

# Performance Audit Report

NDSU Parking and Transportation Services

Department

Report No. NP-002-16

February 23, 2017

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STATE AUDITOR

Office of the State Auditor  
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## *Transmittal Letter*

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February 23, 2017

State Board of Higher Education  
Members of the North Dakota Legislative Assembly

We are pleased to submit this performance audit. The subject matter of this audit included certain aspects of the Parking and Transportation Services department at North Dakota State University.

We conducted this audit under the authority granted within North Dakota Century Code Section 54-10-30. Included in the report are the audit scope and objectives, findings and recommendations, and management responses.

The in-charge auditor for this audit was Beverly Hirn. Craig Hashbarger, CPA, CIA, CFE was the audit manager. Inquiries or comments relating to this audit may be directed to the audit manager by calling (701) 239-7274. We wish to express our appreciation to the staff and management of North Dakota State University for the courtesy, cooperation, and assistance they provided to us during this audit.

Respectfully submitted,

A handwritten signature in cursive script that reads "Joshua C. Gallion".

Joshua C. Gallion  
State Auditor

# *Executive Summary*

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## **Introduction**

North Dakota State University (NDSU) Parking and Transportation Services is an auxiliary service responsible for operation and enforcement of parking on NDSU's campus. The purpose of our audit was to evaluate certain aspects of NDSU Parking and Transportation Services. Following is a description of the objective and an overview of the findings.

## **Objective**

- To what extent is NDSU's Parking and Transportation Services department being operated in accordance with applicable best practices?
  - The PTS governance hierarchy is current. However, certain aspects of decision-making authority, specifically those related to setting parking fees, are not transparent. (Page 5-7)
  - PTS management has not established formally documented short-term and long-term goals. (Page 7)
  - Management does not have an effective process for developing accurate operating budgets and projected future budgets of three or more years at the departmental level. (Page 8-9)
  - PTS demonstrates its commitment to customer service by requiring prior customer service experience and emphasizing customer service in written job descriptions. (Page 9)
  - PTS staff are provided an employee handbook or equivalent. (Page 9-10)
  - Certain elements of PTS position descriptions are not current and accurate. (Page 10)
  - Some of the department-specific training obtained by PTS staff is not being formally documented and monitored. (Page 10-11)
  - PTS has a process in place for regular on-site inspections as part of periodic maintenance. (Page 11-12)
  - PTS' processes related to enforcement and appeals are generally transparent and available to the public. (Page 12)
  - While safety is addressed within PTS policies and procedures, there is currently not a departmental mission statement that addresses the topics of safety and security. (Page 12-13)
  - PTS does not have a process in place for periodically reconciling revenue between the parking management software and the departmental financial statements. (Page 13-14)
  - PTS demonstrates a commitment to reducing or distributing travel demand. (Page 14-15)
  - Certain information deemed "private" by ND University System policy is stored and transmitted in an unencrypted format. (Page 15-16)
  - PTS is maintaining contracts with its significant external service providers. (Page 16)

## ***Background Information***

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North Dakota State University (NDSU) Parking and Transportation Services (PTS) is a unit of the NDSU Facilities Management department. PTS is responsible for the effective and efficient operation of parking lots on the NDSU campus. PTS operations include sale and issuance of parking permits for students, staff, faculty, and others; as well as operation of pay lots. PTS is also responsible for parking enforcement. Other functions of PTS include oversight of lot reconstruction and maintenance, lot assignments, and parking and traffic signage. Finally, PTS serves as a liaison for campus mass transit and a liaison with local government boards involving municipal parking issues.

The PTS organizational structure is as follows:



NDSU's parking policy is briefly mentioned in the institution's policies, but most aspects of parking at NDSU are defined in the Parking Regulations. NDSU Policy 705 requires "a valid parking permit...for use in campus parking facilities." It also includes some general parking provisions as relates to NDSU employees, but otherwise indicates that information regarding permits, enforcement, and general parking information can be found in the Parking Regulations. The Parking Regulations ("Regulations"), which are available on the NDSU PTS website, provide detailed information regarding permits and related fees as well as enforcement.

