

**CITY OF HAMILTON**

**CITY MANAGER'S OFFICE  
Audit Services Division**

<b>TO:</b> Chair and Members Audit, Finance and Administration Committee	<b>WARD(S) AFFECTED:</b> CITY WIDE
<b>COMMITTEE DATE:</b> September 9, 2013	
<b>SUBJECT/REPORT NO:</b> Performance Audit Report 2013-13 - Employer Paid Parking (Value for Money Audit) (AUD13024) (City Wide)	
<b>SUBMITTED BY:</b> Ann Pekaruk Director, Audit Services City Manager's Office	<b>PREPARED BY:</b> Ann Pekaruk 905-546-2424 x4469
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That recommendations #1 – 5, as attached in Report AUD13024, respecting the Employer Paid Parking Performance Audit, be approved; and
- (b) That the Senior Management Team (SMT) be directed to provide to the Audit, Finance and Administration Committee by the 2013 calendar year end the management action plans for addressing the implementation of the Audit report recommendations.

**EXECUTIVE SUMMARY**

The 2013 Performance Audit work plan approved by Council included an audit pertaining to Employer Paid Parking. All “downtown core” employees who were provided employer paid parking in the 2012 calendar year were reviewed against established policies and procedures to determine the number of employees no longer eligible for paid parking. The related gross cost savings that may be realized on a go-forward basis were calculated. Recommendations were made to identify opportunities for gross cost savings and efficiencies within the annual process to evaluate continued eligibility for employer paid parking.

The results of this audit are presented in a formal Performance Audit Report (2013-13) containing observations and five recommendations. SMT will be directed to supply action plans to the five recommendations in the Performance Audit Report 2013-13 attached as Appendix “A” to Report AUD13024 to the Audit, Finance and Administration Committee by the 2013 calendar year end.

***Alternatives for Consideration – See page 4.***

**FINANCIAL / STAFFING / LEGAL IMPLICATIONS (for Recommendation(s) only)**

**Financial:** The recommendations in this report may result in total potential gross savings of \$183,984.09 if the City no longer bears the parking costs for employees identified as not meeting the eligibility criteria for employer paid parking. These gross savings may be reduced by additional costs associated with implementing the recommendations and management’s action plans. These costs cannot be estimated at this time.

**Staffing:** None.

**Legal:** None.

**HISTORICAL BACKGROUND (Chronology of events)**

This audit was scheduled as part of the 2013 Performance Audit work plan approved by Council. The audit fieldwork was completed in June 2013. The results of this audit are attached as Appendix “A” of Report AUD13024.

The Audit, Finance and Administration Committee receives and approves value for money audit reports as part of its responsibilities for the oversight of governance.

**POLICY IMPLICATIONS/LEGISLATED REQUIREMENTS**

- Employee Parking Policy (Downtown) – Policy HR-12-09
- Employer Paid Parking Procedure for Confirming Continued Eligibility – dated September 29, 2011

**RELEVANT CONSULTATION**

Appendix “A” to Report AUD13024 includes management’s and Mayor’s/Councillors’ reasons for extending parking privileges to employees who are no longer eligible to receive employer paid parking under the current policy and procedure. Responses were obtained from the following individuals or their designates:

- Mayor’s and Councillors’ Offices
- City Manager
- General Manager Community and Emergency Services
- General Manager Planning and Economic Development
- General Manager Public Works
- Acting General Manager Finance and Corporate Services
- Medical Officer of Health

**ANALYSIS / RATIONALE FOR RECOMMENDATION**

(include Performance Measurement/Benchmarking Data, if applicable)

Employees located in the downtown core who choose to drive to work are required to obtain their own parking. A policy and procedure exist which outline the circumstances under which the City will pay or provide for an employee’s parking.

After careful analysis, Audit Services identified 220 “downtown core” employees who received employer paid parking in the 2012 calendar year, did not meet the trip requirements outlined in the parking policy and procedure, and continued to receive parking benefits through April 2013. Annual gross savings of \$183,239.51 may be achieved on a go-forward basis if the City no longer bore the parking costs for these employees. Management and Mayor’s/Councillors’ Offices believe that 181 of these employees should continue to receive employer paid parking even though the eligibility criteria outlined in the parking policy and procedure were not met. Management’s reasons to extend parking privileges to these employees have been summarized in Audit Report 2013-13 (attached as Appendix “A” to Report AUD13024).

