



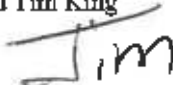
Internal Audit of MassDOT Real Estate Asset Management and Revenue Collection

MassDOT Internal Audit Report

January 8, 2020

EXECUTIVE SUMMARY

To: Betsy Taylor, Chair, Brian Shortsleeve, and Tim King
MassDOT Finance and Audit Committee

From: Jim Logan, Director of Audit Operations 

Date: January 8, 2020

RE: Internal Audit of MassDOT Real Estate Asset Management and Revenue Collection

We have completed a performance audit of MassDOT Real Estate Asset Management and Revenue Collection. The audit was conducted for the period of June 13, 2018 through March 19, 2019.

The focus of this performance audit was on internal controls covering the following:

- North End discount parking program and other similar arrangements
- Collection, deposit, and reconciliation of MassDOT property rent payments
- MassDOT and MBTA Telecommunication & Energy Services Leasing Program
- MassDOT real estate asset inventory management

The primary objectives of this audit were to:

- Evaluate the efficiency, effectiveness, and ensure that preventative and monitoring internal controls, policies, and procedures are in place for:
 - North End Haymarket Center Garage discount parking program and other similar arrangements
 - MassDOT rent collections, deposits, and reconciliations
 - MassDOT and MBTA Telecommunication & Energy Services Leasing Program
 - MassDOT real estate asset inventory

In addition, Internal Audit conducted a follow-up review of the corrective actions plans that were scheduled to be implemented by the MBTA Real Estate Management. These corrective action plans were reported on the July 11, 2016 audit report- 'Special Project: Internal Audit of MBTA Real Estate Management Service Providers.'

Our audit included interviews with personnel from the MassDOT Highway Division, Office of Real Estate and Asset Development (OREAD), MBTA, Republic Parking, and Massachusetts Realty Group (MRG), as well as testing of internal controls, policies, and procedures, to determine if robust internal controls are implemented, adequate, and are being adhered to.

Based upon the results of our audit, we noted several opportunities to improve internal controls. We identified twenty seven (27) issues, of which thirteen (13) are rated as high risk, twelve (12) are rated as medium risk, and two (2) as low risk. The improvements for some of the high risk issues are summarized below:

- Purchase and implement automated real estate asset management software, or partner with a third party vendor to provide asset management services to MassDOT.
- Hire a Leasing Manager, Finance Director, as well as additional staff for the MassDOT Office of Real Estate and Asset Development to perform the necessary real estate asset management functions.
- Establish an inventory report / database containing up-to-date MassDOT non-revenue real estate inventory. Monetize MassDOT real estate inventory that is not being used.
- Increase the hourly rate for the North End Parking Validation program to reflect twenty (20) years of inflation. Establish internal controls to ensure program oversight.

All of our audit issues have been discussed with management and corrective action plans have been identified. We would like to thank the representatives of MassDOT, MBTA, Republic Parking, Massachusetts Realty Group (MRG), The Wilder Companies, and Boylston Properties for their support and cooperation throughout our audit.

Please contact me if you have any questions or concerns at (857) 368-9777 or James.Logan@state.ma.us.

Cc: Stephanie Pollack, MassDOT Secretary and CEO
Steve Pofnak, MBTA General Manager
Scott Bosworth, Undersecretary and Chief Strategic Officer
Mark Boyle, MassDOT Real Estate and Asset Development Administrator
Jonathan Gulliver, MassDOT Highway Administrator
Marie Breen, Chief General Counsel
Matthew Bamonte, MassDOT Chief Administrative Officer
Anthony Zambuto, Special Assistant to the MassDOT Highway Administrator
Elizabeth Pellegrini, MassDOT Director of Revenue and Debt Management
Mike Thompson, MassDOT Director of Accounts Receivable
Richard Henderson, Chief Real Estate Officer, MBTA
David Lepore, Director of MBTA Real Estate
Roger Mann, Deputy Chief of MBTA Real Estate
Mike Tepper, Regional Director, Republic Parking
Joe Connolly, MBTA Director of Accounting
Charles DiMaggio, Chief Operating Officer/Counsel, Massachusetts Realty Group
Andrew Knowlton, Director of Accounting, Massachusetts Realty Group
John Markowitz, Director of Treasury Services of MBTA
Emily Pedersen, Office of Inspector General
Ashley Amado, Office of Inspector General

I. Introduction

We have completed a performance audit of MassDOT Real Estate Asset Management and Revenue Collection. The audit was conducted in accordance with Generally Accepted Government Auditing Standards (GAGAS). The focus of this performance audit was on internal controls covering (1) North End discount parking programs and other similar arrangements, (2) collection, deposit, and reconciliation of MassDOT property rent payments, (3) MassDOT and MBTA Telecommunication & Energy Services Leasing Program, (4) MassDOT real estate asset inventory management.

II. Background

Office of Real Estate and Asset Development

MassDOT Office of Real Estate and Asset Development (OREAD) supports the core transportation mission of MassDOT by generating revenues from state transportation properties and facilities.

OREAD develops and manages a portfolio of leases, licenses, and contracts with the private sector to generate revenues from real estate development, surplus property dispositions, concessions, parking, advertising, as well as from hosting infrastructure for communications, energy, and other utilities.

OREAD's mission also includes economic development and cooperation with state agencies, local governments, and communities to conserve natural resources, create open spaces, and improve relations between MassDOT and the neighbors, customers and constituents of the state's transportation network.

OREAD's FY 2018 revenue and operating expenses were approximately \$75.6 and \$3.9 million, respectively. OREAD's Operating Margin for FY 2018 was 94.8%, with profit of \$71.5 million.

Highway Division

MassDOT Highway Division designs, builds, maintains and operates the state's network of highways, bridges and tunnels. In addition, the Highway Division maintains state owned garages, parking lots, as well as rest areas.

Telecommunications and Energy Services Leasing Program

The Telecommunications and Energy Services Leasing Program, offered by MassDOT and MBTA is used by telecommunications infrastructure developers, providers, and carriers to locate facilities on Massachusetts transportation related properties.

The Telecommunications Act of 1996 is a U.S. legislation designed to bring more competition to the telephone market for both local and long distance service. This legislation is a necessary prerequisite for the development of telecommunication rates that not only reflect fair market considerations, but will not be challenged in court by companies seeking access to MassDOT Right of Way (ROW).

R.L. Banks & Associates, Inc. was hired by MBTA to develop a consistent, equitable, and revenue-maximizing methodology to assess rental rates for third party telecommunication occupants of the MBTA ROW. In 1995, a 'Utilities Rates & Charges' report was submitted by R.L. Banks & Associates to MBTA, which is currently used to establish telecommunication rental rates that are charged by the MBTA to third party telecommunication providers.

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Kingston Cole & Associates was tasked by MassDOT OREAD to develop a report and appraisal regarding the fair market value of various commercial fiber optic occupancies for right-of-way.

In 2018, MBTA hired Ernst & Young, and MassDOT hired CBRE group to assess the current telecommunication rental rates.

