

### **LAZ Overcharged SFMTA An Estimated \$66,000 In Monthly Management Fees From February 2018 Through October 2021**

The lease between SFMTA and LAZ that was effective during the audit period states that when an additional garage is added to the agreement, LAZ will be paid a monthly management fee equal to \$3 per additional parking space.<sup>1</sup> The Ellis O'Farrell parking garage was added to the lease in January 2013, at which time the garage was a valet-assisted facility with 950 parking spaces. In February 2018, the garage became an exclusively self-park facility, which reduced the number of parking spaces to 507. However, through October 2021, LAZ continued to charge SFMTA \$3,292 each month in monthly management fees for the garage, based on 950 spaces. Starting in November 2021, LAZ reduced the monthly management fee it charged SFMTA to \$1,676.90, based on 507 spaces. We estimate that LAZ overcharged SFMTA by approximately \$66,000 in monthly management fees from February 2018 through October 2021. This occurred although SFMTA reviewed and approved each of LAZ's management fee payment requests.

SFMTA acknowledged that LAZ overcharged the monthly management fee and acknowledges that it was a joint responsibility of SFMTA and LAZ to consider the effect on the management fee when the number of parking spaces was reduced and that it should have promptly notified LAZ to reduce the fee. With this shared responsibility in mind, according to SFMTA, it has requested that LAZ repay 50 percent of the overpaid management fees.

## Recommendations

The San Francisco Municipal Transportation Agency should:

1. Ensure that LAZ refunds its management fee overcharges.
2. Only reimburse management fees of LAZ that are consistent with the lease.
3. Require LAZ to clearly document on each invoice how the management fee charged was calculated, including providing the formula used and confirming the number of parking spaces the calculation includes.

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<sup>1</sup> The lease permits the management fee to be increased by 5 percent in years 4 and 7.

## Finding 2

### SFMTA and LAZ Must Ensure Daily Reconciliation of Credit Card Collections and Deposits Is Accurate

The garage's parking control and revenue collection system, SKIDATA, generates a ticket for each parker upon entry to the garage, and the ticket is collected when the parker exits the garage. The ticket is used to determine the parking fees owed. SKIDATA details all tickets generated by the system, including tickets that generated revenue and tickets that did not generate revenue, such as "in and out" grace periods of less than 10 minutes, voided parking tickets, and free parking for emergency vehicles for up to 30 minutes. Parkers pay daily transient parking payments via credit card or cash directly into SKIDATA parking payment stations.

SFMTA's accounting department works with the garage operator to perform daily reconciliations of cash and credit card collection amounts reflected in SKIDATA and SFMTA's bank account and to investigate differences.

We tested four days in each of four months during the audit period (June 2021, October 2021, June 2022, and December 2022) to determine whether all collections per SKIDATA were deposited into SFMTA's bank account. Although our test verified that all cash collections were deposited into SFMTA's bank account, we found small differences between credit card collections and amounts deposited in SFMTA's bank account. The differences total \$1,322, as shown in Exhibit 2.

#### Exhibit 2. LAZ Deposited Slightly More in Credit Card Payments Into SFMTA's Bank Account Than It Collected According to SKIDATA

	June 1-4, 2021	October 11-14, 2021	June 27-30, 2022	December 12-15, 2022	Total
Credit Card Payments Collected per SKIDATA	\$50,793	\$45,967	\$93,833	\$39,492	\$230,085
Credit Card Payments Deposited in SFMTA's Bank Account	\$50,685	\$45,318	\$93,914	\$41,490	\$231,407
<b>Difference</b>	<b>(\$108)</b>	<b>(\$649)</b>	<b>\$81</b>	<b>\$1,998</b>	<b>\$1,322</b>

Source: SKIDATA and SFMTA Bank of America statements.

According to LAZ, the small differences above were due to delays in credit card transactions settling through its bank; however, LAZ could not provide documentation to adequately explain the differences.

**Recommendation**

The San Francisco Municipal Transportation Agency should:

4. Require SFMTA’s accounting department and LAZ to develop processes that ensure the daily reconciliation of credit card collections and deposits is accurate and supported.

**Finding 3**

**LAZ Lacks a Process to Reconcile Active Monthly Parking Access Cards to Revenue Collected and Deposited Into SFMTA’s Bank Account**

In addition to serving transient parkers, who pay an hourly or daily parking fee in accordance with SFMTA’s approved parking rates, the garage offers parking options for a monthly fee. These options include motorcycle, carpool, evening, and regular 24-hour access, each with its own monthly fee. We found that LAZ lacks a process to reconcile active monthly parking access cards issued through SKIDATA to revenue collected and deposited into SFMTA’s bank account.

