

The Corporation of the City of London

Parking Enforcement Assessment

Audit Performed: July 2019 – September 2019
Report Issued: October 2019

Table of contents

Executive summary	1
Strengths	4
Areas for continued enhancement	5
Appendix 1: Internal Audit detailed scope	12
Appendix 2: Internal Audit rating scale	13
Appendix 3: Stakeholder involvement	14
Appendix 4: Audit procedures performed	15

Executive summary

Background

The Corporation of the City of London (the “City”) has outsourced parking enforcement services to a third party vendor under a sole-sourced contract for more than 25 years. In 2016, Parking Services renewed the contract with its current parking enforcement provider, which ends in December 2020.

Objectives and scope

As part of the 2019 Internal Audit Plan, a review of the City’s contracting for parking enforcement services was conducted. The purpose and objective of this review was to assess the control framework and assessment criteria required for this type of service, and identify key requirements for the City to consider when developing future contracts.

The detailed internal audit scope can be found in *Appendix 1: Internal audit detailed scope* of this report.

Strengths

In completion of this assessment, we identified the following areas of strengths.



Areas for continued enhancement

Based on our review of the City’s control framework for contracting parking enforcement services, we identified 9 leading practice recommendations, and 1 low priority observation that management should consider going forward. Please refer to *Appendix 2: Internal Audit rating scale* for definitions of the four-point scale.

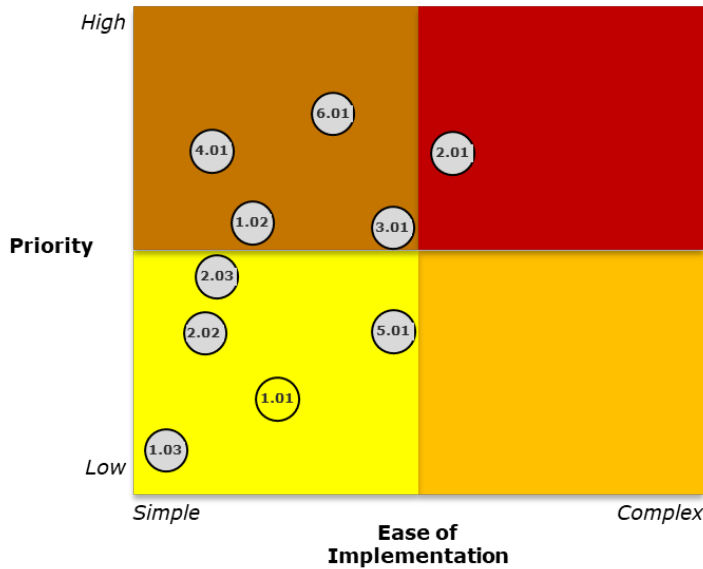


Priority	Observation item	Observation description
Low	PEA 1.01	Parking enforcement service provider requirements: Parking Services management should link relevant parking business plans and priorities with performance requirements for the third party parking enforcement vendor.

Leading practice item		Leading practice recommendation
Leading	PEA 1.02	Parking enforcement contract language, roles, and key definitions: Parking Services management should consider using more consistent language with clearer definitions for key words and/or terms for future contracts.
Leading	PEA 1.03	Parking enforcement contract rate cards and schedules: For future contracts, Parking Services management should ensure the schedule of shifts aligns with the shifts defined in the rate cards.
Leading	PEA 2.01	Vendor reporting and performance monitoring: Parking Services management should consider contracting commercial terms and service level agreements inclusive of defined metrics and key performance indicators to ensure desired performance is met in future contracts.
Leading	PEA 2.02	Vendor performance reviews: Parking Services management should consider engaging the City’s Purchasing and Supply Division to formalize a parking enforcement vendor performance review approach in future contracts.
Leading	PEA 2.03	Performance issue escalation: For future contracts, Parking Services management should develop an escalation protocol to deal with unresolved critical and repeated performance issues more consistently.
Leading	PEA 3.01	Contract risk management: For future contracts, Parking Services management should develop a contract risk profile as part of an overall contract management plan.
Leading	PEA 4.01	Contract financial management: For future contracts, Parking Services management should pre-approve all relevant rates and charges or applicable conditions as part of the contract.
Leading	PEA 5.01	Contract validity management: Parking Services management should consider establishing criteria to assist with contract decision making such as contract renewal or scope change (i.e. change orders) for future contracts
Leading	PEA 6.01	Contract governance: Parking Services management should consider reviewing its approach to governance to ensure adequate oversight across newly adopted contract management practices for future contracts.

