New York City Department of Finance

Selected Aspects of Parking Violations Operations to Collect Fines and Fees

Report 2017-N-8 | December 2019
Audit Highlights

Objective
To determine whether the New York City Department of Finance (DOF) identifies and collects fines and fees that are due for parking violations. This audit covered the period from January 1, 2014 to February 4, 2019.

About the Program
DOF is responsible for collecting and processing payments for parking fines for the approximately 30 entities that can issue parking summonses within New York City. During fiscal years 2017 and 2018, DOF processed about 20 million summonses with a total value of $901 million and $994 million, respectively. DOF’s role includes generating and mailing notices of violations, collecting the amounts due, and adjudicating summonses that are disputed by the respondents. A Memorandum of Understanding (MOU) between New York City and the U.S. Department of State (DOS) sets forth the parking program and procedures regarding summonses for plates issued by DOS. DOF maintains its Summons Tracking and Accounts Receivable System (STARS) to accomplish these tasks.

Key Findings
Overall, we determined that while DOF identifies parking summonses to be processed, its collection of payments for parking fines needs to be improved.

- Many parking summonses are dismissed as defective due to errors that occurred when the summonses were issued.
- For some fines, DOF was unable to document that the required Pre-Penalty Notices, Notices of Impending Default Judgment, and/or Final Notices had been mailed to the vehicle owners.
- Receivables sent to collection agencies did not appear to be closely monitored to ensure that amounts owed had been collected.
- Until October 2018, DOF expended minimal effort to collect amounts due for summonses issued to vehicles with diplomatic plates. These amounts due include $15.6 million, based on the MOU for summonses issued before November 1, 2002.

Key Recommendations
- Ensure STARS properly accounts for all the summonses that have been written off and entered into judgment.
- Communicate with issuing agencies on ways to reduce the number of errors in summonses, such as additional training on writing summonses.
- Establish and document policies and procedures for employees to follow to collect
parking summonses in judgment.

- Monitor the contracts with outside collection agencies to ensure collections are maximized.

- Enlist the cooperation of DOS’ Office of Foreign Missions and the New York City Mayor’s Office for International Affairs for their assistance in collecting the amounts due from each country.
December 4, 2019

Jacques Jiha, Ph.D.
Commissioner
New York City Department of Finance
1 Centre Street, Room 500
New York, NY 10007

Dear Commissioner Jiha:

The Office of the State Comptroller is committed to helping State agencies, public authorities, and local government agencies manage their resources efficiently and effectively. By doing so, it provides accountability for tax dollars spent to support government operations. The Comptroller oversees the fiscal affairs of State agencies, public authorities, and local government agencies, as well as their compliance with relevant statutes and their observance of good business practices. This fiscal oversight is accomplished, in part, through our audits, which identify opportunities for improving operations. Audits can also identify strategies for reducing costs and strengthening controls that are intended to safeguard assets.

Following is a report of our audit entitled *Selected Aspects of Parking Violations Operations to Collect Fines and Fees*. The audit was performed pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution and Article 3, Section 33 of the General Municipal Law.

This audit’s results and recommendations are resources for you to use in effectively managing your operations and in meeting the expectations of taxpayers. If you have any questions about this report, please feel free to contact us.

Respectfully submitted,

*Division of State Government Accountability*
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# Glossary of Terms

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<thead>
<tr>
<th>Term</th>
<th>Description</th>
<th>Identifier</th>
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</thead>
<tbody>
<tr>
<td>ALJ</td>
<td>Administrative Law Judge</td>
<td>Key Term</td>
</tr>
<tr>
<td>CACS</td>
<td>Computer Assisted Collection System</td>
<td>System</td>
</tr>
<tr>
<td>Compliance Unit</td>
<td>DOF Collections Division’s Parking and Environmental Control Board Compliance Unit</td>
<td>Unit</td>
</tr>
<tr>
<td>DMV</td>
<td>Department of Motor Vehicles</td>
<td>Agency</td>
</tr>
<tr>
<td>DOF</td>
<td>New York City Department of Finance</td>
<td>Auditee</td>
</tr>
<tr>
<td>DOS</td>
<td>U.S. Department of State</td>
<td>Agency</td>
</tr>
<tr>
<td>External Inquiry Unit</td>
<td>DOF Collections Division’s Outside Collection Agency/External Inquiry Unit</td>
<td>Unit</td>
</tr>
<tr>
<td>MOU</td>
<td>Memorandum of Understanding between New York City and DOS</td>
<td>Key Term</td>
</tr>
<tr>
<td>NYCserv</td>
<td>New York City’s online payment services center</td>
<td>Key Term</td>
</tr>
<tr>
<td>OCA</td>
<td>Outside collection agency</td>
<td>Key Term</td>
</tr>
<tr>
<td>STARS</td>
<td>Summons Tracking and Accounts Receivable System</td>
<td>System</td>
</tr>
<tr>
<td>UN</td>
<td>United Nations</td>
<td>Organization</td>
</tr>
<tr>
<td>VTL</td>
<td>Vehicle and Traffic Law</td>
<td>Law</td>
</tr>
</tbody>
</table>
Background

The New York City Department of Finance (DOF) processes summonses issued to vehicles for parking, red light camera, and sanitation violations. In addition, DOF also collects parking fines from diplomats under a Memorandum of Understanding (MOU) between New York City and the U.S. Department of State (DOS).

