

**CITY OF DETROIT CONTRACTOR PARK-RITE
EVALUATION**

CASE#: 2013-DF-0082



**JAMES W. HEATH
INSPECTOR GENERAL**

October 15, 2014

I. Introduction

The Office of Inspector General (OIG) initiated an investigation examining Contract No. 2832603 (“the contract”) between the City of Detroit and Park-Rite Detroit (“Park-Rite”). The purpose of the investigation was to determine whether Park-Rite properly managed and complied with certain aspects of the contract, including minimizing expenses during the term of the contract and requesting reimbursement for only reasonable and necessary operating expenses. The investigation also sought to determine whether the Municipal Parking Department (“MPD”), the city agency charged with monitoring the contract, employed an appropriate level of oversight to ensure Park-Rite’s compliance.

The OIG concludes that Park-Rite committed numerous contract violations including exceeding annual reimbursement limits, co-mingling funds, not properly documenting employee hours, and charging the City of Detroit for manager and employee bonuses. MDP did not sufficiently monitor Park-Rite and ensure that the provisions of the contract were upheld. Park-Rite’s actions resulted in the City of Detroit overpaying Park-Rite a total of \$176,646.39 in 2012 and 2013.

II. Background

a. Contract between the City of Detroit MPD and Park-Rite

MPD provides on-street and off-street public parking services; enforces City of Detroit parking ordinances; and coordinates parking with economic development projects throughout the city. Park-Rite is a provider of parking services and operates lots and garages in Detroit, Ann Arbor and Royal Oak.

The contract required Park-Rite to operate, manage, and maintain the city’s parking facilities. Park-Rite also agreed to provide consulting and advisory services to the city concerning the parking facilities without additional charge, except that the contractor was to be paid for any reimbursable expenses pursuant to the contract. Consulting and advisory services included event planning, a yearly revenue-generating plan, and a cost-saving plan that included monthly maintenance and annual building and equipment inspection schedules.¹

The contract required Park-Rite to “endeavor to minimize expenses during the term of the contract” which commenced at 12:01 am on January 1, 2011 and ended at midnight on December 31, 2013.² The contract stated that compensation for services provided was not to exceed the amount of \$7,499,520.00 for the 36-month term of the contract, inclusive of all reimbursable expenses.³

b. Facilities Managed by Park-Rite

Park-Rite managed the following parking facilities for MPD:

¹ City of Detroit/ Park-Rite Detroit Agreement 2011, pg. 22

² Though this contract has expired, Park-Rite Detroit continued to operate, manage, and maintain the City of Detroit owned parking facilities until October 4, 2014

³ Id at pg. 8.

- Eastern Market Garage- 2727 Riopelle Street, Detroit, MI 48207
- Ford Underground Garage- 30 East Jefferson Avenue, Detroit, MI 48226
- Grand Circus Park Garage- 1600 Woodward Avenue, Detroit, MI 48226
- Millennium Garage- 432 West Congress Street, Detroit, MI 48226
- Premier Underground Garage- 1206 Woodward Avenue, Detroit, MI 48226
- Cadillac-Farmer Lot, 1025 Farmer Street, Detroit, MI 48226⁴

c. Documents Reviewed

- Professional Services Contract between City of Detroit Municipal Parking Department and Park-Rite Detroit.
- Park-Rite Daily Reports
- 2012 and 2013 Park-Rite Timecards
- Park-Rite Cash Handling Procedures
- Park-Rite Bank Deposits and Ticket Retention Procedures
- Rates and Hours of operation.
- Municipal Parking Department Monthly Facility Rate
- Facility Rates
- CBA between Park-Rite Detroit and Teamsters Local Union No. 283
- Contract between the City of Royal Oak and Park-Rite
- Contract between the University of Michigan and Park-Rite
- 2012 and 2013 Municipal Parking Department Finance-Accounts Payable Check Requests
- 2012 and 2013 Park-Rite Total Reimbursable Expenses Request to Municipal Parking Department
- 2014 Remaining Vacation and Sick Time for Park-Rite employees
- 2012, 2013, and 2014 Park-Rite employee list with job classification, facility, and hourly pay rate
- Park-Rite Employee Seniority List
- Park-Rite Employee Handbook
- 2012 and 2013 Park-Rite Custom Time Card Report
- 2012, 2013, and 2014 Park-Rite Payroll List

⁴ As of December 2013, the Cadillac-Farmer Lot is no longer under the control of MPD.