NDSU PTS is a member of the International Parking Institute (IPI), which is an international association of parking professionals. IPI provides resources to its members which include professional development, research, and an industry publication. IPI also administers an Accredited Parking Organization (APO) program, which IPI describes as "a designation for parking organizations that have achieved a comprehensive standard of excellence." In order to earn this accreditation, the member organization must demonstrate accomplishment of established criteria. Although NDSU PTS is not currently seeking accreditation, nor is accreditation specifically required, we determined these criteria served as an acceptable basis for objectively evaluating NDSU PTS.

# ***Objectives, Scope and Methodology***

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## ***Purpose and Authority***

This performance audit of NDSU Parking and Transportation Services has been conducted by the Office of the State Auditor pursuant to authority within North Dakota Century Code (“NDCC”) Chapter 54-10.

Performance audits are defined as engagements that provide assurance or conclusions based on an evaluation of sufficient, appropriate evidence against stated criteria, such as specific requirements, measures, or defined business practices. Performance audits provide objective analysis so management and those charged with governance and oversight can use the information to improve performance and operations, reduce costs, facilitate decision making by parties with responsibility to oversee or initiate corrective action, and contribute to public accountability. The purpose of this report is to provide analysis, findings and recommendations with respect to the audit objectives.

## ***Objective of the Audit***

The objective of our audit was to answer the following question:

- To what extent is NDSU’s Parking and Transportation Services department being operated in accordance with applicable best practices?

## ***Audit Scope***

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Given NDSU PTS’ membership with IPI, we identified the APO accreditation criteria as appropriate best practices against which to evaluate PTS. Therefore, we adapted thirteen of the 25 APO accreditation criteria in evaluating PTS and developing our findings and conclusions.

The subject matter for this objective consisted primarily of the institutional parking policies, procedures and transactions for the period July 1, 2015 through October 31, 2016.

## ***Methodologies Used***

Our objective was broken down into thirteen individual sub-questions based on the selected APO criteria.

## ***Relevant Laws, Policies, Contracts and Agreements***

While carrying out our audit objective, we considered NDSU’s policy-making process with respect to parking services. We also reviewed the contracts and agreements significant to PTS. These results are addressed later within the audit report.

# ***Audit Results***

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## ***Statement of Objective and Conclusion***

The objective of our audit was to answer the following question:

- To what extent is NDSU's Parking and Transportation Services department being operated in accordance with applicable best practices?

We identified several improvement opportunities for NDSU PTS. We also identified several areas in which PTS generally is operating in accordance with the selected criteria.

We communicated certain matters of lesser significance in a separate letter to management.

## ***Methodologies, Findings, Recommendations, and Responses***

### **Governance and policy-making process**

*Is the governance hierarchy current, and is the policy-making authority, process, record-keeping, and decision-making transparent?*

To answer the first question of whether the governance hierarchy is current, we reviewed the PTS department organizational chart, met with and inquired of management and staff, and reviewed job descriptions. Based on the results of our testing, the PTS governance hierarchy is current.

The Parking and Transportation Services department falls under the umbrella of Facilities Management. The director of Facilities Management reports to the Vice-President of Finance and Administration.

To answer the second question of whether the policy-making authority, process, record-keeping and decision-making is transparent, we reviewed NDSU policies and procedures and parking regulations, and the process for developing and updating the same. We reviewed the minutes of committee meetings and reviewed relevant committee policies. We also conducted inquiries of management and reviewed employee and management correspondence.

We determined that the most significant aspects of parking policies and procedures are specified in the Regulations. We obtained a description of the process for updating the Parking Regulations, and we specifically reviewed the process for determining parking fees. Based on the results of our testing, we determined certain aspects of decision-making authority, specifically those related to setting parking fees, are not transparent.