For a non-diplomatic plate, when a summons is issued, vehicle owners must respond within 30 days. They can either pay the fine or challenge the summons by requesting that the matter be heard by an Administrative Law Judge (ALJ) either in person, using an Internet application, or by mail. If found guilty by an ALJ, the vehicle owner is responsible for paying all late fees in addition to the fines. Almost 3 million summonses were adjudicated between July 1, 2015 and June 30, 2017, consisting of: 673,013 in-person hearings, 1,063,396 hearings by mail, and 1,262,453 online hearings.

For vehicle owners who neither request a hearing nor pay the fine after 90 days, DOF will seek a default judgment. The default judgment remains in effect for eight years. If an unpaid summons is not entered into judgment within two years after the issue date, it is written off (eliminated from the books of account). One reason that summonses are not entered into judgment is out-of-state plates.

DOF’s Collections Division is responsible for collecting all summonses that are in judgment. The Collections Division includes the Parking and Environmental Control Board Compliance Unit (Compliance Unit) and the Outside Collection Agency/External Inquiry Unit (External Inquiry Unit).

The Compliance Unit works to collect the amounts due on parking cases with the highest probability of collection, such as summonses issued to vehicles leased from a car rental company.

DOF’s Computer Assisted Collection System (CACS) automatically assigns parking cases to in-house staff or to outside collection agencies (OCAs) using a dollar threshold of $350, with the cases with the highest probability of collection going to in-house staff. Small-dollar cases are the responsibility of the External Inquiry Unit, which assigns these cases to either its primary or secondary OCA.

Table 1 shows the distribution of fines and fees by license plate from January 1, 2014 to January 31, 2018, based on information provided by DOF.
During calendar years 2016, 2017, and 2018, DOF paid commissions of approximately $5.5 million to its primary OCA for collecting $114 million for summonses. Commissions of approximately $2.6 million were paid to its secondary OCA for collecting $36 million for the same period.

According to New York City’s Comprehensive Annual Financial Report, while the amounts due for parking violations issued increased by 10 percent and the amounts collected increased 7 percent from the fiscal years ended June 30, 2017 to June 30, 2018, the amounts written off increased by 21 percent, as shown in Table 2.

### Table 1 – Fines and Fees Due From Respondents as of January 31, 2018

<table>
<thead>
<tr>
<th>Amount Due for Plate</th>
<th>Number of Plates</th>
<th>Number of Summons Issued to These Plates</th>
<th>Total Amount Due</th>
</tr>
</thead>
<tbody>
<tr>
<td>No amount due</td>
<td>5,927,786</td>
<td>28,904,432</td>
<td>$0</td>
</tr>
<tr>
<td>$1–$349</td>
<td>1,460,548</td>
<td>8,125,023</td>
<td>194,872,583</td>
</tr>
<tr>
<td>≥ $350</td>
<td>285,144</td>
<td>7,113,974</td>
<td>276,633,555</td>
</tr>
<tr>
<td>Totals</td>
<td>7,673,478</td>
<td>44,143,429</td>
<td>$471,506,138</td>
</tr>
</tbody>
</table>

### Table 2 – Parking Violations Issued, Collected, and Written Off for Fiscal Years 2017 and 2018

<table>
<thead>
<tr>
<th>Fiscal Year Ended June 30</th>
<th>Beginning Balance*</th>
<th>Value of Summons Issued*</th>
<th>Collections*</th>
<th>Write-Offs and Other Dispositions*</th>
<th>Balance Due June 30*</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$591</td>
<td>$901</td>
<td>$658</td>
<td>$233</td>
<td>$601</td>
</tr>
<tr>
<td>2018</td>
<td>$601</td>
<td>$994</td>
<td>$703</td>
<td>$281</td>
<td>$611</td>
</tr>
<tr>
<td>Percentage Change</td>
<td>2%</td>
<td>10%</td>
<td>7%</td>
<td>21%</td>
<td>2%</td>
</tr>
</tbody>
</table>

*Dollar values reflected in millions.*
Audit Findings and Recommendations

At the beginning of fiscal year 2018, DOF had uncollected parking violation fines of $601 million. During fiscal year 2018, additional violations totaling $994 million were issued; DOF collected $703 million, and the balance due was further reduced by $281 million in write-offs, adjustments, and dispositions. We determined that while DOF identifies parking summonses to be processed, its collection of payments for parking fines needs to be improved.

Uncollectible Accounts

DOF reported adjustments of fines receivable of approximately $233 million for the fiscal year ended June 30, 2017. The majority of adjustments were due to write-offs ($91,793,261) and adjudicated summonses, where all or part of the amount due was reduced ($142,124,718).

We reviewed the source documentation for one month of fines that were deemed uncollectible, totaling $21,582,803. While DOF was able to provide support for the write-offs ($11,291,988), it could not provide support for the adjudicated summonses or other adjustments because the information had been archived or deleted and could not be retrieved or recreated.