In fiscal year 2018, MassDOT revenue generated through the Telecommunications and Energy Services Leasing Program was \$14.8 million. MBTA revenue generated through the Telecommunications and Energy Services Leasing Program was \$8.5 million.

Rest Areas and Service Plazas

Rest Areas and service plazas are public facilities, located next to a freeway, at which drivers and passengers can rest, eat, or refuel without exiting onto secondary roads. Facilities may include gas stations, public restrooms, vending machines, and restaurants.

The difference between a rest area and a service plaza is defined by the fact that service plazas contain gas stations and / or restaurants, as opposed to rest areas, which do not.

MassDOT Highway Division is responsible for maintenance at rest areas. Third party vendors (i.e., restaurants or gas stations) are responsible for maintenance at the service plazas where they are located.

The revenue is generated by vendors located on premises such as fast food restaurants, vending machines, and gas stations. The terms and conditions of revenue sharing are defined in rental agreements with MassDOT.

Parking Garages

MassDOT owns two parking garages - Haymarket Center Garage and a garage in Springfield.

The Haymarket Center Garage is located at Haymarket Square in Boston. It was constructed twenty (20) years ago and provides easy access to interstate 93 and other major routes.

The Big Dig relocated the old elevated Interstate 93 underground. As a result, some of the existing parking spots between the North End neighborhood and downtown Boston had to be removed. North End residents affected by the parking spot removal were offered discounted parking at the Haymarket Center Garage.

Net revenue generated through Haymarket Center Garage operations for FY2018 was \$2.0 million (after credit card fees and Republic Parking management fees). MassDOT receives 97.5% of net revenue, and MBTA receives 2.5%.

Resident Discount Parking Program

Selected North End residents are provided 24/7 access to a spot at the Haymarket Center Garage, at a discounted rate of \$150 dollars per month. Sixty (60) parking spots are offered at this rate. North End business owners do not qualify for this discounted parking rate. Haymarket Center Garage does not offer a monthly rate to visitors not participating in the discount garage program. The regular price for 24/7 garage access is \$33 dollars per day. This program is managed by MassDOT.

MassDOT internal investigation of Haymarket Center Garage parking was conducted in 2018. During the investigation, an existing list of sixty four (64) people with discounted parking was obtained, and cross referenced to public records and North End addresses. The investigation concluded that 40% of people who were receiving the discounted parking were either not eligible to receive the discount, or their eligibility was questionable.

Parking Validation Discount Program

Businesses located in the North End and in immediate vicinity are allowed to participate in the Parking Validation Discount Program. As program participants, businesses are provided stamps by MassDOT, which they can use to validate Haymarket Center Garage visitor parking tickets. The discount parking rates at the Haymarket Center Garage through this program are as follows: \$1 dollar (total) for up to two (2) hours of parking, and \$3 dollars (total) between two (2) and three (3) hours. If a visitor stays for longer than three (3) hours, validation is voided and regular parking rates apply.

Residential Overnight Parking Program

North End Residents are allowed to park at the Haymarket Center Garage for \$125 dollars between the hours of 9:00pm and 8:00am the following morning, depending on availability, and on a first-come, first-served basis. In order to obtain a resident overnight pass, visitors must demonstrate North End residency, and possess a valid North End Resident parking sticker.

III. Scope and Objectives

Our audit includes appropriate, sufficient evidence collected through on-site inspections, inquiries and testing. Audit meetings were conducted with MassDOT, MBTA, Republic Parking, Massachusetts Realty Group (MRG), The Wilder Companies, and Boylston Properties management personnel. Our performance audit covered the period of June 13, 2018 through March 19, 2019.

The primary objectives of this audit were to:

- Evaluate the efficiency and effectiveness and ensure that preventative and monitoring internal controls, policies, and procedures are in place for:
 - North End Haymarket Center Garage discount parking program and other similar arrangements
 - MassDOT rent collections and deposits, and reconciliations
 - MassDOT and MBTA Telecommunication & Energy Services Leasing Program
 - MassDOT real estate asset inventory

Risk Rating Scale

Risk Rating	Action to be Taken	Issues
H (High)	Close supervisory attention is required.	13
M (Medium)	The audited area requires increased attention.	12
L (Low)	Issues can be corrected within the normal course of business.	2



Issue	Risk	Recommendation	Management Action Plan
1. MassDOT Real Estate Asset Management			
<p>1.1 MassDOT Office of Real Estate and Asset Development (OREAD) is responsible for managing one hundred eighty eight (188) revenue generating real estate lease agreements.</p> <p>OREAD FY 2018 revenue and operating expenses were approximately \$75.6 and \$3.9 million, respectively.</p> <p>The current real estate asset management process is not automated and is heavily dependent on MS Excel usage. This process is manual, decentralized and inefficient, as information is not easily available for OREAD to track and reconcile.</p> <p>MassDOT does not have an asset management software system which could store, bill, monitor and record payments related to lease agreements.</p> <p>For the past two (2) years, a request for proposal (RFP) for the software asset management system has been submitted by OREAD, however, the funding has been denied by MassDOT IT Steering Committee.</p> <p>The purchase price and annual maintenance cost for a real estate asset management software is approximately \$100,000 and \$50,000, respectively.</p>	H	<p>1.1.1 Purchase and implement real estate asset management software.</p> <p>1.1.2 Partner with a third party vendor to provide asset management services to MassDOT.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>Work with the CFO and CIO on a plan to get approved funding for an integrated real software system which can store, bill and monitor and record payments related to their leases. OREAD will work with CIO to identify why this request has scored low and address to improve its score.</p> <p>MassDOT IT has engaged Guidehouse to assist OREAD with the implementation of a real estate asset management software solution.</p> <p>Recommendation 1.1.2 is not necessary with a leasing manager (see management action plan for Issue 4.1) and implementation of the leasing software.</p> <p>Implementation Date:</p> <p>Completed December 2019 vendor on-board to assist OREAD with procurement.</p>



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Issue	Risk	Recommendation	Management Action Plan
1. MassDOT Real Estate Asset Management (Continued)			
<p>1.2 Written Standard Operating Procedures (SOPs) exist for rent remittance and reconciliation processes, however, the SOPs need to be significantly enhanced to strengthen controls.</p>	<p>M</p>	<p>1.2 Update Standard Operating Procedures (SOPs) for rent remittance and reconciliation of lease, sale, and license revenue.</p>	<p>Responsible Parties: Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action: The On-Boarding of a Finance Director for OREAD was completed in November 2019. The Finance Director, Leasing Team and legal will work together to create, update, and officiate SOP's.</p> <p>Implementation Date: Completed 12/2019</p>