Changes to the Parking Regulations begin with the Transportation Manager. He develops proposed changes together with his departmental staff. He then presents proposed changes to the Associate Director of Facilities Management, the Director of Facilities Management, and the Vice President of Finance and Administration for review and approval, with corrections and revisions made at each level of review. Upon final approval, the updated Regulations are uploaded to the department's Web site.



The Parking Regulations state that the annual parking fee is “set by the NDSU President after recommendations from the Campus Space and Facilities Committee.” The Campus Space and Facilities Committee consists of student, faculty and staff representatives from throughout the institution. We reviewed the Parking Fee Policy approved by the Campus Space and Facilities Committee, and noted that this policy requires “a financial report on parking...be made to the committee annually,” and that “the committee will discuss this report and recommend future parking fees.” The financial report on parking is required to include: 1) All income and expenditures from all sources for each of the three previous years; 2) All anticipated income and expenditures from all sources for the current year; and 3) All proposed income and expenditures from all sources for the next three years.

Based on our review of Campus Space and Facilities Committee minutes and our inquiries, this committee had not reviewed a financial report on parking since February 15, 2013. Thus, there is a potential for reduced accountability in the establishment of parking fees, as well as a lack of due consideration of the appropriateness of parking fees in the context of historical and anticipated future parking operating expenses.

#### **Recommendation 1-1**

**We recommend the Campus Space and Facilities Committee meet and annually review the parking department’s financial data in accordance with its stated policy.**

#### **NDSU Response:**

Agree with recommendation but disagree with the underlying finding that the setting of the parking fee rates is not transparent. The Campus Space and Facilities Committee does meet at least annually and the setting of the parking fees is transparent. On February 15, 2013, the committee was presented a 20-year long-term plan created by the Parking office. After reviewing the long-term plan, the past, current and projected financials PTS presented three options for parking permit fees. The Campus Space and Facilities Committee agreed upon and approved parking permit rates for the next two fiscal years. Because the committee approved the rates for two years and an additional rate increase was not requested, additional financial data was not presented in the subsequent years during committee meetings. The committee met on November 16, 2016 and discussed the PTS finances, future projects and there was no recommendation to increase the permit cost. Going forward NDSU will continue to provide a financial report on an annual basis for informational reasons, even if there is no recommended permit fee increase.

#### **State Auditor’s Concluding Remarks:**

Management disagrees with our conclusion that the process for setting parking fee rates is not transparent; however, we stand by our conclusion. As we indicated in our finding, the Campus Space and Facilities Committee’s own Parking Fee Policy specifically requires “a financial report on parking...be made to the committee **annually** (emphasis added),” and that “the committee will discuss this report and recommend future parking fees.” The financial report on parking is required to include: 1) All income and expenditures from all sources for each of the three previous years; 2) All anticipated income and expenditures from all sources for the current year; and 3) All proposed income and expenditures from all sources for the next three years. In management’s response above, management stated that, based on financial information presented to the Campus Space and Facilities Committee on February 15, 2013, the committee “agreed upon and approved parking permit rates for the next two fiscal years.” Apparently because

“additional rate increases were not requested,” PTS financial information was not provided to the committee until November 2016, nearly four years from the previous meeting in which financial information was reviewed. The Campus Space and Facilities Committee’s Parking Fee Policy makes no exception to its requirement to review financial information annually based on whether management desires a fee increase. Therefore, the fact remains that the stated policy was violated and, therefore, the process for determining parking fees was not transparent.

## **Goals, objectives and timelines**

*Is there current documentation stating short-term and long-term goals and identifying measurable objectives and time-lines for achievement?*

Based on our testing, which consisted of inquiries of management, we determined that PTS management has not established formally documented short-term and long-term goals. The APO accreditation criteria state, in part, that "all [accredited] organizations possess goals and objectives that focus on desired outcomes and all organizations monitor and measure the results to demonstrate progress toward those outcomes." Without documented goals and objectives, PTS may not accomplish management’s desired outcomes for the department.