For the 77,838 summonses that DOF provided, 40,754 (or 52 percent of the sample), valued at about $3.6 million, were never placed into judgment. DOF did not provide justification for these specific summonses, stating that summonses are generally not entered into judgment because they are “unprocessable” in its Summons Tracking and Accounts Receivable System (STARS). For example, STARS interfaces with several outside sources, including the Department of Motor Vehicles (DMV). STARS uses this interface to obtain vehicle owner information. When the fields on the summonses do not match DMV data for the vehicle, the summonses will not be further processed for penalties and collection. Additionally, 29,500 summonses issued to out-of-state license plates were also not processed by STARS, as they do not have information in the DMV database.

In addition to fines not being sent to judgment, we found some processed fines were written off before the eight-year limit. For instance, the Monthly Write-Off Report includes summonses that are five years old and returned from the collection agencies, with collections suspended. DOF did not provide a written policy that addresses these write-offs.

Outside Collection Agencies

For summonses for less than $350 that are entered into judgment, DOF enlists the services of an OCA. Each OCA is paid on commission. DOF’s
primary OCA receives the collection cases first. If the primary OCA is not successful in collecting the amount due after six months, the case may be referred to the secondary OCA. If the secondary OCA cannot collect the outstanding balance, the summons is returned to DOF’s Compliance Unit for collection.

During calendar years 2016, 2017, and 2018, DOF paid commissions of approximately $5.5 million to its primary OCA for collecting $114 million for summonses. Commissions of approximately $2.6 million were also paid to its secondary OCA for collecting $36 million for the same period. Information provided by DOF shows that the value of summonses returned from the secondary OCA as uncollectible for this period was $106.9 million. We were advised that no further action is taken on summonses returned by the secondary OCA as uncollectible.

We reviewed a sample of 114 randomly selected cases worth $160,255 that DOF stated had been sent to the OCAs. Cases are grouped by vehicle owner. We determined that:

- 11 paid the amounts owed, totaling $5,986.
- 5, including one lessee, owed $695, but the fees were no longer collectible because more than eight years had passed since the summonses had been entered into judgment.
- 27 cases totaling $35,350 were not submitted to an OCA for collection, and there was no evidence that DOF’s Compliance and External Inquiry Units took any action on their own to collect. One of the 27 respondents owed over $17,000.
- 71 cases totaling $118,224 resulted in partial collection amounts on the judgment debt or no collection. The remaining debt was about $33,000.

Moreover, in reviewing these files, we found limited evidence that DOF followed the required process for obtaining default judgments against vehicle owners. In addition to the Pre-Penalty Notice, Vehicle and Traffic Law (VTL) § 241(2) requires that a Notice of Impending Default Judgment be sent to the New York State registrant before a default judgment is entered against the registrant. A Final Notice must also be mailed to registrants who fail to respond to the Notice of Impending Default Judgment. We found no indication that the Pre-Penalty Notice, Notice of Impending Default Judgment, and Final Notice had been mailed to any of the registrants in our review.
Adjudications

Due to the lack of documents available related to adjudicated summonses in our original sample, we obtained additional data from DOF for 1,409,895 summonses issued prior to January 1, 2017 that had payment or disposition activity occurring between January 1, 2017 and January 31, 2018. For these summonses, we selected a random sample of 114 that, based on their codes, appeared to have been adjudicated. The total population of summonses for these six codes was 104,171 (approximately 7 percent of the 1,409,895). These codes included:

- Vacate Granted-Not Guilty-Real Time (2,567) (sampled 2)
- Not Guilty-Hearing-Real Time (41,375) (sampled 41)
- Vacate Granted-Guilty With Reduction-Real Time (174) (sampled 1)
- Vacate Granted-Guilty Base Fine-Real Time (2,132) (sampled 3)
- Guilty-Hearing-Real Time (57,645) (sampled 66)
- Guilty With Reduction-Hearing-Real Time (278) (sampled 1)

We checked the history of these summonses in NYCServ, New York City’s online payment services center, where the adjudicated hearing decisions reside.

Of the 114 summonses reviewed, 102 were found to be in compliance with the applicable provisions of the Administrative Law Judge Manual and VTL § 240. Of the 43 with a not guilty determination, 20 (47 percent) had been dismissed due to errors on the summonses. For example, 14 summonses issued by New York City Police Department law enforcement and traffic enforcement officers were dismissed because one or more of the required fields was incorrectly entered, resulting in the summons being invalid. Additionally, while hearing data is required to be kept for 12 years, DOF was unable to locate the supporting documentation for 9 of the 12 remaining summonses. Collections Division officials advised us they could not locate the documentation because the summonses were no longer in STARS.

Diplomat Plates

DOS registers and issues plates to vehicles operated by official representatives of foreign countries, including foreign missions, consulates, and the United Nations (UN). From April 1, 1997 through October 31, 2002, vehicles with diplomatic plates had accumulated $15.6 million in unpaid parking summonses. To address this issue, New York City and DOS entered
into a MOU governing parking violations issued to vehicles with diplomatic plates, with different provisions covering violations issued before and after November 1, 2002.