After signing a monthly parking agreement and paying an activation fee, monthly customers receive a parking access card, which is activated and managed by SKIDATA, that grants admittance to the garage. At the same time, a corresponding customer account is established in LAZ’s internal monthly parking payment tracking system. Monthly parking payments are deposited with daily cash and credit card collections into SFMTA’s bank account.

During the audit period, LAZ did not have a process to reconcile the active monthly parking access cardholders listed in SKIDATA to amounts collected and deposited into SFMTA’s bank account to ensure all active SKIDATA parking access cards had a corresponding payment.

To determine whether LAZ collects and deposits payments on all active parking access cards, we compared SKIDATA cardholder accounts active in each of four sample months to amounts deposited in the bank. Our comparison found numerous accounts shown in SKIDATA as having an active monthly parking access card but not shown as having a corresponding payment per LAZ’s monthly parking payment report, as shown in Exhibit 3.

**Exhibit 3: Number of Active Monthly Parking Accounts in SKIDATA With No Corresponding Payment**

June 2021	October 2021	June 2022	December 2022
12	7	14	38

Source: SKIDATA and SFMTA Bank of America statements.

In addition to the discrepancies reflected in Exhibit 3, we noted other discrepancies, such as the number of access cards attributed to a single account that does not easily reconcile to the payments made on the account, monthly parking refunds issued without explanation, and multiple payments made for a single account. Because of insufficient information from LAZ, we could not determine if it assessed late fees properly.

According to LAZ, it cannot explain the differences we found for June 2021, October 2021, and June 2022 because documentation from the monthly parking payment tracking system it used at the time, known as PARIS, was unavailable to review. Also, LAZ noted that the transition to its new monthly parking payment tracking system in November 2022 caused many issues, but LAZ could not explain the differences we noted in December 2022. Also, LAZ noted that SKIDATA does not provide reports of active monthly parking accounts that can easily be used to compare against monthly parking payment reports.

According to SFMTA, garage operators are now required to perform monthly reconciliations between SKIDATA and payment information and submit documentation of the effort to SFMTA for review.

## **Recommendations**

The San Francisco Municipal Transportation Agency should:

5. Require LAZ to do a monthly reconciliation between SKIDATA and amounts it deposits into SFMTA's bank account to ensure LAZ correctly collects the monthly parking fees due for all active parking access cards. A manager who is not involved in preparing the reconciliation should review and approve it. Any differences should be investigated and reviewed.
6. Direct SKIDATA to provide a user-friendly report of active monthly parking accounts, such as in an Excel format.

## **Finding 4**

### **LAZ Must Improve Its Reporting of Manual Gate Lift Exceptions**

SKIDATA has several features to control exceptions to the normal ticketing process, such as recording on the system daily report all instances in which the gate is lifted manually. Exceptions to the processes are documented in a SharePoint tracking log maintained by LAZ staff at the command center, a central office where garage activity is monitored remotely. Manual gate lifts can be completed remotely by command center staff or on site by LAZ or SKIDATA staff.

To determine whether LAZ's process to record and review manual gate lifts works as intended, we compared the May 2022 and December 2022 SKIDATA reports and the SharePoint tracking logs and found that the:

- May 2022 SKIDATA report shows the gate arm was manually opened 56 times, but the SharePoint tracking log shows only 44 such entries, a difference of 12 instances (21 percent).
- December 2022 SKIDATA report shows the gate arm was manually opened 115 times, but the SharePoint tracking log shows only 99 such entries, a difference of 16 instances (14 percent).

Because the gate being manually opened increases the risk that a vehicle can enter the garage without the driver pulling a parking ticket, LAZ uses a hand-written tracking log as a control feature. Although the log may help ensure that vehicles cannot park in the garage without payment, this control is effective only if staff logs all manual gate openings. Conversely, if staff intended to bypass the system to allow an unauthorized manual gate lift, they would simply not make an entry in the log.

Also, many of the log entries include vague explanations. For example, when the gate was opened for a LAZ employee, the log entry simply states "employee" instead of the name of the employee who required the gate to be opened and a valid reason for doing so.

Last, there is no evidence that a LAZ manager regularly reviewed SKIDATA and the log of manual gate openings to ensure all exceptions to normal ticketing processes were proper and sufficiently documented. Thus, SFMTA cannot be assured that all manual gate lifts were justified or that parking revenue was not foregone.

According to SFMTA, garage operators are now required to log all manual exceptions to the parking process, including manual gate lifts.