Prepared by MassDOT Internal Audit



Issue	Risk	Recommendation	Management Action Plan
2. MBTA Non-Revenue Real Estate			
<p>2.1 The MBTA LandTracker is an interface with the MBTA property database, maintained by the Massachusetts Realty Group (MRG).</p> <p>LandTracker provides users with research tools for finding MBTA property information. This Geographic Information System contains data on all parcels of MBTA-owned property, including address, use, size and title information. Additionally, the system contains maps and plans associated with each site.</p> <p>A report can be generated in LandTracker to display all the MBTA owned non-revenue (property that is not generating revenue) real estate. However, it's not possible to determine from the report whether a property can be rented out or sold (as there may be legal restrictions, or the property may not be suitable for development).</p> <p>(Continued)</p>	<p>M</p>	<p>2.1 Create a report that contains MBTA owned non-revenue properties that can be leased out or sold.</p> <p>Consider creating and populating an additional data field for each property in LandTracker, which would indicate lease or sale potential.</p>	<p>Responsible Parties:</p> <p>Roger Mann, Sr. Director of MBTA Real Estate</p> <p>Action:</p> <p>MBTA Real Estate performs a canvass with all necessary departments on property to establish if land can be determined as surplus and eligible for disposition or leasing. MBTA Real Estate and its consultant, MRG have already begun a portfolio-wide review of assets to catalogue key features of each asset, including but not limited to market value of land and buildings, future development/income potential, suitability for surplus from an operational needs perspective, etc. Each asset receives a score and assets are ranked to allow for strategic planning that can identify candidate assets for disposition (monetization).</p> <p>Implementation Date:</p> <p>Ongoing</p>

Issue	Risk	Recommendation	Management Action Plan
2. MBTA Non-Revenue Real Estate (Continued)			
<p>2.1 In order determine if a property can be leased or sold, further research is done in LandTracker, such as aerial image analysis, and applicable document review.</p> <p>This review is conducted by MRG personnel at the time of inquiry by real estate developers (in regards to whether a certain property is available, or if there are properties available that meet a certain criteria).</p> <p>Furthermore, MRG conducts periodic reviews (approximately quarterly) to determine which MBTA owned real estate can be leased out or sold.</p>			

Issue	Risk	Recommendation	Management Action Plan
3. MassDOT Non-Revenue Real Estate			
<p>3.1 MassDOT owns various real estate parcels that are not generating revenue, which in most cases are due to operational needs. Some of this inventory has the potential of being monetized by being leased out or sold.</p> <p>LandTracker is an online real estate database mainly used by the MBTA. However, the database contains a rough estimate of MassDOT owned non-revenue real estate property.</p> <p>LandTracker MassDOT database is not being actively managed / modified to contain accurate real estate information.</p> <p>Furthermore, MassDOT is unable to generate a report containing only non-revenue real estate inventory.</p>	<p>H</p>	<p>3.1.1 Use LandTracker to store all up-to-date MassDOT real estate property information.</p> <p>3.1.2 Establish a report containing up-to-date MassDOT non-revenue inventory.</p> <p>3.1.3 Monetize real estate inventory that is not being used.</p>	<p>Responsible Parties:</p> <p>Mark Boyle, MassDOT Real Estate and Asset Development Administrator</p> <p>Action:</p> <p>MassDOT canvasses various departments when parcels have been identified as a potential lease or for disposition.</p> <p>MassDOT has requested a proposal from Massachusetts Realty Group(MRG) for a scope of services and budget to perform these additional services. This is expected in 30 days. Subsequently OREAD will seek funding to engage MRG for these services. This is to be included FY 20 – 21.</p> <p>Implementation Date:</p> <p>12/19. OREAD has received the MRG proposal and work plan. OREAD is considering and will make a decision by end of the year.</p>



Issue	Risk	Recommendation	Management Action Plan
3. MassDOT Non-Revenue Real Estate (Continued)			
<p>3.2 Most non-revenue property is considered operational property.</p> <p>Real estate developers solicit MassDOT for property information if there is interest in a particular MassDOT owned property.</p> <p>If the non-revenue property is declared surplus, the property is advertised through an Request for Proposal (RFP).</p> <p>MassDOT does not advertise some non-revenue real estate properties as being available for lease or sale.</p> <p>Advertising real estate as being available for lease or for sale can significantly improve the likelihood of generating interest from real estate developers.</p>	M	<p>3.2 Advertise all non-revenue real estate properties for lease or sale that is declared surplus.</p>	<p>Responsible Parties:</p> <p>Mark Boyle, MassDOT Real Estate and Asset Development Administrator</p> <p>Action:</p> <p>OREAD staff continues to search for non operational, and potential surplus real estate. When property is declared surplus and available for proposals, MassDOT advertises non-revenue property.</p> <p>Implementation Date:</p> <p>Ongoing since 2019</p>

Issue	Risk	Recommendation	Management Action Plan
4. No Leasing Manager at MassDOT			
<p>4.1 MassDOT Office of Real Estate and Asset Development (OREAD) does not employ a leasing manager. A leasing manager directs daily activities of real estate leasing operations. These tasks are currently shared between OREAD staff, and may take time away from their regular daily responsibilities.</p> <p>Internal Audit became aware that a Leasing Manager position existed four (4) years ago, and that this position has not been replaced.</p>	H	<p>4.1 Hire a Leasing Manager to direct daily, weekly, monthly, and yearly activities of OREAD leasing operations.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>OREAD is working with Human Resources on a strategic hiring plan to support this function. The goal is to hire additional staff that would facilitate addition expertise and internal controls by way of segregation of duties. The Leasing Manager position was posted on 4/29/19.</p> <p>Implementation Date:</p> <p>OREAD is engaged with HR on a hiring plan. A position will be re-posted in Q-1 2020</p>



Issue	Risk	Recommendation	Management Action Plan
<p>5. Vacant Finance Director position at the Office of Real Estate and Asset Development (OREAD)</p>			
<p>5.1 The Director of Finance at OREAD is responsible for the organization, development and implementation of plans, budgets, systems, financial management, financial projections and activities required to support the use and disposition of real property assets of MassDOT.</p> <p>As of 01/16/2019, the Finance Director Position at OREAD is vacant.</p>	<p>H</p>	<p>5.1 Hire a Finance Director to perform the necessary work functions at the Office of Real Estate and Development.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>OREAD is working with Human Resources on a strategic hiring plan to support this function. The goal is to hire additional staff that would facilitate addition expertise and internal controls by way of segregation of duties. The Finance Director position was posted on 4/29/19.</p> <p>In the process of managing day to day financial management functions an internal candidate surfaced. While the posting generated qualified candidates it was determined the internal candidate was most qualified. This individual is currently assisting OREAD and was on-boarded permanently by 11/25/19.</p> <p>Implementation Date:</p> <p>Completed 11/19</p>

Issue	Risk	Recommendation	Management Action Plan
<h2>6. Retail Space at the State Transportation Building</h2>			
<p>6.1 MassDOT leases retail space on the first and second floor of the State Transportation Building (10 Park Plaza) to Theatre District LLC (TDLLC). TDLLC subleases this space to other tenants.</p> <p>TDLLC pays MassDOT base rent for the retail space, whether the space is subleased to other tenants or not. For the retail space that is subleased, in addition to base rent, MassDOT receives the greater of the following:</p> <ul style="list-style-type: none"> a) 10% of Gross Cash Receipts b) 50% of Net Premises Cash Flow <p>TDLLC pays MassDOT rent on a quarterly basis. The amount paid is an estimate for the quarter. At quarter end, the amount is adjusted accordingly.</p> <p>The rent remittance to MassDOT is a sum of all leased space. MassDOT does not receive a breakdown (per each rental space) of the total quarterly amount.</p>	<p>M</p>	<p>6.1 Request TDLLC to provide a breakdown (per each rental space) of quarterly rent remittance to MassDOT.</p> <p>A detailed breakdown of rent revenue can be used as additional control for rent remittance reconciliation, as well as be used to conduct trend analysis and adjust rent fees based on market demand.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>OREAD requested rent breakdown per each rental space with the Independent Auditor’s Report that was submitted to MassDOT. OREAD will continue to receive rent break down report going forward</p> <p>OREAD coordinates closely with TDLLC and the parties are actively engaged in developing plans for the use of the atrium space.</p> <p>Implementation Date:</p> <p>Completed 06/2019</p>