The MOU continued several practices requiring DOF to provide the head of each consulate and mission and the Office of the Undersecretary for Management in the UN Secretariat with monthly reports listing all outstanding notices of parking violations issued to vehicles associated with the consulate, the mission, or the Secretariat. The MOU also provided an opportunity to pay a reduced amount, ranging between 60 and 75 percent, of outstanding balances for summonses issued before November 1, 2002, if paid by December 31, 2002.

**Summonses Issued Before November 1, 2002**

For the period ended July 28, 2018, DOF reported that 136,482 notices of parking violations totaling $15,639,804, issued between April 1, 1997 and October 31, 2002, were still outstanding, including interest and penalties.

Throughout the audit, we asked DOF officials to explain and document any efforts they made to collect the amounts due for violations issued before November 1, 2002. DOF officials did not provide any information (verbal or written) regarding efforts to collect until we had a meeting with them in January 2019.

Although DOF officials said they cannot do much to collect the amounts due from those countries besides sending the monthly reports, they informed us that, from October to December of 2018, as a special project to pursue outstanding diplomat parking summonses debt from prior to November 1, 2002, they had contacted 27 countries and the UN. These 27 countries and the UN had a total balance due of $587,693. DOF told us that it “cold-called” missions, consulates, and the UN to pursue this outstanding parking summonses debt. Of the 27 countries and the UN, the UN provided evidence that it had actually already paid the settlement amount of $3,395. DOF advised us that the remaining 27 countries did not pay any of the outstanding debt. However, DOF did not provide any documentation to support its collection efforts in this regard.

**Summonses Issued After November 1, 2002**

We also reviewed 357 summonses in STARS issued to vehicles with diplomatic plates after November 1, 2012 to determine whether DOF collected the outstanding debt owed by diplomats.

We met with DOF officials to review their records for a judgmental sample of
25 diplomatic plates. DOF officials stated that, for plates with more than three summonses, they receive a report around the 28th of each month, which they mail to the country’s consulate or mission in New York City. However, DOF officials were unable to provide any documentation of these efforts except a sample of packages dated January 28, 2019 that they stated were sent to a consulate and a mission of two countries. Other than these letters, DOF has not made an effort to work with DOS’ Office of Foreign Missions or the New York City Mayor’s Office for International Affairs to collect the amounts due from these countries. Additionally, we noted that DOF does not have a program to collect fines from respondents with plates with fewer than three summonses. For such summonses issued from January 1, 2014 to January 31, 2018, the amount due totaled $179,229.

DOF officials stated they have significant legal limitations that prevent them from taking more severe actions. On June 13, 2019, subsequent to the issuance of our preliminary findings, DOF provided us with a list of 23 diplomatic vehicles that were towed between January 11, 2018 and May 21, 2019 (under the MOU, DOF may tow diplomatic vehicles when certain conditions are met).

Statement on Standards for Attestation Engagements

As part of our audit, we learned that DOF outsources the processing of parking fines. When an entity contracts with a third-party vendor to handle its data, organizations, as a best practice, should obtain an independent report on the service organization’s internal controls over the services (Statement on Standards for Attestation Engagements). This enables the user to assess and address the risks associated with the outsourced service. During our audit, we found that DOF contracted with four vendors that should have provided these reports. These organizations provide services as follows:

- Inputting the handwritten summonses into a computer file for uploading to STARS;
- Operating the lockboxes where the payments are sent and processing those payments, including depositing the funds into DOF bank accounts;
- Processing correspondence from respondents; and
- Processing data for online hearings.

We asked DOF to provide the reports for these vendors for our audit period. DOF stated that it does not have any reports from two of the four vendors. We
then directly contacted one of DOF’s vendors for its report. This vendor stated it did not have such a report.

DOF thus has limited assurance its vendors have adequate controls over their processing and protection of DOF’s data, much of which is confidential, and that all transactions are processed accurately.

**Recommendations**

1. Establish and document the policies and procedures addressing accounts receivable write-offs.

2. Ensure STARS properly accounts for all summonses that should be written off and summonses that should be in judgment.

3. Establish and document policies and procedures addressing the collection of parking summonses in judgment.

4. Monitor the contracts with OCAs to ensure collections are maximized.

5. Retain backup documentation in accordance with provisions of the VTL.

6. Communicate with issuing agencies the number of errors on summonses and suggest they take corrective action, such as additional training for their employees on writing summonses.

7. Ensure all fines, interest, and penalties are collected from respondents found guilty.

8. Retain documentation in support of efforts made to recoup outstanding diplomatic debt.

9. Enlist the cooperation of DOS’ Office of Foreign Missions and the New York City Mayor’s Office for International Affairs for their assistance in addressing outstanding issues related to the MOU, including collection of money due for summonses issued to vehicles with diplomatic plates prior to November 1, 2002.

10. Correct STARS to reflect only the base fines owed for summonses issued (excluding staff plates) starting November 1, 2002 to vehicles with diplomatic plates, as specified in the MOU.