## **Recommendation**

The San Francisco Municipal Transportation Agency should:

7. Require LAZ to improve its monitoring of manual gate lifts, including by tracking all instances where the gate arm is manually lifted and/or the loop is triggered without a corresponding payment. LAZ should clearly explain exceptions, which should be reviewed by a manager for appropriateness.

## Finding 5

### A Few Operating Fees Charged By Laz Are Not Formally Authorized by SFMTA

The lease allows LAZ to seek reimbursement each month for specific operating expenses, such as those related to payroll, utilities, maintenance, supplies, and contracted services. For SFMTA to reimburse an expense, LAZ must submit complete supporting documentation, including a detailed statement listing all operating expenses it has incurred since the previous invoice, copies of all invoices, receipts, or other evidence to support each listed expense, and evidence that it paid for each listed expense. The invoiced expenditure amounts are also reflected in the monthly summary report, which is submitted by garage operators to summarize their monthly revenues and expenditures.

Our review of operating expense reimbursement requests LAZ submitted to SFMTA during four sample months found that LAZ generally provided well-organized and sufficient supporting documentation to justify the requests; however, we noted one issue. That is, LAZ applied fees to be paid by SFMTA without evidence that SFMTA agreed to the charges.

LAZ could not provide supporting documentation or the related calculation for the credit card processing fees for which it charged and was reimbursed by SFMTA. Exhibit 4 shows the fees LAZ charged SFMTA without formal SFMTA authorization and provides an example of the monthly charges resulting from the fees.

#### Exhibit 4. LAZ's Monthly Fee Charges to SFMTA Without Formal Authorization and Examples of Monthly Expense Amounts

Fee Type	Description	December 2022 Fee Amounts
Credit Card Processing	3.25 percent on credit card revenue	\$14,226
Payroll Processing	2.5 percent on payroll expense	\$2,203
Business Insurance	1.5 percent on gross parking revenue	\$7,430
PARIS System	\$300 monthly flat fee	\$300

Source: LAZ submitted expense reimbursement requests.

SFMTA indicated that approved credit card processing fees and business insurance fees have been negotiated and incorporated in the new 2023 lease with LAZ.

## Recommendation

The San Francisco Municipal Transportation Agency should:

8. Include in the lease all fees LAZ may charge SFMTA.

# ATTACHMENT A: SFMTA RESPONSE



**London Breed**, Mayor

**Amanda Eaken**, Chair  
**Stephanie Cajina**, Vice Chair  
**Steve Heminger**, Director

**Dominica Henderson**, Director  
**Fiona Hinze**, Director  
**Lydia So**, Director

**Jeffrey Tumlin**, Director of Transportation

January 24, 2024

**Mark de la Rosa**  
Director of Audits  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

**Subject: Audit Responses, Sutter Stockton and Ellis O'Farrell Parking Garages**

Dear Mr. De la Rosa:

We have reviewed the above-named audits and completed the attached Recommendation and Response Forms. I would like to thank you and your audit team for the work conducted during these important audits.

If you have any questions, please call me at (415) 646-2522 or Kathleen Sakelaris at (415) 706-1836.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey Tumlin".

Jeffrey Tumlin  
Director of Transportation

San Francisco Municipal Transportation Agency    1 South Van Ness Avenue, 7<sup>th</sup> Floor    San Francisco, CA 94103    SFMTA.com

☎ 311 Free language assistance / 免費語言協助 / Ayuda gratis con el idioma / Бесплатная помощь переводчиков / Trợ giúp Thông dịch Miễn phí / Assistance linguistique gratuite / 無料の言語支援 / Libreng tulong para sa wikang Filipino / 무료 언어 지원 / การช่วยเหลือทางคำถามภาษาโดยไม่มีค่าใช้จ่าย / خط المساعدة المجاني على الرقم /



## Recommendations and Responses

For each recommendation, the responsible agency should indicate in the column labeled *Agency Response* whether it concurs, does not concur, or partially concurs and provide a brief explanation. If it concurs with the recommendation, it should indicate the expected implementation date and implementation plan. If the responsible agency does not concur or partially concurs, it should provide an explanation and an alternate plan of action to address the identified issue.