An additional \$744.58 of paid parking was provided to employees whose work locations did not meet the definition of “downtown” core, bringing the total potential gross cost savings to \$183,984.09. These gross cost savings may be reduced by costs associated with implementing the recommendations and actions decided by management. The netting effect or offset to gross cost savings cannot be determined at this time.

A formal Performance Audit Report (2013-13) containing background information, audit objectives, scope, audit methodology, findings and recommendations was issued. Five recommendations were included in Audit Report 2013-13 (attached as Appendix “A” to Report AUD13024). The recommendations made are as follows:

- Indicate in PeopleSoft those employees who are eligible to receive paid parking and are exempt from the trips requirements outlined in the parking procedure.
- Develop a process for departments to communicate personnel changes that affect employer paid parking to ensure the population in PeopleSoft remains accurate and complete.
- Create a PeopleSoft query that captures all pertinent information required for departmental staff to carry out the parking eligibility analysis.
- Include employees’ work locations into the PeopleSoft query and factor into the parking eligibility analysis on a go-forward basis.
- Direct SMT to address those employees who are provided paid parking but do not meet the eligibility or exclusion criteria outlined in the parking policy and procedure.

#### **ALTERNATIVES FOR CONSIDERATION**

(include Financial, Staffing, Legal and Policy Implications and pros and cons for each alternative)

1. Do nothing. Continue to provide employer paid parking to the identified employees even though they do not meet the eligibility criteria outlined in the parking policy and procedure.
2. Develop a new policy with new guidelines and criteria and include specific rules for maintaining eligibility or policy exceptions. All employees would need to comply with the new policy in order to retain employer paid parking.
3. Do not provide any employer paid parking except under contractual or legal obligations.

SMT should take the above alternatives into consideration and rationalize their inclusion or exclusion from the management action plans.

**ALIGNMENT TO THE 2012 – 2015 STRATEGIC PLAN:**

**Strategic Priority #2**

Valued & Sustainable Services

*WE deliver high quality services that meet citizen needs and expectations, in a cost effective and responsible manner.*

**Strategic Objective**

2.1 Implement processes to improve services, leverage technology and validate cost effectiveness and efficiencies across the Corporation.

**Strategic Priority #3**

Leadership & Governance

*WE work together to ensure we are a government that is respectful towards each other and that the community has confidence and trust in.*

**Strategic Objective**

3.4 Enhance opportunities for administrative and operational efficiencies.

**APPENDICES / SCHEDULES**

Appendix "A" to Report AUD13024

**APPENDIX "A"**  
**CITY OF HAMILTON**  
**PERFORMANCE AUDIT REPORT 2013-13**  
**EMPLOYER PAID PARKING**

**INTRODUCTION**

Employees located in the downtown core who choose to drive to work are required to obtain and pay for their own parking. A policy and procedure exist which outline the circumstances under which the City will pay or provide for an employee's parking.

The *Employee Parking Policy (Downtown) HR-12-09* approved by the Senior Management Team (SMT) on February 10, 2011 provides "clear criteria of when an employee qualifies and needs to apply for employer paid parking". The City provides paid monthly parking to:

- Employees in the downtown core who had employer paid parking effective March 9, 2005 (grandfathered);
- Employees who qualify for paid parking as outlined in their collective agreement;
- Elected officials;
- Employees who negotiated paid parking as part of their employment offer or contract; and
- Employees who are required to use their personal vehicles for City business three times per week or more of their scheduled work week.

The following chart was compiled from the PeopleSoft Human Resources Management System (HRMS) and provides an approximation of the number of employees and the expense borne by each department for employer paid parking (excluding HECFI and Hamilton Police Service).

<b>Department</b>	<b>Quantity (Employees)</b>	<b>Annual Expense (\$)</b>
Mayor's and Councillors' Offices	30	\$ 28,070
City Manager's Office	29	25,406
Community Services	207	150,818
Planning & Economic Development	142	135,551
Public Works	129	104,180
Corporate Services	93	89,608
Public Health	74	70,740
<b>Total</b>	<b>704</b>	<b>\$604,373</b>

An employee who uses his/her personal vehicle for City business and does not qualify for employer paid parking is reimbursed for parking costs on a per trip basis in accordance with travel and mileage policies.