### **Recommendation 1-2**

**We recommend management of PTS develop and document short-term and long-term goals at the department level.**

### **NDSU Response:**

Agree with recommendation but disagree with the underlying finding that PTS does not have short and long-term goals. PTS already documents short-term and long-term goals. PTS currently uses the annual Responsibility Review process to specify short-term department goals specific to PTS, for each of its employees. In addition, PTS provides a 3-year parking lot improvement plan to the Campus Space and Facilities Committee. Long-term goals are covered through the 20-year Capital Budget Forecast and the NDSU Campus Master Plan, which is facilitated by NDSU Facilities Management and submitted to NDUS.

### **State Auditor’s Concluding Remarks:**

Management disagrees with our finding by identifying its Responsibility Review, as well as its 3-year parking lot improvement plan and 20-year Capital Budget Forecast and NDSU Campus Master Plan as examples of short-term and long-term goals for PTS. While these examples may provide indications of planning on the part of management, the Responsibility Reviews are employee-specific, and the Capital Budget Forecast and Campus Master Plan are focused on future capital needs. However, there currently are no formally written departmental goals and objectives with appropriate timelines which address other operational or strategic aspects of PTS.

## **Annual budget, projected future financial planning document**

*Is an annual budget and a projected future (3 or more years) financial planning document produced and maintained?*

We inquired of management regarding the process for developing departmental operating budgets. We also reviewed budget documents and minutes and compared budgeted amounts to actual operating revenues and expenditures.

Based on our testing, we determined that management does not have an effective process for developing accurate operating budgets and projected future budgets of three or more years at the departmental level. APO criteria state that accredited organizations "must demonstrate sound financial management practices in all aspects of planning, budgeting, cash and account management, and audit and reconciliation processes to accurately report the organization's financial position." Generally, developing appropriate budgets is an important management tool which improves management oversight, internal control, and aids in short-term and long-term planning.

There are multiple policies relevant to PTS' budgeting process. SBHE Policy 802.6 states, in part, that "annual budgets are approved at the institutional level." The Parking Fee Policy of the Campus Space and Facilities Committee requires a financial report to be made to the committee on an annual basis, which includes, in part, "All anticipated income and expenditures...for the current year" and "all proposed income and expenditures...for the next three years."

In accordance with SBHE Policy 802.6, NDSU prepares annual budgets at the institutional level. These budgets are prepared by NDSU's budget department and are not typically used by PTS management for projecting and evaluating the department's operating results. As previously noted in Recommendation 1-1, the Campus Space and Facilities Committee has not reviewed the required financial report since February 2013.

Management provided us with budgets used for internal purposes. Among these was an annual budget tracker which included detailed projected operating expenditures for fiscal year 2016 and fiscal year 2017. There were "actual" totals entered for comparison to the fiscal year 2016 projections; we compared selected expenditure budget line items to actual results for fiscal year 2016 and generally we were unable to agree the totals, nor was management able to provide us with information to reconcile the totals. The other budget provided to us was a 20-year projection; per our discussion with management, the budget was only prepared because it had been prepared in the past, and the budget was generally not being used for decision-making purposes.

### **Recommendation 1-3**

**We recommend management develop appropriate annual and longer-term (i.e. three years or more) operating budgets. We further recommend that the annual operating budget be periodically compared to year-to-date results to identify potential errors or other issues that need to be addressed.**

**NDSU Response:**

Agree with recommendation; agree with the finding that budget projections are not compared to actual costs; but disagree with the underlying finding that operating budgets are not developed. PTS already has an annual budget, a 3-year budget projection; and currently provides a 3-year look back on actual costs, current year projection and 3-year future forecast, upon request, to the Campus Space and Facilities Committee. PTS also has a 20-year Capital Planning Budget. Even though PTS does monitor actual costs, PTS has not formally compared the budget projections to actual results, but will begin doing this comparison effective FY 2017. Even though PTS has not compared the budget projections to actual costs, PTS has never overspent the funds under current management.