11. Ensure that all vendors providing data processing services obtain service organization reports and provide these reports to DOF.
Audit Scope, Objective, and Methodology

The audit objective was to determine whether DOF identifies and collects fines and fees that are due for parking violations. This audit covered the period from January 1, 2014 to February 4, 2019.

To accomplish our objective and evaluate the related internal controls, we interviewed DOF officials and reviewed DOF’s policies and procedures to gain an understanding of the summons processing, adjudications, and collections systems. We reviewed entries and obtained data from DOF’s STARS and CACS. We requested DOF to provide a Statement on Standards for Attestation Engagements for four contracted service providers.

We reviewed write-offs for fiscal year 2017 per the Comprehensive Annual Financial Report and selected the July 2016 write-offs for review of source documentation. We reviewed a randomly selected sample of 114 debtors in judgment that had been sent to contracted collection agencies. We selected the 114 entries from the parking violations judgment docket book, which contains 453,800 entries, consisting of all parking violations issued to vehicles registered in New York City that were in judgment as of December 9, 2017. We also reviewed DOF’s policies and procedures and interviewed DOF staff in the Collections Division. We reviewed a random sample of 114 of the 104,171 summonses that had been adjudicated for six selected categories. DOF provided data of all outstanding summonses as of July 28, 2018 issued to vehicles with diplomatic plates on or after November 1, 2002. For the period of January 2014 through July 2018, this totaled 167 diplomatic plates. These 167 plates had a total of 992 summonses totaling $177,516. We stratified the population by the number of summonses issued to each vehicle and judgmentally selected a sample of 25 diplomatic plates that had a total of 338 summonses valued at $63,337. We reviewed 25 summonses, covering all the strata. Due to the higher amounts due for plates with more summonses, we reviewed a larger portion of the stratum with a higher number of summonses per plate. For the four highest strata (20 or more summonses per plate), we selected all 7 summonses. For the next stratum (10 to 19 summonses), we selected 2 of the 7. As there was only one plate with 9 summonses, we selected it. We then selected 10 percent of the remaining stratum (1 to 8 summonses), 15 out of 150, for a total of 25. (The two remaining plates owed less than $350 and were not sampled.) The results of our samples were not intended to be projected to the population.
Statutory Requirements

Authority

The audit was performed pursuant to the State Comptroller’s authority as set forth in Article V, Section 1 of the State Constitution and Article 3, Section 33 of the General Municipal Law.

We conducted our performance audit in accordance with generally accepted government auditing standards. These 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 objective. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

As is our practice, we notified DOF officials at the outset of this audit that we would be requesting a representation letter in which agency management provides assurances, to the best of their knowledge, concerning the relevance, accuracy, and competence of the evidence provided to the auditors during the course of the audit. The representation letter is intended to confirm oral representations made to the auditors and to reduce the likelihood of misunderstandings. Agency officials normally use the representation letter to affirm that, to the best of their knowledge, all relevant financial and programmatic records and related data have been provided to the auditors. They further affirm either that the agency has complied with all laws, rules, and regulations applicable to its operations that would have a significant effect on the operating practices being audited, or that any exceptions have been disclosed to the auditors. However, officials at the New York City Mayor’s Office of Operations have informed us that, as a matter of policy, mayoral agency officials will not provide representation letters in connection with our audits. As a result, we lack assurance from DOF officials that all relevant information was provided to us during the audit.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State’s accounting system; preparing the State’s financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these management functions do not affect our ability to conduct independent audits of program performance.
Reporting Requirements

We provided a draft copy of this report to DOF officials for their review and formal comment. We considered DOF’s comments in preparing this final report and have included them in their entirety, except for DOF’s internal policies, at the end of the report.

DOF officials concurred with 7 of the 11 audit recommendations and indicated certain actions would be taken to implement them. They did not agree with our conclusions about efforts to collect money due for summonses issued to diplomatic plates. Our responses to certain DOF comments are embedded within DOF’s response.

Within 180 days of the release of our final report, we request that the Commissioner of the New York City Department of Finance report to the State Comptroller, advising what steps were taken to implement the recommendations contained in this report, and if the recommendations were not implemented, the reasons why.
October 30, 2019

Carmen Maldonado
Office of the State Comptroller
Division of State Government Accountability
59 Maiden Lane – 21st Floor
New York, NY 10038

Re: Draft Audit Report on the New York City Department of Finance - Selected Aspects of Parking Violations to Collect Fines and Fees - 2017-N-8

Dear Ms. Maldonado,

The New York City Department of Finance (DOF) has reviewed the above-referenced draft report. The objective of the audit was to determine whether DOF identifies and collects fines and fees that are due for parking violations. The audit covered the period from January 1, 2014 to January 7, 2019.

The attached response details DOF’s position in regard to the auditors’ findings and recommendations. If you have any questions, you may contact Sam Mayer, Senior Director of Internal Audit, at 212-291-2536.