The *Employer Paid Parking Procedure for Confirming Continued Eligibility* approved by SMT on September 29, 2011 pertains to employees who qualified for paid parking by virtue of using their personal vehicles for City business at least three times per week. This procedure outlines the processes for:

- Employees to report business trips; and
- Management to evaluate continued eligibility for employer paid parking.

Employees are expected to report business trips on a monthly basis using mileage claim forms. The Accounts Payable department receives approved forms and records the number of trips in PeopleSoft HRMS. Managers are expected to review the PeopleSoft *Trip Accumulator Report* on an annual basis to assess employees' continued eligibility for paid parking. Employees must use their vehicles for City business a minimum of 126 times per year (or 10 times per month where pro-rating is required) to retain employer paid parking.

Cost savings may be realized if parking is no longer provided to or paid for employees who do not meet the eligibility requirements outlined in the parking policy and procedure.

### **AUDIT OBJECTIVES AND SCOPE**

The purpose of this audit was to perform the trip analysis outlined in the parking procedure, identify employees who are no longer eligible to receive employer paid parking as they do not meet the requirements as set out and/or the reason for paying parking cannot be verified and calculate the related cost savings on a go-forward basis.

The cost of parking provided to or paid for employees on a monthly basis is considered a benefit for tax purposes. The audit included all employees who received a parking benefit in the period of January 1 to December 31, 2012. All City departments, except HECFI and the Hamilton Police Service, were incorporated in the analysis.

### **METHODOLOGY**

The work performed by Audit Services involved:

#### **A. Compiling the following data from PeopleSoft HRMS:**

- Employee name, identification number and department;
- Total parking benefit received in the 2012 calendar year (exclusive of year end taxable benefit adjustments);
- Number of months during which a parking benefit was received;
- Number of trips reported for the 2012 calendar year as of April 12, 2013; and
- Employees who received a parking benefit through April 2013 (to identify potential gross cost savings on a go-forward basis).

**B. Identifying and eliminating in the data collected in step A. above the following employees (in the order presented) who are eligible to receive paid parking and are exempt from the trip requirements as outlined in the parking policy and procedure:**

- **Grandfathered employees** – per listings obtained from Parking Services which includes those who parked in both municipal and independent lots;

*(Note – Other sources exist which claim to identify grandfathered employees. As no two sources were identical to each other, Audit Services chose to use Parking Services' lists as it can be reasoned that Parking Services would be the prime source of information directly related to their operations.)*

- **Elected officials** – per the City of Hamilton website;
- Ontario Nurses' Association Local 50 Health Unit members with paid parking in March 2013 when their **collective agreement** was ratified – per the seniority listing and parking benefit records in PeopleSoft HRMS;
- Employees with **employment offers** specifying paid parking – per departmental management and Mayor's/Councillors' Offices comments which Audit Services corroborated with personnel files maintained by Human Resources; and
- Employees with **grievance settlements** specifying paid parking – per departmental management comments which Audit Services corroborated with documentation maintained by Labour Relations.

**C. Determining the number of trips required for employees to remain eligible for paid parking and assessing whether this standard was met for the 2012 calendar year.**

**D. Sending a list of ineligible employees to departmental management and Mayor's/Councillors' Offices requesting comments** as to those employees who should continue to receive parking due to a situation that Audit Services may not have been aware. Their reasons to extend parking privileges are included in the report that follows.