Issue	Risk	Recommendation	Management Action Plan
6. Retail Space at the State Transportation Building (Continued)			
<p>6.2 When a space at the State Transportation Building becomes available for rent, TDLLC does not set / advertise a fixed price for the space. Instead, TDLLC negotiates lease terms with perspective tenants based on individual needs.</p> <p>The corner lot (Charles St & Stuart St) at the State Transportation Building has been vacant since July 2013. As a result, revenue from Gross Cash Receipts and the Net Premises Cash Flow for that space has not been collected since it became vacant.</p>	M	<p>6.2 Work with TDLLC to amend lease terms / incentives offered to prospective tenants, to ensure the State Transportation Building corner retail space is rented.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>Work with TDLLC on developing a strategy to identify best use of current vacant space, and advertising vacant space. Demand for the space has changed based local real estate changes.</p> <p>OREAD coordinates closely with TDLLC and the parties are actively engaged in developing plans for the use of the atrium space.</p> <p>Implementation Date:</p> <p>Ongoing</p>



Issue	Risk	Recommendation	Management Action Plan
7. MassDOT Real Estate Lease Agreement Review Backlog			
<p>7.1 Office of Real Estate and Asset Development (OREAD) is in the process of reviewing real estate lease agreement terms for all MassDOT tenants. This is being done to ensure contractually obligated rent is paid.</p> <p>This review process is time consuming due to large MassDOT real estate inventory, as well as shortage of staff.</p>	H	<p>7.1 Continue reviewing MassDOT real estate lease agreements.</p> <p>7.2 Assign and/or hire additional OREAD personnel to assist in reviewing real estate lease agreements.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>OREAD is working with Human Resources on a strategic hiring plan to support this function. The goal is to hire additional staff that would facilitate addition expertise and internal controls by way of segregation of duties.</p> <p>Implementation Date:</p> <p>Spring 2020</p>

Issue	Risk	Recommendation	Management Action Plan
8. MassDOT Late Fees and Interest on Outstanding Rent			
<p>8.1 A majority of OREAD lease agreements contain provisions regarding late payment charges. However, MassDOT does not track and collect late fees, as well as accrued interest on outstanding rent. The Massachusetts Management Accounting & Reporting System (MMARS) does not have these capabilities.</p> <p>OREAD management does not believe the current rent collection process can support the tracking and collection of accrued interest and late fees on late rent payments. This is due to the lack of an asset management software system at MassDOT, and well as low staffing levels at OREAD.</p>	H	<p>8.1 Track and collect late fees, as well as accrued interest on outstanding rent payments through the following methods:</p> <ol style="list-style-type: none"> 1) Purchase and implement real estate asset management software. 2) Hire additional personnel to manually perform these functions. 3) Partner with a third party service provider to provide asset management services to MassDOT. 	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Elizabeth Pellegrini, MassDOT Director of Revenue and Debt Management</p> <p>Action:</p> <p>The Fiscal Department Collects rent payments made to MassDOT. As stated in the report, the MMARS system does not have the capabilities to track and collect late fees nor accrued interest on outstanding rent. Hiring personnel to manually perform these functions is not a practicable solution to the issue. The purchase of a real estate asset management software system that contains the functionality of tracking late and interest fees is the best solution to this issue.</p> <p>(Continued)</p>

Issue	Risk	Recommendation	Management Action Plan
8. MassDOT Late Fees and Interest on Outstanding Rent (Continued)			
			<p>Work with the CFO and CIO on a plan to get approved funding for an integrated real software system which can store, bill and monitor and record payments related to their leases. OREAD will work with CIO to identify why this request has scored low and address to improve its score.</p> <p>MassDOT IT has engaged Guidehouse to assist OREAD with the implementation of a real estate asset management software solution. (EP)</p> <p>We concur with Elizabeth Pellegrini’s Management Action Plan. (SB)</p> <p>Implementation Date:</p> <p>Completed December 2019 vendor on-board to assist OREAD with procurement.</p>



Issue	Risk	Recommendation	Management Action Plan
9. Late / Inaccurate Rent Payments to MassDOT			
<p>9.1 Internal Audit reviewed MassDOT’s rent billing and collection process for FY2018. A sample size of fifteen (15) tenants was selected. The following were the issues identified:</p> <ul style="list-style-type: none"> 1) One (1) tenant has been making partial payments in FY18. The Account Receivable Department billed the tenant for the difference, however, that amount has not been paid. 2) Seven (7) tenants submitted late payments (by up to twenty three (23) days past the due date.) 3) Five (5) tenants were billed lower than the rent per the lease agreement. 	<p>H</p>	<p>9.1 Enforce interest accrued on late rent payments and applicable rent late fees.</p> <p>9.2 Review payment calculations for each tenant to ensure accuracy of invoice amounts.</p> <p>9.3 Follow up with tenants that have an outstanding balance to ensure rent is paid in full.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Elizabeth Pellegrini, MassDOT Director of Revenue and Debt Management</p> <p>Michael Thompson, MassDOT Director of Accounts Receivable</p> <p>Action:</p> <p>The purchase of a real estate asset management software system that contains the functionality of tracking late and interest fees is the best solution for enforcing late fees and ensuring the accuracy of amounts to be invoiced.</p> <p>(Continued)</p>



Issue	Risk	Recommendation	Management Action Plan
9. Late / Inaccurate Rent Payments to MassDOT (Continued)			
			<p>Tenants receive a total of four (4) Invoice notices every 30 days if a balance due remains. If the invoice is unpaid after 120 days, the tenant is marked "intercept" by the State Comptroller's office. A intercept is made by the State Comptroller when a tenant is received a payment from another state agency. The payment is intercepted to paid the outstanding receivable due to MassDOT. Fiscal will work with OREAD to determine the best action plan to collect outstanding amounts due to MassDOT.</p> <p>Work with the CFO and CIO on a plan to get approved funding for an integrated real software system which can store, bill and monitor and record payments related to their leases. OREAD will work with CIO to identify why this request has scored low and address to improve its score.</p> <p>MassDOT IT has engaged Guidehouse to assist OREAD with the implementation of a real estate asset management software solution. (EP)</p> <p>Five (5) tenants were billed lower than the rent per the lease agreement because when the escalations from OREAD were not received in time to make the increase on the appropriate invoice. Accounts Receivable did however amend the invoice to reflect the balance due if an invoice was underpaid.</p> <p>Going forward we will need to work more closely with OREAD to ensure that Accounts Receivable receives the escalations in a timely manner. (MT)</p> <p>(Continued)</p>