Sincerely,

[Signature]
Jeffrey Shear
Deputy Commissioner

cc: Jacques Jiha, Ph.D., Commissioner
    Sam Mayer, Senior Director, Internal Audit
    George Davis Jr., Deputy Director, Mayor’s Office of Operations
    Agnes Rusin, Director, Parking Operations

Attachments
DOF Response to Draft Audit Report on Selected Aspects of Parking Violations Operations to Collect Fines and Fees – 2017-N-8

Section A
DOF Response to Recommendations

1. Establish and document the policies and procedures addressing accounts receivable write-offs.

   DOF Response: DOF disagrees with this recommendation because it does have documentation of its write-off policy. Attached are two documents that serve as the write-off policy. The first document is the original Memo of Understanding, Write-Offs Comptroller’s Agreement 1979 that describes the categories of summonses that can be written off. The second attachment, Write-Offs Goldstein e-mail 1993, is an amendment to the original policy. If the State Comptroller’s Office recommends that additional information is required in our documentation, we will review that request.

   **State Comptroller’s Comment** - Although DOF provided several documents dating back to a 1979 memorandum issued by the defunct Parking Violations Bureau, those documents do not constitute a write-off policy: a deliberate system of principles to guide decisions and achieve rational outcomes. A policy is a statement of intent and is implemented as procedure or protocol. Policies are generally adopted by a governance body within an organization. In addition, the documents provided include contradictory instructions for processing summonses issued to diplomat plates. Moreover, despite the response later saying that the write-off policy had changed multiple times since 1979, none of this is reflected in the documentation provided.

   Please note that unpaid parking summonses are not treated as accounts receivables on the City’s balance sheet but DOF recognizes the importance of properly valuing the inventory of unpaid summonses. For many years, DOF has been reporting to the New York City Comptroller’s Office a reduction of the value of outstanding parking summonses more than three years old by 100% and a reduction of outstanding parking summonses under three years old by 35% to reflect only the amounts expected to be repaid. A third attachment is a copy of the page that is being published every year in the Comprehensive Annual Financial report (CAFR) that lists the criteria mentioned above.

2. Ensure STARS properly accounts for all summonses that should be written off and summonses that should be in judgment.

   DOF Response: DOF agrees with this recommendation. It relates to parking summonses that are removed from our computer system after they are no longer in effect, mostly due to the expiration of the statute of limitations for summonses that are in judgment. The STARS computer system does remove open liabilities for judgment summonses that are
about to statutorily expire. DOF will reduce the time gap between the removal of the liabilities from STARS and the actual statute expiration date.

The New York State vehicle and traffic law (VTL) states that a judgment summons can no longer be enforced more than eight years after the judgment is filed in court. For write-off purposes, DOF decided to use 8 years after the summons issuance date rather than the summons judgment entry date since the judgment entry date can vary in the system. In addition, the write-off program runs monthly. Therefore, we write off all violations whose 8-year judgment anniversary will occur in the upcoming month. DOF does not under any circumstances want to risk having a liability reflected on our system after it has statutorily expired.

DOF will work on running a STARS write off process more frequently to decrease the time between the running a batch job and the expiration of the statute of limitations. Please note that the typical time gap between liabilities being removed from the system and their actual statutory expiration rate is less than a month and the chances of our receiving payments on these tickets are extremely low nearly eight years after judgment entry. We plan to issue an implementation schedule for running the write off process more frequently, which requires significant programming, by the close of calendar 2019.

3. Establish and document policies and procedures addressing the collection of parking summonses in judgment.

DOF Response: We agree with this recommendation. Our Collections Division will update its parking summons judgment enforcement standard operating policy.

4. Monitor the contracts with OCAs to ensure collections are maximized.

DOF Response: We agree with this recommendation. Based on the State Comptroller’s findings, it is our understanding that this recommendation is based on auditors identifying parking summons debt that has been transferred from rental companies to lessees that was not assigned to our outside collection agencies. DOF agrees that we have not been routinely referring this debt to outside collection agencies. We plan to start doing so before the completion of FY20.

5. Retain backup documentation in accordance with provisions of the VTL.

DOF Response: We partially agree with this recommendation. Our review of the auditors’ findings indicates that for 89% of the sample information on adjudicated summonses was available on our STARS mainframe system. For the remaining 11%, DOF does have archived data that we can retrieve for the auditors. We are willing to share them with the State Comptroller’s Office. Also, the State Comptroller’s auditors refused assistance from DOF Adjudications in searching our backup files for the documentation. However, we will remind the
administrative law judges of the VTL requirement to maintain documentation and work to improve our filing system.

State Comptroller’s Comment - During our field work, we requested documents from archives and reviewed them. However, DOF could not locate the documents for all the sampled items, as stated in our report. This was despite repeated requests for the outstanding documents.

6. Communicate with issuing agencies the number of errors on summonses, and suggest they have to take corrective action, such as additional training for their employees on writing summonses.

DOF Response: DOF disagrees with this recommendation. DOF does communicate with issuing agencies. Several automated reports are produced by the STARS system that document erroneous ticket writing and are used to improve the quality of issuance. On a monthly basis, a detailed list of tickets found to have been issued with errors are distributed to issuing agencies, for their review and to improve the quality of their summonses. Additionally, a report that provides the fifty issuing agents that have the most erroneous tickets dismissed is generated and distributed. Both reports provide information on the specific errors made while issuing the tickets. This allows the issuing agencies to address concerns with specific issuers and target them for additional training.