**State Auditor's Concluding Remarks:**

We concur that NDSU prepares an annual budget at the institutional level, which we identified in our finding. We do not concur that the 3-year future forecast is an "appropriate" longer-term operating budget because, as previously identified in Recommendation 1-1, this forecast was only provided to the Campus Space and Facilities Committee in February 2013, then not again for nearly four years, in violation of the committee's own policy. Also, we acknowledged within our finding the existence of the 20-year budget, but as stated in management's response, this is a "capital planning" budget and not generally being used by management at the PTS level.

**Customer service training**

*Is a customer service training program provided to, and maintained for, all staff? Is there initial training and, as appropriate, timely on-going training?*

We reviewed PTS job descriptions and manuals, performed inquiries of management and employees, and observed employee interactions with customers and others.

Based on our testing, PTS demonstrates its commitment to customer service by requiring prior customer service experience and emphasizing customer service in written job descriptions. Although PTS does not have a formalized customer service training program or offer specific documented training in customer service, management believes a tone at the top which emphasizes strong customer service, as well as hiring staff with prior customer service experience, will promote a high level of service within the department.

**Employee handbook or equivalent documents**

*Are all staff provided an employee handbook, or equivalent documents, identifying roles, tasks, responsibilities, operational policies, and procedures?*

We reviewed standard operating procedure (SOP) manuals and performed walk-throughs of selected processes described in the SOP manuals.

Based on the results of our testing, PTS staff are provided an employee handbook or equivalent documentation.

PTS employees and management are subject to the NDSU human resources manual. Specific to the PTS department, management and staff have developed detailed SOP manuals for the significant parking operations. The manuals include the significant tasks and duties performed by PTS staff, and include detailed instructions, screen shots and other pertinent information.

### **Current job descriptions, training documents filed**

*Are current job descriptions maintained for each position, and is training documentation filed for regular staff?*

To answer the question of whether current job descriptions are maintained, we obtained and inspected formal written job descriptions from management, compared job duties per descriptions to job duties noted through conducting walk-throughs and reading meeting minutes. We obtained an understanding of the process for updating and approving changes to job descriptions by inquiring of management and human resources personnel.

NDSU Policy requires performance evaluations to be “conducted at the completion of an employee’s probationary period, and at least annually thereafter.” NDSU requires written position descriptions that are current as of the time employee performance evaluations are conducted.

Based on our testing, we noted some elements of the position descriptions are not current and accurate. The Transportation Manager’s description contained tasks which were not part of the current manager’s job duties. The 9-month parking enforcement officer’s description included requirements for supervisory and other experience in excess of what is necessary to carry out that position’s responsibilities. The Parking Enforcement Specialist position description omitted two significant duties of the position and required minor corrections to two listed responsibilities. Inaccurate position descriptions can result in incomplete performance reviews, and excessive experience requirements can result in the exclusion of otherwise qualified candidates to fill certain positions.

#### **Recommendation 1-4**

**We recommend management review and update PTS’ written position descriptions and continue to update them periodically as required by NDSU policy.**

#### **NDSU Response:**

Agree. PTS realigned job duties in an effort to improve efficiencies, however failed to update some of the job descriptions at that time. As part of the 2017 Responsibility Review process, PTS reviewed and updated the position descriptions as of March 31, 2017.

To answer the training documentation portion of this question, we obtained and inspected training reports and certificates and inquired of management and others regarding the process for documenting and monitoring completed training.

We determined that some of the department-specific training obtained by PTS staff is not being formally documented and monitored. The APO accreditation criteria states, in part, that an accredited organization "must demonstrate that the organization is invested in developing qualified, confident, and well-rounded individuals who are well-trained in professional parking

knowledge to meet operational requirements, as well as human interaction and problem-solving to meet service objectives." Documentation of associated training (i.e. name of training, dates,

type, etc.) provides evidence that the organization made the investment in developing employees with those qualities and skills.