Issue	Risk	Recommendation	Management Action Plan
9. Late / Inaccurate Rent Payments to MassDOT (Continued)			
			<p>We concur with Elizabeth Pellegrini’s Management Action Plan regarding her comment about the purchase of a real estate asset management software system . (SB)</p> <p>Implementation Dates:</p> <p>N/A (SB) Completed December 2019 vendor on-board to assist OREAD with procurement. (EP) Ongoing (MT)</p>

Issue	Risk	Recommendation	Management Action Plan
10. Missing MassDOT Lease Agreement			
<p>10.1 Internal Audit reviewed thirty nine (39) MassDOT lease agreements to ensure the annual rent per lease agreement was collected for FY2018.</p> <p>This information was not verified for one of the lease agreements sampled, as it was not on file with OREAD and could not be located.</p> <p>OREAD informed Internal Audit that this particular lease agreement is currently being renegotiated with the tenant.</p>	<p>M</p>	<p>10.1 Ensure all MassDOT lease agreements are stored in a designated location for easy access.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>OREAD is actively storing up-to-date MassDOT lease agreements on the network drives, and will continue doing so. If and when OREAD receives funding for the real estate asset management software, and once the software is implemented, all lease agreements will be stored there.</p> <p>Implementation Date:</p> <p>Ongoing</p>

Issue	Risk	Recommendation	Management Action Plan
11. OREAD Market Research and Lease Agreement Renegotiation			
<p>11.1 OREAD identified twenty (20) lease agreements that need to be renegotiated due to low rent revenue compared to current market rates.</p> <p>In order to effectively renegotiate a lease agreement, market analysis has to be performed to determine the current market lease rate that should be charged to the tenant. OREAD is short staffed, and does not have the manpower to perform market research.</p> <p>The following is an example of MassDOT rent revenue increase that resulted from market research analysis and contract renegotiation.</p> <p>Star Market, located in Newton Massachusetts, was under an annual lease agreement with MassDOT for \$12,000, signed in 1963. After market research was performed, and lease agreement was renegotiated, the annual rent payment was raised to \$400,000, and a one-time payment of \$1,067,000 was made to MassDOT.</p> <p>The cost of hiring additional employees to perform market analysis will be negated by savings resulting from rent agreement renegotiations.</p>	<p>H</p>	<p>11.1 Hire additional staff or an third party vendor to perform market analysis for old real estate lease agreements.</p> <p>11.2 Renegotiate old real estate lease agreements to conform to current market rates.</p>	<p>Responsible Parties:</p> <p>Scott Bosworth, MassDOT Undersecretary and Chief Strategic Officer</p> <p>Action:</p> <p>This issue & recommendation is not up-to-date. As of last year, OREAD hired Appraisers to perform market research. The legislation was changed, where the financial threshold increased to \$50,000 from \$5,000. This allows OREAD to dedicate more staff to renegotiating lease agreements at the renewal period, up to current market rates, when appropriate.</p> <p>Implementation Date:</p> <p>Ongoing since 2019</p>

Internal Audit of MassDOT Real Estate Asset Management and Revenue Collection

Internal Audit Report

January 8, 2020

Issue	Risk	Recommendation	Management Action Plan
12. MassDOT and MBTA Conduits			
<p>12.1 A conduit is a cement or a PVC tube, located underground, that contains electrical wiring and fiber strands.</p> <p>MassDOT owns conduits, some of which are leased to third party telecommunication vendors.</p> <p>MBTA owns conduits, however, none are leased out (third party telecommunication providers install their own conduits).</p> <p>MassDOT does not have a conduit inventory list.</p> <p>MBTA has a conduit inventory list, however, only for the conduits that are owned and used by third party telecommunication providers. There is no inventory list for MBTA owned conduits.</p> <p>Establishing inventory controls is essential for asset assessment, cost management, as well as providing accurate financial reporting.</p>	<p>H</p>	<p>12.1 Establish inventory and associated controls for all MassDOT conduits, as well as for MBTA owned conduits.</p>	<p>Responsible Parties:</p> <p>Martin Polera, MassDOT Real Estate and Asset Development Business Manager</p> <p>David Lepore, Deputy Chief of MBTA Real Estate</p> <p>Action:</p> <p>MBTA Real Estate via our Real Estate consultant MRG, does keep track of agreements with non-MBTA entities to use our property to run conduits with telecomm. and power lines. The MBTA receives revenue from the conduit users. We currently track the information by location and agreement.</p> <p>MBTA Real Estate does not track conduits that have been put in place by MBTA, for which there would be no real estate agreements, and no revenue.</p> <p>(Continued)</p>

Prepared by MassDOT Internal Audit



Issue	Risk	Recommendation	Management Action Plan
12. MassDOT and MBTA Conduits (Continued)			
			<p>We could explore the potential of collecting information on conduits in a different way, and the cost-benefit analysis of auditing conduits already in place, both third-party and MBTA, to determine if there would be value in engaging in review of the portfolio. It would likely entail more than document review, but site visits and investigation which would require a qualified engineer/telecomm. professional. (DL)</p> <p>MassDOT OREAD will work with Highway Divisions and will select a pre-approved state vendor to conduct the sample survey as noted in 12.2 and adjust our base network inventory accordingly.</p> <p>Real Estate will be working with the Highway Division to identify the following which has not happened to date: 1) a cost benefit analysis of the effort and if feasible, 2) procuring a vendor to handle the work. (MP)</p> <p>MassDOT and MBTA will explore how best to coordinate jointly if possible.</p> <p>Implementation Dates:</p> <p>Ongoing (DL) "Initiative" to begin in June 2020 (MP)</p>



Issue	Risk	Recommendation	Management Action Plan
12. MassDOT and MBTA Conduits (Continued)			
<p>12.2 MassDOT and MBTA do not conduct physical conduit inspections to ensure third party vendors are in compliance with existing rent agreements in regards to conduit usage.</p>	<p>M</p>	<p>12.2 Conduct random periodic inspections of leased conduits to ensure compliance with lease agreements.</p>	<p>Responsible Parties:</p> <p>Martin Polera, MassDOT Real Estate and Asset Development Business Manager</p> <p>David Lepore, Deputy Chief of MBTA Real Estate</p> <p>Action:</p> <p>MBTA, in coordination with MassDOT is committed to exploring possible opportunities to monetize existing MBTA-installed underground conduits.</p> <p>If a cost-benefit analysis indicates a potential added revenue that would exceed the cost of obtaining it, then MBTA would move forward with a full inventory of underground conduits and their contents.</p> <p>The proposed SOW will require MassDOT/MBTA to retain an engineering firm to physically address this issue in the field and conduct a survey that may result the identification of underutilized, underground assets. This step will be based on a viable cost/benefit analysis and the consent of the Highway Division. We are in discussions currently to address both, then move forward with an initial sample survey. Much of the field work will be weather dependent.</p> <p>(Continued)</p>