Priority heat map

Based on our assessment of the City’s control framework for contracting parking enforcement services, the following image maps areas of continued enhancement based on priority and anticipated ease of implementation of our leading practice recommendations.



Conclusion

Based on our assessment of the City’s control framework for contracting parking enforcement services, we have identified one low priority observation that should be addressed to improve internal controls and process efficiency and nine leading practice recommendations. The identified considerations and observation noted in this report should be addressed in a timely manner to enhance current controls and mitigate relevant risks.

Management is in agreement with all findings noted in the ‘Detailed observations and recommendations’ section.

Strengths

In the completion of this assessment, internal audit noted the following areas of strength:



Monitoring contract compliance: Parking Services has committed to improving processes and controls to more effectively and efficiently monitor third party vendor compliance with commercial terms. Specifically, a technology solution was recently implemented enabling Parking Services to more effectively monitor vendor compliance with commercial terms by way of GPS tracking. These measures have enabled Parking Services to efficiently identify and address performance improvement opportunities.



Internal and external communication: Parking Services engages in frequent communication, both internally and with vendor contacts, to discuss items relevant to parking enforcement operations including continuous improvement opportunities. This has proven to be beneficial in keeping relevant stakeholders privy to the status of operations and aide in driving continuous improvement parking enforcement services.



Cost management: The City's financial metrics with respect to parking enforcement costs remain below other comparable Canadian municipalities. For three consecutive years, the City has maintained a lower gross enforcement cost per ticket than the average of comparable municipalities. This metric suggests that the City is effectively using parking enforcement related funds.



Key contract terms and conditions: While Internal Audit has observed leading practice opportunities to improve the control framework for contracting parking enforcement services, other existing commercial terms align with standard and leading practice. For example, the City has reserved the right as part of its current contract to conduct payroll audits of the parking enforcement service provider. This term grants the City with the ability to exercise a payroll audit to independently validate relevant billings and further reduce the risk of erroneous vendor billing, a principle contract risk.

Areas for continued enhancement

In completing the procedures noted in *Appendix 4: Audit procedures performed*, internal audit identified the following areas for continued enhancement:

PEA 1.0 – Vendor selection and contract development	
Low Priority	PEA 1.01 – Parking enforcement service provider requirements
Observation	The City is currently developing the 2020-2023 business plans and strategic priority documents (e.g., London Downtown Parking Strategy). Parking Services should refresh the parking business plans and priorities, leveraging the City’s priorities, and further integrate these into the performance requirements for the third party parking enforcement vendor.
Implication	Not integrating parking business plans into enforcement performance requirements may lead to vendor behaviours that do not align with the City’s objectives and strategic priorities.
Recommendation	<p>To provide a clear linkage between parking business plans and vendor performance requirements, Parking Services management should perform the following activities:</p> <ol style="list-style-type: none"> 1. Review parking business plans in accordance with City priorities, and engage stakeholders to understand parking current state and future vision across people, technology and process. 2. Refresh parking enforcement business and technical requirements across front and back offices. 3. Finalize a list of prioritized vendor performance requirements inclusive of qualitative factors such as core values and workplace culture and develop a mapping to link to parking business requirements. 4. Communicate parking business priorities along with vendor performance requirements to the parking enforcement service provider. <p>In relation to observation PEA 2.01 (Vendor reporting and performance monitoring), key performance metrics and indicators should be defined in alignment with the determined priorities.</p>