PTS employees are subject to certain mandatory training required by all NDSU employees. This mandatory training is entered and tracked through a Track Training application. Employees also undergo additional training specific to PTS, such as Microsoft Office training, industry-specific conferences and webinars. However, currently there is no specific means for tracking and monitoring employees' job-specific training.

### **Recommendation 1-5**

**We recommend PTS management develop a process for tracking and monitoring training and continuing education for departmental employees.**

#### **NDSU Response:**

Disagree. All required NDSU and NDUS mandatory training is already tracked and monitored through the Track Training application. While supplemental continuing education training is encouraged, it is not required and is subject to availability of resources. In addition, any supplemental training provided is not required to be tracked by NDSU nor NDUS. The APO accreditation criteria states an accredited parking program must provide further continuing education. However, PTS has no current goal to become an Accredited Parking Organization, and therefore this benchmark required by APO is not applicable.

#### **State Auditor's Concluding Remarks:**

Management did not directly address the substance of our finding that supplemental training is not tracked; rather, management disagreed with the APO accreditation criteria we used to measure NDSU PTS. The objective of our audit was to determine to what extent PTS is being operated in accordance with applicable best practices. We acknowledged in the *Background Information* section of our report that, even though NDSU PTS is a member of the International Parking Institute (IPI) which issues the APO designation, PTS is not seeking accreditation, nor is accreditation required by policy. However, we determined that the APO accreditation criteria would be an acceptable, objective source of sound business practices against which to evaluate NDSU PTS.

### **Onsite inspections part of facility maintenance**

*Are regular on-site inspections an integral part of facility maintenance?*

To answer this question, we obtained an understanding of the inspection process by inquiring of management and employees in the PTS and Facilities Management departments, as well as reviewing e-mail correspondence.

Based on the results of our testing, PTS has a process in place for regular on-site inspections as part of periodic maintenance, and no significant findings were noted.

Enforcement personnel notify PTS management of repair or maintenance items observed during their normal duties while patrolling parking lots.



On an annual basis, the Maintenance and Projects Coordinator within the Facilities Management department performs site inspections of all parking lots. The results of those inspections, including pictures if appropriate, are e-mailed to the PTS manager who is responsible for planning for repairs or reconstruction as deemed necessary.

## **Enforcement and appeals transparent**

*Are regulations and processes related to enforcement and appeals transparent and available to the public?*

We inquired of PTS staff and management, reviewed the PTS website and related documents, obtained, inspected and tested a sample of first and second appeals.

Based on the results of our testing, NDSU PTS' processes related to enforcement and appeals are generally transparent and available to the public.

The process for parking enforcement is defined in the NDSU Parking Regulations, which is readily accessible from the NDSU Web page. The regulations indicate the applicability of the parking regulations, enforcement process, and the nature and citation amounts for violations.

The process for appeals of citations is also defined in NDSU Parking Regulations. These regulations state that appeals may be made by submitting an online form within five days of receipt of the citation. Though not advertised, PTS will also consider appeals received by regular mail. The regulations also provide for a second appeal, if desired, with the NDSU Parking Appeals Board upon denial of the initial appeal.

## **Safety and security philosophy outlined in objectives and values**

*Is the safety and security philosophy outlined in the organization's objectives and values?*

To answer this question, we performed inquiries of management. We also toured the PTS facility and reviewed departmental policies.

Based on our testing, we determined that while safety is addressed within PTS policies and procedures, there is currently not a departmental mission statement that addresses the topics of safety and security. The APO accreditation criteria indicate, in part, that an accredited parking program "must be well-defined and empowered with a vision and mission statement or equivalent." The criteria further state that the organization should "[outline its] safety and security philosophy in organization objectives and values."

PTS has written safety procedures for enforcement personnel which address communication, weather preparedness, and physical interactions with constituents. There are also physical safeguards at the parking office to protect departmental employees.