Issue	Risk	Recommendation	Management Action Plan
12. MassDOT and MBTA Conduits (Continued)			
			<p>The goal of the cost-benefit analysis would be to understand the cost of performing an underground conduit inventory, weighed against a possibility of unrealized revenue opportunity.</p> <p>OREAD and MBTA will solicit pricing for an exploratory audit to assist in developing a cost/benefit analysis to determine what conduit inspections could potentially cost. MassDOT and MBTA will work with third parties to self-certify to ensure they are in compliance with the lease.</p> <p>Implementation Date: October 2019</p>



Issue	Risk	Recommendation	Management Action Plan
13. MassDOT Invoice Number Reference			
<p>13.1 The MassDOT Accounts Receivable Department generates individually numbered real estate invoices, which are sent to most MassDOT tenants.</p> <p>Multiple MassDOT tenants (that receive invoices) do not reference the invoice number when submitting payment.</p> <p>Referencing an invoice number when submitting payment facilitates the efficiency and effectiveness of MassDOT rent payment collection and reconciliation process.</p>	L	<p>13.1 Implement a requirement for tenants to reference invoice numbers when submitting payment.</p>	<p>Responsible Parties:</p> <p>Elizabeth Pellegrini, MassDOT Director of Revenue and Debt Management</p> <p>Action:</p> <p>The MMARS invoice that is currently generated already requests the recipient to “Please write invoice number on front of check or Money Order.” In addition the invoice also requests the recipient to “Please detach the above stub and return with your remittance” which denotes the invoice number. This recommendation cannot be enforced and therefore cannot be implemented by MassDOT.</p> <p>Fiscal Department will make every effort to remind tenants to reference the invoice numbers on their payment. However in some cases vendor/tenants checks just don’t have the room to reference our invoice numbers because it is 20 characters. Recommend deleting this issue from the report.</p> <p>Implementation Date:</p> <p>Ongoing</p>



Issue	Risk	Recommendation	Management Action Plan
14. Telecommunication & Energy Services Leasing Program contracts			
<p>14.1 MassDOT Office of Real Estate and Asset Development (OREAD) is responsible for overseeing the MassDOT Telecommunication & Energy Services Leasing program.</p> <p>The program serves as a business development component for entities in the telecommunications, power, cable and new energy sectors, by offering leasing opportunities within MassDOT’s Right of Way.</p> <p>As a result of the 2010 Transportation Reform Act, OREAD inherited agreements managed by the former Mass Highway Department and the former Mass Turnpike Authority.</p> <p>Internal Audit has been informed by OREAD management that some former lease agreements (that were previously managed by the Highway Districts) may not be accounted for, as there is a possibility that not all real estate lease agreements have been sent to OREAD.</p>	<p>H</p>	<p>14.1 Work with Highway District management to ensure all Telecommunication & Energy Services real estate lease agreements are accounted for and are transferred to OREAD.</p>	<p>Responsible Parties:</p> <p>Martin Polera, MassDOT Real Estate and Asset Development Business Manager</p> <p>Action:</p> <p>As a result of the Transportation Reform Act of 2010, all former MHS and MTA lease and license agreement now fall under MassDOT Real Estate. We are in full compliance with inherited agreements and the tracking of respective revenue streams. All new agreements and/or amendments are under MassDOT. A lease manger, once hired, will assume controls and develop more effective processes for all agreements within this office. Project Managers will continue to focus on new business development and increasing long-term revenue to the Agency.</p> <p>Implementation Date:</p> <p>Ongoing</p>



Issue	Risk	Recommendation	Management Action Plan
15. North End Resident Discount Parking Program Verification			
<p>15.1 Due to Big Dig construction, select North End residents are provided 24/7 access to parking spots at the Haymarket Center Garage, at a discounted rate of \$150 dollars per month. Sixty (60) parking spots are offered at this rate.</p> <p>MassDOT started an internal investigation in 2018, concluding that 40% percent of people, who at the time of the investigation received the discounted parking rate, either did not qualify to receive the discount, or their discount eligibility was questionable.</p> <p>Following the conclusion of an internal investigation, MassDOT Highway Division conducted a North End Resident Discount Parking Program review, verifying eligibility of program participants. The review concluded that twenty eight (28) participants did not meet the program eligibility requirements. MassDOT will conduct a lottery for North End residents in the near future to fill the remaining twenty eight (28) available parking spots.</p> <p>(Continued)</p>	<p>L</p>	<p>15.1 Ensure all required supporting documentation for the North End Resident Discount Parking Program is received and meets program requirements.</p> <p>15.2 Create written Standard Operating Procedures (SOPs) detailing the North End Resident Discount Parking Program Verification process.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>MassDOT Highway Division maintains a detailed folder on each participant of the North End Resident Discount Parking Program.</p> <p>In regards to the missing copies of the parking stickers, it has since been determined that a copy of a parking sticker issued by the City of Boston for North End Residents is no longer a requirement for the North End Resident Discount Parking Program.</p> <p>We are drafting written Standard Operating Procedures detailing the North End Resident Discount Parking Program.</p> <p>Implementation Dates:</p> <p>Ongoing</p> <p>Fall 2019 (SOPs)</p>



Issue	Risk	Recommendation	Management Action Plan
<p>15. North End Resident Discount Parking Program Verification (Continued)</p>			
<p>In order to participate in the North End Resident Discount Parking Program, each North End resident must provide the following:</p> <ol style="list-style-type: none"> 1) A completed North End Resident Discount Parking Program Application. 2) A parking sticker issued by the City of Boston to North End Residents. 3) A copy of a valid Driver's License with a North End address. 4) A vehicle Registration with a North End address. <p>Internal Audit reviewed the approved program participant list and has made the following observations:</p> <ol style="list-style-type: none"> 1) Seven (7) instances of missing copies of a parking sticker issued by the City of Boston for North End Residents. (Internal Audit does not believe it is necessary to verify that particular document, as other documentation requirements are sufficient to verify North End residency) <p>(Continued)</p>			



Issue	Risk	Recommendation	Management Action Plan
<p>15. North End Resident Discount Parking Program Verification (Continued)</p>			
<p>2) Two (2) instances of missing North End Resident Discount Parking Program Application.</p> <p>Furthermore, Written Standard Operating Procedures (SOPs) for this review did not exist.</p> <p>Program participants' eligibility review will be conducted annually by MassDOT Highway Division going forward.</p>			