<p>Management comments and action plan</p>	<p>Parking Services management have engaged with the Senior Leadership of the third party vendor and are actively working with them to develop key performance indicators which will be utilized to gauge performance.</p> <p>These indicators include response times to complaints, ticket numbers, ticket cancellation rates for errors, maintenance of minimum staffing levels and tracking of number of on duty patrol hours. Management of Parking Services has also engaged with respect to diversity of enforcement staff providing services to the City of London and notable change has already been observed in this area.</p> <p>Parking Services management and the third party vendor have worked together to develop expectations of enforcement staff, including the re-development of patrol areas ensuring more coverage outside of the downtown area and re-development of shift scheduling which will allow for 24 hour enforcement coverage. The vendor has been responsive, providing a platform known as CGL 360. This platform was developed and paid for by the vendor and allows Parking Services management to monitor compliance with minimum expectations including compliance with patrol routes (Via GPS), hours of patrol, maintenance of minimum staffing levels and response times to complaints. Parking Services management will continue to utilize the Parking Services Management Software "Command Center" to monitor ticketing trends such as total number of tickets issued by officer, and cancellation rates resulting from errors.</p> <p>This platform also allows Parking Services management to cross reference hours of service with bills to ensure accuracy of billing information. Going forward these expectations and ability to report/monitor performance will form part of the contract.</p>
<p>Responsible party and timing</p>	<p><i>Stephen Miller, Manager of Municipal Law Enforcement – Parking Services</i> <i>April 2020</i></p>
<p>Leading Practice</p>	<p>PEA 1.02 – Parking enforcement contract language, roles, and key definitions</p>
<p>Observation</p>	<p>The current parking enforcement service contract does not maintain consistent language with clear definitions for key words or terms, such as the City’s right to identify and address non-compliance, as well, the information regarding vehicles and equipment requires clearer articulation. Additionally, professional qualifications for staff to be assigned a vendor role is not defined for the purposes of invoice validation and performance expectations.</p>
<p>Implication</p>	<p>A lack of clear roles and terms increases the risk that the City receives services that do not meet their needs and expectations.</p>

Recommendation	For future contracts, Parking Services management should define vendor and City roles and key terms to enable consistent contract interpretation and improved billing transparency. Moreover, per PEA 1.03 (Parking enforcement service provider requirements) below, roles and key terms should align to the parking business and enforcement plans and requirements. Defined terms should also be supported by clearly articulated procedures and protocols as well as forms or templates, where applicable.
Leading Practice	PEA 1.03 – Parking enforcement contract rate cards and schedules
Observation	The current parking enforcement service contract notes shifts on the contract rate card in section 4.0 (Payment for Services), but these do not align with the schedule of shifts in section 3.7 (Scope of Services).
Implication	Misaligned contract rate card shifts and schedule of shifts could result in misinterpretation of billing rates or scheduling of shifts leading to dissatisfaction with third party performance and/or overbillings.
Recommendation	For future contracts, Parking Services management should ensure the determined schedule of shifts aligns with the shifts defined in the rate cards.

PEA 2.0 – Vendor performance management	
Leading Practice	PEA 2.01 – Vendor reporting and performance monitoring
Observation	<p>Parking Services manages the parking enforcement vendor relationship and monitors ongoing performance; however, these practices are not supported by a fulsome set of contractual performance metrics (i.e., key performance indicators) or a service level agreement (SLA) which has resulted in difficulties consistently measuring and trending performance.</p> <p>Additionally, the existing contract does not require performance reports to be generated and submitted by the vendor to support consistent evaluation of vendor performance against commercial terms.</p>
Implication	A lack of clearly defined performance expectations and reporting protocols increases the risk that the City receives services that do not meet commercial terms and expectations.