PTS does not, however, currently have a formal written document stating the department's objectives and values. As a result of this condition, NDSU PTS may not be clearly communicating its commitment to campus safety and security (within the context of parking operations and infrastructure) to its internal or external stakeholders. Furthermore, there may be missed opportunities to align PTS' safety operations with its mission, vision and purpose.

## Recommendation 1-6

**We recommend PTS management adopt formal statements of the department's mission, objectives and values. Among other things, these documents should incorporate the department's specific objectives with respect to campus safety and security.**

### **NDSU Response:**

Partially Agree. NDSU does not require units to have a separate mission, objectives and values. PTS is a unit within the umbrella of NDSU Facilities Management, which already has a Mission Statement. However, NDSU agrees to establish a mission statement that states the purpose of PTS. Relevant job descriptions already contain information for specific objectives such as regarding the Quality Standards and Hazardous Conditions. The APO accreditation criteria states an accredited parking program must be well-defined with a vision and mission statement. However, PTS has no current goal to become an Accredited Parking Organization, and therefore this benchmark required by APO is not applicable.

### **State Auditor's Concluding Remarks:**

Management did not directly address the substance of our finding that PTS does not currently have its own formal statement of PTS' mission, objectives and values; rather, management disagreed with the APO accreditation criteria we used to measure NDSU PTS. The objective of our audit was to determine to what extent PTS is being operated in accordance with applicable best practices. We acknowledged in the *Background Information* section of our report that, even though NDSU PTS is a member of the International Parking Institute (IPI) which issues the APO designation, PTS is not seeking accreditation, nor is accreditation required by policy. However, we determined that the APO accreditation criteria would be an acceptable, objective source of sound business practices against which to evaluate NDSU PTS.

## **Effective revenue internal controls**

*Are effective revenue internal controls maintained for all facilities and services?*

To answer this question, we performed an analysis of parking revenue to identify the more significant revenue sources. For the revenue streams which represented 5% or more of total parking revenue for fiscal year 2016, we performed walkthroughs of the internal controls specifically applicable to PTS employees for each revenue cycle.

The revenue sources we identified as significant were:

- Permits purchased by students, paid through student's NDSU account balance
- Permits purchased by employees, paid through voluntary payroll deduction
- Citations billed and paid through students' or employees' NDSU account balance
- Short-term permits purchased via credit card at remote pay stations

Generally, in these areas, there is an appropriate separation of accounting duties between PTS employees, who are responsible for recording activity in the parking management software, Customer Account Services, who is responsible for charging amounts to student and/or employee accounts, and the Human Resources and Payroll office, which administers payroll deductions.



However, based on our testing, we determined that PTS does not have a process in place for periodically reconciling revenue between the T2 parking management software and the departmental Peoplesoft financial statements. As a result, there is an increased risk that, if there were errors made in recording PTS revenues, either in the Peoplesoft financial statements, or in the T2 parking management software, those errors might go undetected and uncorrected.

#### **Recommendation 1-7**

**We recommend PTS implement a process for periodic reconciliation of revenues between the department's parking management software and the department's financial statements.**

#### **NDSU Response:**

Agree. PTS currently reconciles applicable charges and revenues between the parking management software and Campus Connection, the billing software. However, the process has not included reconciling to the general ledger. PTS will further the process by comparing funds collected and tracked in Campus Connection with the corresponding general ledger accounts. Revenues that do not pass through Campus Connection will also be verified directly with the general ledger. PTS will implement this recommendation by June 30, 2017.

### **Reducing or Distributing Travel Demand**

*Does PTS demonstrate a commitment to reducing or distributing travel demand?*

Per the APO accreditation criteria, organizations should promote “transportation solutions that connect people to where they need to go, while reducing congestion, wear-and-tear on surrounding infrastructure, and environmental damage.” Examples provided within the APO criteria include supporting multiple means of transportation (e.g. public transit, walking, cycling) and controlling motor vehicle access.