Issue	Risk	Recommendation	Management Action Plan
16. North End Parking Validation Discount Program Operations			
<p>16.1 Businesses located in the North End and in the immediate vicinity are allowed to participate in the North End Parking Validation Discount Program. As program participants, businesses are provided stamps (most are numbered) by MassDOT, which can be used to validate Haymarket Center Garage visitors' parking tickets.</p> <p>The discount parking rates through this program are as follows:</p> <ul style="list-style-type: none"> - \$1 dollar (total) for up to two (2) hours - \$3 dollars (total) between two (2) and three (3) hours - Validation is voided if a visitor parks for longer than three (3) hours. <p>Republic Parking is a vendor contracted out by MBTA to manage the Haymarket Center Parking Garage.</p> <p>Internal Audit identified the following areas of improvement for the North End Parking Validation Discount Program:</p> <p>1) The <u>validation</u> parking rates at the Haymarket Center Garage through this program have not been increased since 1998.</p>	<p>H</p>	<p>16.1 Increase the hourly rate for the Parking <u>Validation</u> Discount Program to reflect 20 years of inflation.</p> <p>16.2 Ensure all validation stamps are identified by a unique number (and that number is printed on a parking ticket when stamped). This will enhance monitoring the Parking Validation Discount Program participation.</p> <p>16.3 Ensure participating businesses have a unique stamp number.</p> <p>16.4 Establish a daily limitation (per vehicle) on the North End Parking Validation Discount Program usage.</p> <p>16.5 Install a license plate recognition system at the Haymarket Center Garage in order to track incoming and outgoing vehicles.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>16.1 – Upon completion of the ongoing garage renovations, MassDOT will explore potential rate adjustments.</p> <p>16.2 – A Request for Proposal (RFP) to procure a system to automate the validation process will be submitted within 30 days.</p> <p>16.3 – RFP to procure a system to ensure unique numbers are distributed will be submitted within 30 days.</p> <p>(Continued)</p>

Issue	Risk	Recommendation	Management Action Plan
16. North End Parking Validation Discount Program Operations (Continued)			
<p>2) Some validation stamps are not assigned a unique number (do not print the stamp number on the parking ticket).</p> <p>3) Instances of different businesses using stamps with the same number.</p> <p>4) There are no defined restrictions as to how many times a visitor can park per day using the North End Parking Validation Discount Program (i.e., a visitor parked at the Haymarket Center Garage can exit the garage before the three (3) hour mark, and enter the garage a few minutes later, becoming again eligible for a discounted parking rate).</p> <p>5) There is no automated license plate recognition system installed at the Haymarket Center Garage. Even if a daily restriction was to be placed on the Parking Validation Discount Program usage, due to the volume of cars entering and exiting the garage, it would be difficult for garage attendants to track all incoming and outgoing cars to ensure compliance with daily Parking Validation Discount Program restriction.</p>			<p>16.4 – A sign was installed stating “Only one validation per vehicle in a 24 hour period”</p> <p>16.5 – RFP to procure a system to better track incoming and outgoing vehicles will be submitted within 30 days.</p> <p>Implementation Dates: RFP - July 2019 Validation restriction sign - ongoing since May 2018</p>



Issue	Risk	Recommendation	Management Action Plan
17. North End Parking Validation Discount Program Participants			
<p>17.1 The North End Parking Validation Discount Program is managed by MassDOT Highway Division. The list of participating vendors was acquired in April 2017 from the previous vendor responsible for managing the Haymarket Center Garage.</p> <p>Internal Audit examined the Parking Validation Discount Program participation list, by reviewing program eligibility for thirty three (33) program participating business.</p> <p>The following issues were identified:</p> <ol style="list-style-type: none"> 1) Eleven (11) businesses were outside the North End neighborhood or are no longer in business. 2) Six (6) businesses could not be verified by name or address. 3) It is unclear when the program participation list was last updated. Republic Parking did not make any updates to the list. 4) There are no written Standard Operating Procedures (SOPs) for adding, deleting, and verifying program participants' eligibility. 	<p>H</p>	<p>17.1 Conduct thorough reviews to ensure participating vendor eligibility for the Parking Validation Discount Program.</p> <p>17.2 Develop, implement, and distribute SOPs on managing the North End Parking Validation Discount Program.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>Upon installation of a system to automate the validation process, a more thorough review of vendor eligibility for the Parking Validation Discount Program will be conducted on a monthly basis.</p> <p>We are drafting written Standard Operating Procedures for the North End Parking Validation Parking Program.</p> <p>Implementation Date:</p> <p>Winter 2020</p>



Issue	Risk	Recommendation	Management Action Plan
18. Haymarket Center Garage Parking Rates			
<p>18.1 The monthly rate of \$150 dollars for the <u>North End Resident Parking Discount Program</u> has not changed since program inception. The rate is significantly below the current average market rate.</p>	M	<p>18.1 Increasing the monthly parking rate for the <u>North End Resident Parking Discount Program</u> participants to be consistent with the average market parking rate.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>Upon completion of the ongoing garage renovations and installation and implementation of new revenue equipment, MassDOT will explore potential rate adjustments for the North End Resident Discount Program.</p> <p>Implementation Date:</p> <p>Winter 2020</p>

Issue	Risk	Recommendation	Management Action Plan
18. Haymarket Center Garage Parking Rates (Continued)			
<p>18.2 The Haymarket Center Garage <u>non-validated</u> visitor parking rates have not been increased since the garage opening in 1998.</p> <p>These rates are significantly lower than the rates charged by other Boston parking garages.</p>	M	<p>18.2 Increase the Haymarket Center Garage visitor (<u>non-validated</u>) parking rates to be consistent with the average Boston parking rates.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>Upon completion of the ongoing garage renovations and installation and implementation of new revenue equipment, MassDOT will explore potential rate adjustments for the visitor (Non Validated) parking rates.</p> <p>Implementation Date:</p> <p>Winter 2020</p>



Issue	Risk	Recommendation	Management Action Plan
19. Parking Management System			
<p>19.1 The Amano McGann Parking system is used at the Haymarket Center Garage. The system has the following limitations:</p> <p>1) No automated kiosks that allow visitors to pay for parking prior to entering their vehicle. Furthermore, there is no pay-by-phone option.</p> <p>Visitors must submit payment to parking attendants stationed inside garage exit kiosks. This often creates garage traffic, resulting in slower exit times.</p> <p>Installing automated kiosks and/or implementing the pay-by-phone capability will alleviate garage traffic jams.</p> <p>2) Lack of electronic validation parking tracking. Vendors participating in the North End Parking Validation Discount Program physically stamp visitor's parking tickets. Vendor validation frequency is not tracked.</p> <p>3) Lack of automated license plate tracking.</p>	<p>M</p>	<p>19.1 Replace the existing parking management system with a parking system including the following capabilities:</p> <ol style="list-style-type: none"> 1) Self-checkout through the use of automated kiosks and/or through a pay-by-phone option. 2) Computer / tablet / phone parking ticket validation. 3) Barcode tracking: individually numbered barcodes can be issued to vendors participating in North End Parking Validation Discount Program, that do not have internet access. <p>Each vendor would attach the barcode to a parking ticket, which a visitor can validate at the Haymarket Center Garage automated kiosk by scanning the barcode.</p> <ol style="list-style-type: none"> 4) License plate tracking for vehicles entering and exiting the Haymarket Center Garage. 	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>A Request for Proposal (RFP) to procure a system to automate the payment and ticket validation process will be submitted within 30 days.</p> <p>Implementation Date:</p> <p>Winter 2020</p>