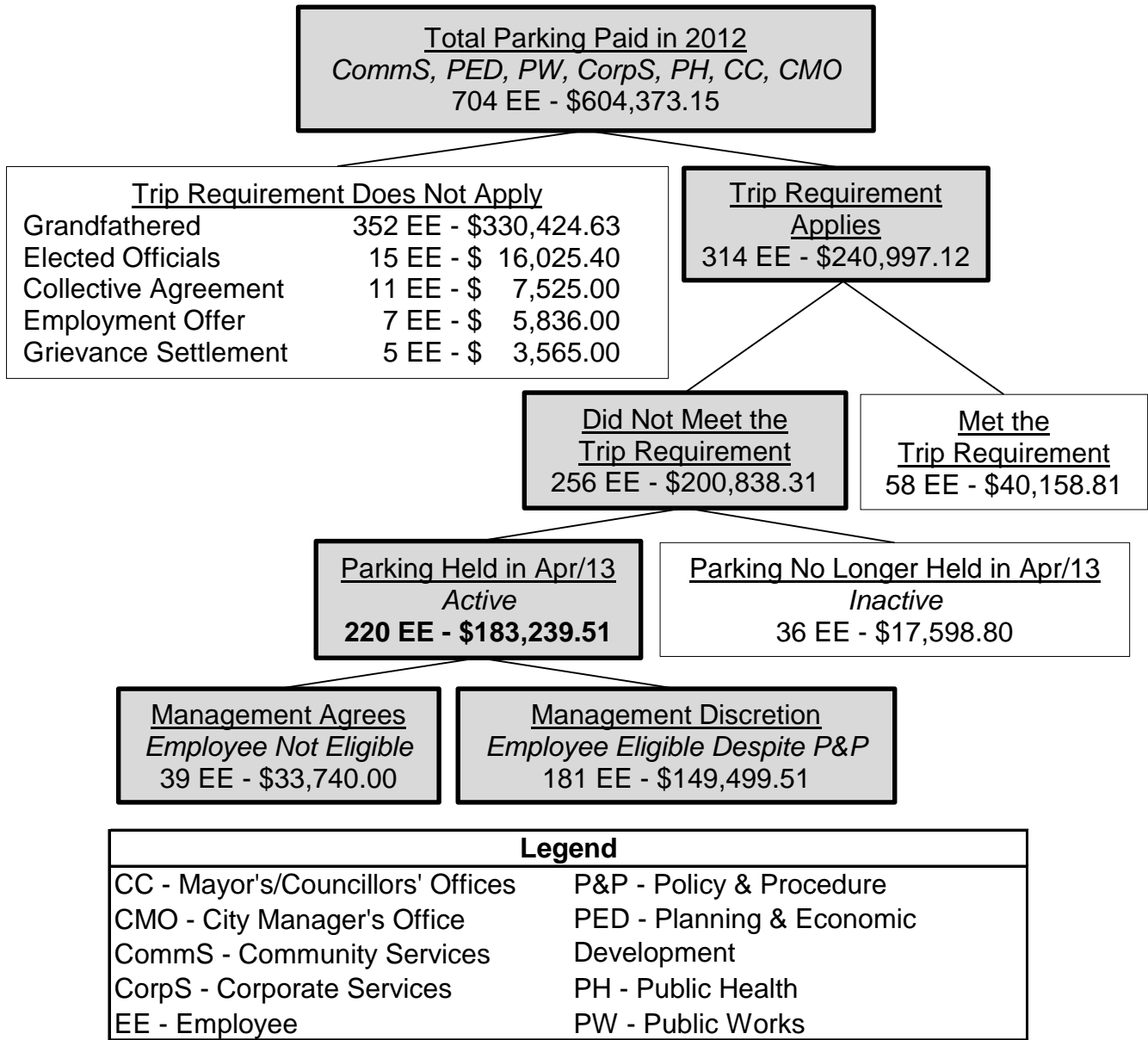
**E. Creating flow chart diagrams** to pictorially depict audit findings.

Audit Services conducted this audit in conformity with the *International Standards for the Professional Practice of Internal Auditing*. Those standards require that Audit Services plan and perform the audit to obtain sufficient, appropriate evidence to support the findings and conclusions based on the audit objectives. Audit Services believes that the work performed provides a reasonable basis for the audit findings and conclusions.



**FINDINGS**

The following flow chart summarizes the results of the employer paid parking eligibility analysis performed by Audit Services.



<b>Legend</b>	
CC - Mayor's/Councillors' Offices	P&P - Policy & Procedure
CMO - City Manager's Office	PED - Planning & Economic Development
CommS - Community Services	PH - Public Health
CorpS - Corporate Services	PW - Public Works
EE - Employee	

During the 2012 calendar year 704 employees (excludes Hamilton Police Service and HECFI) received employer paid or provided parking amounting to \$604,373.15. After careful analysis, Audit Services determined 220 of these employees did not meet the trip requirements outlined in the parking procedure and continued to receive employer paid parking through to April 2013. Gross annual savings of \$183,239.51 in parking fees borne by the City may be achieved on a go-forward basis if these employees were no longer provided paid parking.