In addition, we contact issuing agencies occasionally on specific cases to inform them if we see a pattern of their violations not meeting the legal requirements to establish a valid case against the vehicle owner. An issuing agency sometimes requests a training session after we have brought such an issue to its attention. At those training sessions, we leave additional training material, including the “Parking Violations Issuance Guidelines” training booklet. For example, the Sheriff’s Office is scheduled to conduct training for the NYS Office of Mental Health on 10/29/2019.

State Comptroller’s Comment - This information was not shared with the auditors during our field work and, therefore, we have no basis to assess if the described process has been implemented. However, based on the number of errors found, the process should be examined for its effectiveness.

7. Ensure all fines, interest, and penalties are collected from respondents found guilty.

DOF Response: In general, DOF agrees with this recommendation. In the past three years, we have made every effort to improve collection, including the use of data analytics to better segment the debt and improved debt treatment flow. Our latest initiative in this area is that we are procuring a third collection agency to work parking summons judgment debt if our primary collection agency and our secondary collection agency fail to collect within six months and return their assignments.
8. Retain documentation in support of efforts taken to recoup outstanding diplomatic debt.

   DOF Response: We agree with this recommendation and will document all collections efforts going forward.

9. Enlist the cooperation of the U.S. Department of State’s (DOS’s) Office of Foreign Missions and the New York City Mayor’s Office for International Affairs for their assistance in addressing outstanding issues related to the MOU, including collection of money due for summonses issued to vehicles with diplomatic plates prior to November 1, 2002.

   DOF Response: DOF disagrees with this recommendation because we have already worked with the U.S. DOS’s Office of Foreign Missions and the New York City Mayor’s Office for International Affairs. The 2002 memorandum of understanding (MOU) cited in this report, for example, is the result of our cooperation with the U.S. State Department. Prior to the MOU, there was no enforcement mechanism for collecting parking tickets incurred by vehicles with diplomatic plates, which led to a large inventory of uncollected tickets. Since the MOU went into effect, the number and amount of outstanding parking tickets incurred by diplomatic vehicles has dramatically decreased. The total amount of outstanding tickets issued after the MOU went into effect is $335,936.07. The total amount of outstanding tickets issued before the MOU went into effect is $15,453,483.36.

   Another outcome of our work with DOS and the Mayor’s Office International Affairs is a report on outstanding diplomatic parking tickets that DOF regularly distributes to those agencies so that they can assist in collection. DOF also shares a second report with those agencies of all diplomatic vehicles that have accrued three or more outstanding tickets. This second report may be used by the DOS’s Office of Foreign Mission to suspend registration, to reject registration renewals, or to reduce the number of parking spots assigned to a foreign country.

   DOF also wants to note that we have increased our own efforts in this area. Our Collections Division has reached out to foreign missions and consulates for payments. And the DOF Sheriff Office visits foreign missions and consulates after one of its vehicles is towed by the New York Police Department for committing a parking safety infraction and requests that payment is made.

**State Comptroller’s Comment** - Although DOF’s reply to our draft report stated that it works with DOS and the Mayor’s Office for International Affairs, we were not provided any documents to support these statements. When DOF officials finally met with the auditors, we were advised a special project was started in October 2018 to contact the consulates, missions, and other entities to collect the outstanding amounts. DOF provided a sample of packages dated January 28, 2019 that had been sent to a consulate and a mission of two countries; these letters were not addressed to any
specific person. DOF did not provide any evidence that it followed up with DOS regarding suspended registrations, rejected registration renewals, or reduced parking spots. DOF did not advise us during the audit that the Sheriff’s Office visits foreign missions and consulates to request payment after one of their vehicles has been towed for committing a traffic safety infraction.

10. Correct STARS to reflect only the base fines owed for summonses issued (excluding staff plates) starting November 1, 2002 to vehicles with diplomatic plates, as specified in the MOU.

   DOF Response: DOF agrees with this recommendation and has corrected this error.

11. Ensure that all vendors providing data processing services obtain service organization reports and provide these reports to DOF.

   DOF Response: DOF agrees with this recommendation. Going forward DOF’s chief information security officer’s (CISO’s) office will publish a policy requiring SOC1/SSAE18 certification from an IT vendor if they provide following services that may impact the financials of their user entities. DOF’s Office of Purchasing and Contracts will engage the vendor to produce such documents per the published policy and pass it to the CISO office for verification.

   SOC1/SSAE18 certification from vendor if they provide following services:
   - Data center provider
   - Software as a service (SaaS)
   - Any managed services especially financial services
   - Payroll processors
   - Medical Claim Processor
   - Loan serving company

Section B
Responses to Audit Findings

Page 1

“For some fines, DOF was unable to document that the required Pre-Penalty Notices, Notices of Impending Default Judgment and/or Final Notices had been mailed to the vehicle owners.”

DOF Response: DOF disagrees with this finding. Every issued violation record is either in the STARS system or, in the event of a ticket being archived, stored permanently on external media. Therefore, the key events that are stored on a summons record that provide documentation that penalty letters were generated and mailed are always accessible.
Furthermore, every letter generated by STARS is detailed on a Correspondence Detail Report, which is stored permanently on CD, and provides the summons, plate, and owner information relating to that notice. While resources may not have been available to immediately retrieve the requested information during the audit, documentation relating to the mailing of every penalty notice does exist and can be retrieved.