Recommendation	For future contracts, Parking Services management should define commercial terms and service level agreements to encourage desired performance behaviours. Commercial terms and service level agreements should be used inclusive of defined metrics and key performance indicators to appropriately measure performance. Management may consider inclusion of incentives or penalties, such as payment holds or discounts, within future vendor contracts to ensure desired performance and contract terms are met. Procedures, protocols and forms/templates should be established to ensure consistent vendor reporting and efficient performance monitoring.
Leading Practice	PEA 2.02 – Vendor performance reviews
Observation	Parking Services performs activities to evaluate the vendor’s parking enforcement performance; however, these activities are not conducted as part of a formal vendor performance review. Additionally, an action log is not maintained of agreed upon tasks nor managed to monitor vendor improvement planning and solution implementation.
Implication	Informal vendor performance evaluations could result in unidentified and unaddressed performance concerns in relation to performance expectations and commercial terms.
Recommendation	Parking Services management, when electing to review vendor performance, should engage with the City’s Purchasing and Supply Division to develop a vendor review method and approach that formally evaluates relevant performance expectations and commercial terms.

PEA 2.0 – Vendor performance management	
Leading Practice	PEA 2.03 – Performance issue escalation
Observation	Parking Services has not formalized with the third party vendor an escalation plan and protocol to deal with critical and repeat vendor performance issues.
Implication	The lack of a formal mechanism to escalate performance concerns could lead to ineffective or inefficient resolution and business disruption.
Recommendation	For future contracts, Parking Services management should develop an escalation protocol to consistently deal with unresolved critical and repeated performance issues.

PEA 3.0 – Contract risk management	
Leading Practice	PEA 3.01 – Contract risk management
Observation	Parking Services has not developed a contract risk profile as part of the contract management plan. Subsequently, contract risks are not formally logged to actively manage and assess risk as part of vendor performance.
Implication	The lack of a contract risk profile could result in unanticipated, undermanaged, and unmitigated contract risks.
Recommendation	For future contracts Parking Services management should develop a contract risk profile with potential risks identified together with probability, potential impact and contingency plans as part of an overall contract management plan.

PEA 4.0 – Contract financial management	
Leading Practice	PEA 4.01 – Contract financial management
Observation	The existing parking enforcement contract lacks clarity of terms to assist with defining and interpreting relevant chargeable or non-chargeable items. Currently, Parking Services attempts to mitigate the risk of being charged non pre-approved rates through the informal, manual reconciliation of billing data, but this process is difficult and time consuming.
Implication	There is risk that the City may be billed rates or charges that were not pre-approved.
Recommendation	<p>For future contracts, Parking Services management should pre-approve all relevant rates and charges or applicable conditions as part of the contract. Parking Services management should perform procedures to identify all relevant rates and charges such as labour by position, vehicle or equipment, training, administrative overhead, and travel. Where necessary, critical words and terms such as minimum qualifications for vendor staff positions should also be defined to enable consistent interpretation and invoicing.</p> <p>Further, Parking Services management should consider including in future vendor contract definitions on:</p> <ul style="list-style-type: none"> • Data and formatting requirements for invoices and supporting information; • Dispute resolution protocols; and, • Vendor response times to City inquiries and requests.

PEA 5.0 – Contract administration	
Leading Practice	PEA 5.01 – Contract validity management
Observation	In support of the parking enforcement service contract, Parking Services has not established criteria to assist with contract decision making such as contract renewal or scope change (i.e., change orders).
Implication	Unestablished criteria could lead to decisions that are not aligned with high priority decision factors.
Recommendation	For future parking enforcement contracts, Parking Services management should develop criteria to assist with decision-making, including contract renewal and scope change. Where necessary, Parking Services management should develop and implement forms or template to support and enable consistent performance of related procedures and capture related decisions for effective contract management.

PEA 6.0 – Contract governance	
Leading Practice	PEA 6.01 – Contract governance
Observation	Parking Services maintains contract governance controls for the existing parking enforcement vendor contract. Recognizing the leading practice opportunities from PEA 2.01 – 5.01, Parking Services will need to review its approach to governance and ensure adequate oversight across newly adopted contract management practices.
Implication	Unrevised contract governance practices could result in untimely identification of contract management concerns and lead to potential business disruption.
Recommendation	Concurrent to adopting and implementing recommended leading contract management practices, Parking Services management should perform a governance review to determine an appropriate level of oversight and revise existing governance procedures to ensure contract management procedures and controls are operating effectively.