Management agreed with Audit Services that 39 employees are no longer eligible for paid parking. However, management and the Mayor's/Councillors' Offices believe that the remaining 181 employees should receive employer paid parking even though the eligibility criteria outlined in the parking policy and procedure were not met. The following chart summarizes the reasons provided by management and Mayor's/Councillors' Offices as to why these employees should continue to receive paid parking even though the comments could not be verified in many cases.

Reason Provided by Management and Council	Quantity (Employees)	Parking Cost (\$)
<b>1 Trips not claimed</b> <i>Employees were unaware of the requirement to report trips or did not have time to complete the paper work.</i>	45	\$ 43,239.36
<b>2 Grandfathered – not verifiable</b> <i>Employees do not appear on the grandfathered listings provided by Parking Services.</i>	39	30,201.80
<b>3 Limited on-site parking available</b> <i>A limited number of parking spots are available at buildings leased by the City. Parking is allocated to employees who travel frequently from the office to carry out their job duties. Although parking costs are sunk (cannot change as the cost is part of the building lease amount), it is Audit Services' position that these employees should still abide by the criteria outlined in the parking policy and procedure and report their business trips.</i>	38	30,080.60
<b>4 Relocation – free parking at former locale</b> <i>Employees were relocated downtown from sites where free parking was provided due to capacity constraints OR Incentives of employer paid parking were offered as a result of site consolidation efforts (to realize significant rent savings).</i>	18	11,000.80
<b>5 Negotiated outside offer – not verifiable</b> <i>Paid parking was verbally negotiated and approved but not specified in the employee's employment offer or contract. Audit Services cannot verify as no documentation exists.</i>	8	7,535.00
<b>6 Trips will increase</b> <i>Employees will incur more trips in the 2013 calendar year.</i>	6	4,798.75
<b>7 Trips not claimed – trips will increase</b> <i>Employees were unaware of the requirement to report trips. Employees will incur more trips in the 2013 calendar year.</i>	5	4,235.00

Reason Provided by Management and Council	Quantity (Employees)	Parking Cost (\$)
<p>8 <b>Part of employment contract – not verifiable</b>  <i>The employee's personnel file does not contain an employment offer or contract that provides paid parking. Audit Services cannot verify as no documentation exists.</i></p>	4	3,010.00
<p>9 <b>Provided as compensation outside offer</b>  <i>Parking parallels market conditions and compensation of other staff. Audit Services cannot verify as terms are not specified in the employee's employment offer or contract.</i></p>	2	2,810.20
<p>10 <b>No explanation provided</b>  <i>Management did not provide a clear explanation as to why the employee should continue to receive paid parking.</i></p>	4	2,648.00
<p>11 <b>Maternity leave – trips will increase</b>  <i>Employees were on maternity leave for all or part of the 2012 calendar year. Employees will incur more trips upon their return in the 2013 calendar year.</i></p>	3	2,460.00
<p>12 <b>Entitled – employment contract misinterpreted</b>  <i>The intent was to provide employees with paid parking although this was not precisely stated in the employees' employment contracts.</i></p>	2	1,715.00
<p>13 <b>Access to vehicle required at all times</b>  <i>Per management the variable nature of the employees' positions require immediate access to a vehicle at all times.</i></p>	2	1,710.00
<p>14 <b>Actual trips close enough to actual</b>  <i>Employees claimed 113 and 122 trips, respectively, for the 2012 calendar year. 126 trips were required to remain eligible for employer paid parking.</i></p>	2	1,690.00
<p>15 <b>Grievance settlement – not verifiable</b>  <i>Labour Relations does not have record of the employee receiving parking as a result of a grievance settlement. Audit Services cannot verify as no documentation exists.</i></p>	1	935.00
<p>16 <b>Used by site staff on rotational basis</b>  <i>The employee allocated parking does not drive. The parking spot is used by other staff on a rotational basis to run errands for the site.</i></p>	1	855.00
<p>17 <b>Secondment – free parking at former locale</b>  <i>Employee seconded to position in the downtown core. Free parking was provided at former work site.</i></p>	1	575.00
<p>Total</p>	181	\$149,499.51