**State Comptroller's Comment** - While DOF states that the notices sent to respondents are stored permanently and can be retrieved, this was not the information provided to our auditors during field work. We made multiple requests and were advised that notices are not available.

**Page 1**

“Ensure STARS properly accounts for all the summonses that have been written off and entered into judgment.”

DOF Response: DOF disagrees with this finding. Every summons that meets the criteria for entry into judgment is entered into judgment. Although the judgment entry process is sometimes delayed for contested tickets due to the adjudications process, there is no evidence that tickets that should enter judgment fail to do so. Every default judgment is also accounted for on the STARS Judgment Addenda Report, which is produced for every weekly batch of new judgments.

Regarding summonses that are written off, every ticket that is written off the database is stored permanently on external media and is available to be retrieved.

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“The amounts due for parking violations issued increased by 10 percent and the amounts collected increased 7 percent from the fiscal years ended June 30, 2017 to June 30, 2018, the amounts written off increased by 21 percent, as shown in Table 2.”

DOF Response: This finding is misleading. When just considering the total amount written off in fiscal years 2017 and 2018, it appears as if there was an increase of 21%. However, the total amount of the receivable pool must be considered in order to make an accurate statement as to the change in the write-off percentage. In fiscal year 2017, $233 million dollars, or 15.6%, of the $1,492 billion in receivables were written off. In fiscal year 2018, $281 million dollars, or 17.6%, of the $1,595 billion in receivables were written off. Therefore, the change from fiscal year 2017 to fiscal year 2018 was only a two percent increase.

**State Comptroller’s Comment** - Even considering the receivable pool, which increased by $103 million from fiscal year 2017 to 2018, the amounts collected increased by only $45 million, while the amounts written off increased by $48 million.
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“We found some processed fines were written off before the eight-year limit. For instance, the Monthly Write-Off Report includes summonses that are five years old and are returned from the collection agencies, with collections suspended. DOF did not provide a written policy that addresses these write-offs.”

DOF Response: This finding is misleading. While there was an internal DOF policy that allowed for the write-off of summonses that had aged more than 5 years and that were returned from an outside collection agency as uncollectible, that policy was discontinued in March of 2016. Documentation of this change in policy was provided to the auditors. During the audit review, it was noticed that some summonses were still appearing on the Monthly Write-off Report under the ‘5-Year’ category. However, this was determined to be a reporting error, and it was confirmed that 5-year write-offs were no longer happening. The report error is in the process of being corrected.

State Comptroller’s Comment - DOF’s reference to our conclusion as “misleading” is incorrect. Our report correctly states that DOF did not have a policy that covered writing off summonses that are five years old and returned from collection agencies. Rather, it was a practice for which DOF did not provide any basis that was suspended in March 2016.

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“We found no indication that the Pre-Penalty Notice, Notice of Impending Default Judgment, and Final Notice had been mailed to any of the registrants in our review.”

DOF Response: DOF disagrees with this finding. The business rules built into the STARS system ensure that a ticket cannot enter default judgments without the proper penalty assessments and notice mailings. While it was not possible to reproduce actual letters mailed by the USPS, proof that the necessary penalty letters were generated and mailed can be found on the summons records, via the key events, and also on the STARS Correspondence Detail reports that are produced and retained for every batch of letters generated.

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“Additionally, while hearing data is required to be kept for 12 years, DOF was unable to locate the supporting documentation for 9 of the 12 remaining summonses. Collections Division officials advised us they could not locate the documentation because the summonses were no longer in STARS.”

DOF Response: This finding is misleading. Documentation and support of every action taken on a summons is available via summons key events. These key events are viewable in STARS for tickets still on the database, or by retrieving the information for tickets that have been removed
from the system (purged or written off) from the permanent external media on which they reside. While resources may not have been available to immediately retrieve the requested information for tickets removed from the database, this information is available to be retrieved and reviewed.

**State Comptroller’s Comment** - During our field work, we requested documents from archives and reviewed them. However, DOF could not locate the documents for all the sampled items, as stated in our report. This was despite repeated requests for the outstanding documents.
Contributors to Report

**Executive Team**
- Tina Kim - *Deputy Comptroller*
- Ken Shulman - *Assistant Comptroller*

**Audit Team**
- Carmen Maldonado - *Audit Director*
- Abe Fish - *Audit Manager*
- Christine Chu - *Audit Supervisor*
- Danielle Marciano - *Examiner-in-Charge*
- Jean-Renel Estime - *Senior Examiner*
- Sean Liao - *Senior Examiner*

Contact Information
(518) 474-3271
*StateGovernmentAccountability@osc.ny.gov*
Office of the New York State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

Like us on Facebook at facebook.com/nyscomptroller
Follow us on Twitter @nyscomptroller
For more audits or information, please visit: [www.osc.state.ny.us/audits/index.htm](http://www.osc.state.ny.us/audits/index.htm)