Appendix 1: Internal Audit detailed scope

Specifically, the internal audit addressed the following areas:


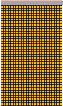


Reviewed and assessed the control framework for contracting with parking enforcement third party service providers:

- ✓ Reviewed and assessed the objective of the services the City requires from a parking enforcement third party service provider;
 - ✓ Evaluated the City's performance control plans and service provider expectations, including parking enforcement staffing coverage, measurement criteria and frequency, as well as communication frequency;
 - ✓ Analyzed available MBN Canada parking data to compare the City's enforcement cost to comparative municipalities;
 - ✓ Reviewed the parking enforcement service provider contract template and assess that the clauses and conditions meet service provider expectations;
 - ✓ Reviewed the RFP selection criteria and assess against the expectations for the service provider, such as adequate staffing coverage, reserve staffing for special or unique parking issues, and contractor reporting standards; and,
 - ✓ Compared results of assessment and evaluation to leading practice, and worked with the City to determine "fit-for-purpose" and recommend areas for improvement.
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Appendix 2: Internal Audit rating scale

Individual observation prioritization

Internal Audit has prioritized each observation and recommendation within this report using a four point rating scale. The four point rating scale is as follows:

Description	Definition
 High	Observation is high priority and should be given immediate attention due to the existence of either significant internal control risk or a potential significant operational improvement opportunity.
 Medium	Observation is a moderate priority risk or operational improvement opportunity and should be addressed in the near term.
 Low	Observation does not present a significant or medium control risk but should be addressed to either improve internal controls or process efficiency.
 Leading Practice	Consideration should be given to implementing recommendations in order to improve the maturity of the process and align with leading practices.

Appendix 3: Stakeholder involvement

In conducting this assessment, the following management and staff were interviewed to gain an understanding of the City’s parking enforcement processes and practices.

Stakeholder	Position	Division
Orest Katolyk	Chief Municipal Law Enforcement Officer	Licensing and Municipal Law Enforcement - By-Law Enforcement
Annette Drost	Manager, Municipal Law Enforcement Services – Parking and Licensing	Licensing and Municipal Law Enforcement - Parking
Stephen Miller	Parking Co-ordinator	Licensing and Municipal Law Enforcement - Parking
Murzeena Shemsedeen	Parking Co-ordinator	Licensing and Municipal Law Enforcement - Parking

Appendix 4: Audit procedures performed

As part of the Parking Enforcement Assessment, the following procedures were performed:

- ✓ Conducted a planning meeting with the Managing Director of Development and Compliance Services and Chief Building Official, the Chief Municipal Law Enforcement Officer, and the Manager of Municipal Law Enforcement Services – Parking and Licensing;
 - ✓ Updated and issued a finalized Project Charter and request for information;
 - ✓ Conducted meetings and interviews with City management and staff to obtain an understanding of the control framework for contracting with parking enforcement third party service providers;
 - ✓ Obtained documentation regarding relevant procedures and controls to perform an inspection of:
 - 2016 – 2019 Parking Business Plan,
 - Current parking enforcement contract, related materials and addenda,
 - Third party management materials and communications,
 - Parking enforcement standard operating procedures (SOP's) and guidelines,
 - Training and patrol hours and records,
 - Procurement materials including performance review procedures, and
 - Municipal Benchmarking Network (MBN) Canada 2018 report and other relevant parking enforcement data (e.g., tickets, etc.);
 - ✓ Benchmarked City parking enforcement metrics against eleven comparable Canadian municipalities;
 - ✓ Drafted preliminary observations and verified observations with management;
 - ✓ Conducted a closing meeting with key management stakeholders to validate and communicate our findings; and
 - ✓ Issued this internal audit report with our detailed observations.
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