We inquired of PTS management and reviewed the NDSU web site to gain an understanding of the nature of efforts to reduce or distribute travel demand. We also reviewed operating budget documents to identify departmental expenditures made to support this objective.

Based on the results of our testing, NDSU PTS demonstrates a commitment to reducing or distributing travel demand.

In addition to charging a permit fee for the privilege to park, which generally reduces parking demand, NDSU also offers a Park and Ride service, which is designed to reduce on-campus parking. Park and Ride permits are offered at a substantial discount from a standard campus parking permit; the Park and Ride permit allows the permit holder to park in designated lots near the Fargodome, which is north of the main campus. The student may then use a shuttle service from the designated lot to campus.

NDSU has an agreement with the local Metro Area Transit System (“MATBUS”), the public transit system serving the Fargo-Moorhead area. Under this agreement, any NDSU student, faculty or staff member may ride for free with a valid NDSU ID.

PTS also promotes the use of bicycles as an alternate mode of transportation. PTS provides information and links on its web site for bicycle use and parking. Furthermore, the Transportation

Manager is a voting member of the F-M MetroCOG Metropolitan Bicycle and Pedestrian Committee, which consists of representatives from various area government entities and transportation authorities who work to improve safety and accessibility for bicyclists and pedestrians.

## Protecting Sensitive Data

*Is there a policy for protecting sensitive data and retaining or destroying secure data?*

We performed inquiries of management. We reviewed applicable policies and procedures with respect to sensitive information and general document retention policies. We performed inquiries and reviewed various parking documents to identify the nature of sensitive information handled by PTS. We also reviewed contracts with third party service providers who have access to potentially sensitive data.

The North Dakota University System Procedure 1901.2.1 – Data Classification and Information Security Standard classifies information into three categories, in order from least sensitive to most sensitive: public, private, and restricted. Based on our inquiries and review of documents, the most sensitive information typically handled by PTS consists of student ID information and employee ID information, which NDUS Procedure 1901.2.1 deems “private.” With respect to either transmission over a network or storage of “private” data, the policy states that “NIST-approved encryption is strongly recommended.”

We noted that student and employee information is processed by PTS employees almost daily, and electronic student and employee information is stored in unencrypted format on a shared, but limited access, folder. Therefore, there is an increased risk that sensitive employee and student data could be accessed by unauthorized individuals.

### Recommendation 1-8

**We recommend PTS management follow North Dakota University System Procedure 1901.2.1, which “strongly recommends” NIST-approved encryption with respect to storage or transmission of data classified as “private.”**

#### **NDSU Response:**

Agree with recommendation but disagree with the underlying finding that NDSU is not following the procedure. NDSU already complies with NDUS Procedure 1901.2.1. With regard to transmission, it is the practice of NDSU’s IT department to encrypt the transmission of all public, private and restricted data unless a particular application does not support encryption. With regard to the storage of data, neither FERPA nor the NDUS procedure requires encryption for this type of information. While the procedure recommends encryption, it is not required. NDSU complies with the procedure by limiting access to this drive to those individuals who have a work-required need.

#### **State Auditor’s Concluding Remarks:**

Management’s statement that we issued a finding that “NDSU is not following the procedure” is misleading. We made no such statement. We identified in our finding that NDUS Procedure 1901.2.1 “strongly recommends” the use of encryption with respect to storage or transmission of “private” data, which management has not disputed in its

response. We stand by our finding that the storage or transmittal of data in unencrypted form increases the risk of access by unauthorized individuals.

## **Contracts Maintained with External Service Providers**

*Does PTS maintain active contracts with external service providers?*

To answer this question, we inquired of management and reviewed operating procedures to identify significant service providers. We reviewed contracts to determine whether contracts were maintained and current. No exceptions were noted.

Based on our testing, PTS is maintaining contracts with its significant external service providers.