Recommendation	Agency Response	CSA Use Only Status Determination*
The San Francisco Municipal Transportation Agency should:		
1. Ensure that LAZ refunds its management fee overcharges.	<input type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input checked="" type="checkbox"/> Partially Concur Recommendation implemented. SFMTA and LAZ share responsibility for the oversight in adjusting the management fee; as of 12/1/2023, the SFMTA has requested LAZ to refund 50 percent (\$32,967.51) of the total management fee overcharge amount (estimated to be \$66,000), by corporate check, which amount was received by SFMTA on 2/5/24.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested
2. Only reimburse management fees of LAZ that are consistent with the lease.	<input checked="" type="checkbox"/> Concur <input type="checkbox"/> Do Not Concur <input type="checkbox"/> Partially Concur Recommendation implemented. Action taken per the latest Management Agreement effective 2/1/2023: the Management Agreement Appendix B sets the overall management fee for LAZ Group A to a flat \$10,000 per month, to be allocated by LAZ across all current Group A locations.	<input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested

\* Status Determination based on audit team's review of the agency's response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>3. Require LAZ to clearly document on each invoice how the management fee charged was calculated, including providing the formula used and confirming the number of parking spaces the calculation includes.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>Recommendation implemented. Action taken per the latest Management Agreement effective 2/1/2023: SFMTA has revised the calculation of the management fee to a flat \$10,000 per month, allocated across all Group A locations.</p>	<p><input type="checkbox"/> Open <input checked="" type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>4. Require SFMTA’s accounting department and LAZ to develop processes that ensure the daily reconciliation of credit card collections and deposits is accurate and supported.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>SFMTA and LAZ are actively working to enhance and document related procedures. Updated procedures will be finalized by 3/31/2024.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>5. Require LAZ to do a monthly reconciliation between SKIDATA and amounts it deposits into SFMTA’s bank account to ensure LAZ correctly collects the monthly parking fees due for all active parking access cards. A manager who is not involved in preparing the reconciliation should review and approve it. Any differences should be investigated and reviewed.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>Recommendation implemented. Action taken by LAZ as of 12/1/2023 to develop a report reconciling monthly parking revenues collected with monthly parking key car audits— report will be available as part of the regular monthly invoice packet submission as of 3/1/2024.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>
<p>6. Direct SKIDATA to provide a user-friendly report of active monthly parking accounts, such as in an Excel format.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>As of 12/1/2023, the SFMTA has been working with SKIDATA to update report formatting for an enhanced report to be provided with a pending SKIDATA software upgrade that will be completed at all facilities by 6/30/2024.</p>	<p><input checked="" type="checkbox"/> Open <input type="checkbox"/> Closed <input type="checkbox"/> Contested</p>

\* Status Determination based on audit team’s review of the agency’s response and proposed corrective action.

Recommendation	Agency Response	CSA Use Only Status Determination*
<p>7. Require LAZ to improve its monitoring of manual gate lifts, including by tracking all instances where the gate arm is manually lifted and/or the loop is triggered without a corresponding payment. LAZ should clearly explain exceptions, which should be reviewed by a manager for appropriateness.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>Recommendation implemented. As of April 1, 2023, an online gate-lift log that LAZ management will review and certify monthly has been implemented.</p>	<p><input type="checkbox"/> Open  <input checked="" type="checkbox"/> Closed  <input type="checkbox"/> Contested</p>
<p>8. Include in the lease all fees LAZ may charge SFMTA.</p>	<p><input checked="" type="checkbox"/> Concur    <input type="checkbox"/> Do Not Concur    <input type="checkbox"/> Partially Concur</p> <p>Recommendation implemented; action taken under the updated contract format that went into effect 2/1/2023. Specifically, per the updated management agreement, "Manager (LAZ) shall be entitled to reimbursement from SFMTA for all Operating Expenses properly incurred and paid by Manager...as specified in the approved annual operating budget..."</p>	<p><input type="checkbox"/> Open  <input checked="" type="checkbox"/> Closed  <input type="checkbox"/> Contested</p>

\* Status Determination based on audit team's review of the agency's response and proposed corrective action.

# ATTACHMENT B: LAZ PARKING RESPONSE

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P: (415) 986.4800  
F: (415) 986.5824  
www.lazparking.com

Partners In Parking™

February 1, 2024

Mark de la Rosa  
Director of Audits  
City Hall, Room 476  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

Dear Mr. de la Rosa:

We have received and reviewed the draft audit report, *San Francisco Municipal Transportation Agency: LAZ Parking, in General, Adequately Performed Operational Duties, but a Few Improvements Can Strengthen Its Operations at the Ellis O'Farrell Parking Garage*. LAZ aims to implement and practice the recommendations provided. If you have any questions, please feel free to call me at 415-986-4800.

Cordially,

A handwritten signature in black ink that reads "Neal J. Schlosser".

Neal J. Schlosser  
Portfolio Manager