The overall intent of the *Employee Parking Policy (Downtown)* is to provide paid parking to eligible employees who work in the downtown core. The policy defines the downtown core as the area within the perimeter of Queen Street, York Boulevard / Wilson Street, Wellington Street and Hunter Street. From a randomly selected sample of 43 employees Audit Services identified three employees who received paid parking and whose work locations were outside the confines of the downtown core. Additional gross cost savings of \$744.58 may have been realized in the 2012 calendar year if management cancelled paid parking upon employees' relocation outside of the downtown core.

## **RECOMMENDATIONS**

Audit Services manually compiled data from PeopleSoft HRMS, Parking Services, Human Resources and Labour Relations to perform the parking eligibility analysis. Departmental staff may have difficulty performing the same analysis due to restricted access to PeopleSoft HRMS data, employee personnel files, grievance settlements and grandfathered employee listings. However, the implementation of the following four recommendations would result in records which would be more comprehensive and provide for more efficient analysis.

- 1. That Payroll label employees in PeopleSoft HRMS who are eligible to receive paid parking and are exempt from the trip requirements outlined in the parking procedure.***
- 2. That, once exempt employees are coded in PeopleSoft HRMS, that Payroll develop a process for departments to communicate changes to Payroll that affect employer paid parking to ensure the population remains accurate and complete.***
- 3. That Payroll develop a PeopleSoft HRMS query capturing all pertinent information required to carry out the parking eligibility analysis. This query should be made available to departmental staff in order to perform the analysis on a go-forward basis.***
- 4. That Payroll include the employee's work location into the PeopleSoft HRMS query outlined in Recommendation #3. The employee's work location should be factored into the parking eligibility analysis on a go-forward basis.***

Audit Services' findings were based on the existing parking policy and procedure approved by SMT. Management and Mayor's/Councillors' Offices exercised their discretion to provide paid parking for the above employees irrespective of the eligibility requirements outlined in the policy and procedure. Many of such decisions were based on achieving considerable net operational savings, using available parking that would otherwise be idle, exercising judgment around vague policy and procedure terms and maximizing productive time to provide service as opposed to completing paperwork for job duties with a high volume of trips.

- 5. That SMT be directed to address those employees who do not meet the eligibility criteria outlined in the parking policy and procedure (or do not fall under verifiable exclusions). SMT should prepare management action plans by the 2013 calendar year end outlining how and when these issues will be resolved.***

## **CONCLUSION**

Audit Services identified 220 employees who received employer paid parking in the 2012 calendar year, did not meet the trip requirements outlined in the parking policy and procedure, and continued to receive parking benefits through April 2013. Annual gross savings of \$183,239.51 may be achieved on a go-forward basis if the City no longer bears these parking costs. An additional \$744.58 of paid parking was provided to employees whose work locations did not meet the definition of "downtown" core, bringing the potential gross savings to **\$183,984.09**.

The following chart provides a summary of the number of employees and total potential gross savings by department (excluding HECFI and Hamilton Police Service).

<b>Department</b>	<b>Quantity (Employees)</b>	<b>Potential Savings (\$)</b>
Community Services	96	\$ 73,577.00
Planning & Economic Development	41	34,195.00
Public Works	45	37,744.55
Corporate Services	15	14,705.36
Public Health	11	11,992.60
Mayor's and Councillors' Offices	6	5,135.00
City Manager's Office	6	5,890.00
Did Not Meet Trip Requirements and Continued to Receive Parking Through to April 2013	220	\$183,239.51
Work Location Outside of the "Downtown" Core and Continued to Receive Parking Through to December 2012	3	744.58
<b>Total</b>	<b>223</b>	<b>\$183,984.09</b>

However, caution should be taken with the above total potential cost savings due to reductions which the following items may influence:

- Costs associated with implementing the recommendations and management's plans which cannot be determined at this time;
- Fluctuations to the number of employees who receive employer paid or provided parking;
- Reimbursement of per trip parking costs for employees who are no longer eligible to receive paid monthly parking; and
- Circumstances where management has used their discretion to provide paid parking outside of the policy and procedure that are deemed appropriate and reasonable.