Issue	Risk	Recommendation	Management Action Plan
20. Haymarket Center Garage Complimentary Parking Pass			
<p>20.1 Haymarket Center Garage complimentary parking passes are given out to select Republic Parking and MassDOT employees, as well as to nineteen (19) 'Yes! We Van' and Enterprise vehicles.</p> <p>A recent investigation by MassDOT Highway Division uncovered two (2) instances where a complimentary parking pass was in possession of two individuals who should not have had possession of this pass.</p>	M	<p>20.1 Conduct routine audits on complimentary parking pass usage.</p>	<p>Responsible Parties:</p> <p>Anthony Zambuto, Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator</p> <p>Action:</p> <p>Routine audits are being conducted on the complimentary Parking Pass Program.</p> <p>Implementation Date:</p> <p>Ongoing Since May 2017</p>

Issue	Risk	Recommendation	Management Action Plan
21. No Written Agreement Between City Valet and Republic Parking			
<p>21.1 City Valet Boston is a vendor that provides valet services to North End visitors, using the Haymarket Center Garage.</p> <p>City Valet purchases booklets of coupons from Republic Parking, for 7 dollars per coupon. The coupons are subsequently sold to North End visitors at a higher rate.</p> <p>There is no written contract between Republic Parking and City Valet that outlines the terms of their agreement.</p> <p>Furthermore, City Valet applicable operations, including coupon sales, are not explained in the Republic Parking’s written Standard Operating Procedures (SOPs).</p>	<p>H</p>	<p>21.1 Establish a written service agreement between City Valet Boston and Republic Parking.</p> <p>21.2 Modify Republic Parking SOPs to include City Valet’s operations.</p>	<p>Responsible Parties:</p> <p>Mike Tepper, Regional Director, Republic Parking</p> <p>Action:</p> <p>Written service agreement between City Valet and Republic Parking was completed.</p> <p>SOPs were modified to include City Valet Operations.</p> <p>Implementation Date:</p> <p>Completed 04/19</p>

Issue	Risk	Recommendation	Management Action Plan
<h2>22. Haymarket Center Garage Access Management</h2>			
<p>22.1 Republic Parking is responsible for disabling Haymarket Center Garage access cards for individuals / vehicles that no longer need or qualify for access. All Haymarket Center Garage access cards are tracked through the Amano McGann parking management system, as well as through an Excel spreadsheet, managed by Republic Parking.</p> <p>When an access card is replaced with another, the new card is assigned a new card number.</p> <p>The only card tracking information that is available is whether or not a card is enabled or disabled. The date and time when an access card is enabled and disabled is not tracked.</p> <p>Internal Audit determined that access card enabled / disabled status is not always reflected on the Excel spreadsheet.</p> <p>Furthermore, there are no written Standard Operating Procedures (SOPs) that document the following:</p> <ol style="list-style-type: none"> 1) The process through which individuals are issued a garage access card. 2) Process though which the garage access card access is disabled. 	<p>M</p>	<p>22.1 Implement internal controls to ensure Haymarket Center Garage access card status (enabled / disabled) is always updated in the Excel document.</p> <p>22.2 Establish internal controls to ensure the date and time the access card is enabled / disabled is reflected in the parking system, and in the Excel document.</p> <p>22.3 Establish written Standard Operating Procedures (SOPs) for enabling / disabling garage access cards to ensure that:</p> <ol style="list-style-type: none"> 1) Individuals who are granted garage access meet the required criteria for such access. 2) The Haymarket Center Garage access is disabled in a timely manner. 	<p>Responsible Parties:</p> <p>Mike Tepper, Regional Director, Republic Parking</p> <p>Action:</p> <p>Internal controls to ensure access card status always updated. These procedures have already begun, and weekly reports are being sent starting as of 5/24/19.</p> <p>Date and time of access cards being enabled/disabled (seen in both systems) is already being tracked.</p> <p>SOPs ensuring those granted access meet the required criteria - We are ready and waiting for when the final North End Resident spaces are filled, so the month and date will reflect when that application process takes place</p> <p>Implementation Dates:</p> <p>Internal Controls- Completed 5/24 Tracking date & time- Completed 5/19 SOPs- Completed 5/19</p>

Audit Contacts

To support our conclusions, sufficient, appropriate audit evidence was obtained through examining documentation and through correspondence with the individuals listed below.

#	NAME	TITLE	LOCATION
1	Jonathan Gulliver	MassDOT Highway Administrator	10 Park Plaza Boston
2	Thomas Duggan	MassDOT Highway Division Finance Director	10 Park Plaza Boston
3	Anthony Zambuto	Municipal Coordinator Highway Division, Special Assistant to Highway Administrator, Transportation Coordinator Parcel #7 Garage, Park and Ride Coordinator	10 Park Plaza Boston
4	Mark Boyle	MassDOT Real Estate and Asset Development Administrator	10 Park Plaza Boston
5	Bryan Gubbins	MassDOT Director of Real Estate	10 Park Plaza Boston
6	Matthew Bamonte	MassDOT Director of Finance	10 Park Plaza Boston
7	James S. Christo	MassDOT Business Management Specialist	10 Park Plaza Boston
8	Warren Zimmer	Administrative Assistant, MassDOT Office of Real Estate and Development	10 Park Plaza Boston
9	Michael Thompson	MassDOT Director of Accounts Receivable	10 Park Plaza Boston
10	Martin Polera	MassDOT Real Estate and Asset Development Business Manager	10 Park Plaza Boston

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11	Stephanie LeBlanc-Dunn	MassDOT Project Utilization Manager	10 Park Plaza Boston
12	Elizabeth Pellegrini	MassDOT Director of Revenue and Debt Management	10 Park Plaza Boston
13	Mike Tepper	Republic Parking Regional Director	Haymarket Center Garage
14	Worku Abitew	Republic Parking Supervisor	Haymarket Center Garage
15	Noah Teweldebrhan	Republic Parking Operations Manager	Haymarket Center Garage
16	David Lepore	Deputy Chief of MBTA Real Estate	10 Park Plaza Boston
17	Roger Mann	Sr. Director of MBTA Real Estate	10 Park Plaza Boston
18	Charles DiMaggio	Chief Operating Officer/Counsel, Massachusetts Realty Group	20 Park Plaza Boston
19	Andrew Knowlton	Director of Accounting, Massachusetts Realty Group	20 Park Plaza Boston
20	Tom Cox	Project Executive, Massachusetts Realty Group	20 Park Plaza Boston

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21	Kevin Killion	Account Manager, Massachusetts Realty Group	20 Park Plaza Boston
22	Mark Boyle	MassDOT Office of Real Estate and Development Administrator	10 Park Plaza Boston
23	John Belliveau	MassDOT Accountant V	10 Park Plaza Boston
24	Donald Pettey	MassDOT Civil Engineer VI	10 Park Plaza Boston
25	Rachel Goldsmith	GIS Specialist, Greystone & Co., Inc.	20 Park Plaza Boston
26	Amy Tetreault	MRG Senior Asset Manager	800 Boylston Street, Suite 1300, Boston
27	Joe Connolly	MBTA Director of Accounting	10 Park Plaza Boston
28	Alejandro Miranda	Director of Project Development, Boylston Properties	800 Boylston Street, Suite 1390, Boston