- 2012, 2013, and 2014 Park-Rite Excel Spreadsheet created to input Employee Payroll
- Park-Rite Paycor Payroll System
- Park-Rite Written Job Descriptions
- 2011, 2012, and 2013 Municipal Parking Department Summary of Deposits Made- Revenue Fund
- Photos of Grand Circus, Millennium, Premier, Ford Underground Garage, Eastern Market, and Cadillac Farmer
- 2012 and 2013 Municipal Parking Department reimbursements to Park-Rite
- Videos of Grand Circus

d. Interviews Conducted

- Michael Aubrey, Sr.- Chief Executive Officer of Park-Rite
- Sandra Sobotka- General Manager of Park-Rite
- Theresa Kozak- Manager of Park-Rite
- Benjamin Watkins- Manager of Park-Rite
- Christopher Abousouan- Park-Rite Supervisor
- Cindy David- Park-Rite Cashier at Grand Circus
- Barbara Williams- Park-Rite Cashier at Ford Underground Garage
- Michael Williams- Park-Rite Maintenance at Grand Circus
- Brandon Patton- Park-Rite Attendant / Cashier at Premier
- Jamie Isaac- Park-Rite Cashier at Grand Circus, Eastern Market, Premier, and Millennium
- John Zarves- Park-Rite Maintenance at Premier

III. Analysis

a. Hours worked by Employees

Park-Rite failed to properly document hours worked by Park-Rite employees. As a result, there is no documentation to support a portion of the payroll and payroll taxes submitted by Park-Rite to MPD for reimbursement.

The contract states that reimbursable expenses include payroll salaries and wages and payroll taxes.⁵ It also states that for each item that is reimbursable, the contractor shall list the type of expense, the date such services were rendered and shall submit the corresponding receipts and approvals together with any other supporting documentation. All contractual expenses of whatever kind are subject to audit by the city.⁶ Park-Rite supervisor, Christopher Abousouan, stated that he entered the time each employee worked into the payroll system. However, this submission is based on employee schedules and not timecards. Park-Rite General Manager, Sandra Sobotka, routinely used the information given to her by Mr. Abousouan to prepare the payroll reimbursement request that was submitted to MPD.

The *Park-Rite Employee Handbook* states that “all employees are required to use a timecard to track their hours worked. Failure to punch in will require the supervisor’s authorization to write work hours on the timecard. If an employee works at five different facilities in a week, the employee will turn in five timecards.”⁷ Also, the Collective Bargaining Agreement (“CBA”) states that “time shall be computed from the time that the employee registers in, as scheduled, and until the time he is effectively released from duty. Meal periods, however, shall not be included.⁸ All employees must punch out whenever they leave their facility for any reason.”⁹

The OIG obtained Park-Rite employee timecards from 2012 and 2013 which were used to support the payroll reimbursement Park-Rite requested from the city. In violation of the contract and their own policy, Park-Rite failed to maintain a complete set of timecards for all employees at Grand Circus, Millennium, Premier, and Eastern Market.¹⁰ For example, in 2013 full-time employee John Zarves, who worked primarily at Millennium, had only 15 timecards out of 52 weeks. However, he was paid for 5,838.75 hours. His son, Michael Zarves, a part-time employee who worked at several garages, only had 3 timecards out of 52 weeks despite being paid for 1701 hours. Employees missing the greatest number of time cards were those who worked a large number of overtime hours compared to other employees with the same classification.

Sandra Sobotka, manages the Grand Circus, Millennium, Premier, and Eastern Market garages. She stated in her interview that some employees did not have timecards because the time clocks did not always function properly. She maintains that full-time employees work set hours so she knew if they were working their assigned shift. However, the problems with the time clock appear to have affected employees working in the same garage differently. For example, in 2013 Harold Johnson, a full-time Millennium employee, had all 52 timecards whereas John Zarves only had 15 timecards.

⁵ Social Security Taxes, Federal Unemployment Taxes and State Unemployment taxes may be reimbursable. An approval tax rate schedule shall be submitted in conjunction with the contractor’s budget for each fiscal year.

⁶ Pg. 33.

⁷ Agreement Between Park-Rite Detroit/ Teamsters Local Union No. 283. 2011, pg. 14; Park-Rite Employee Handbook, pg. 7.

⁸ The CBA is the Agreement between Park-Rite Detroit and Teamsters Local Union No. 283.

⁹ Agreement Between Park-Rite Detroit/ Teamsters Local Union No. 283. 2011, pg. 14.

¹⁰ Park-Rite Employee Handbook, pg. 7. “All employees are required to use a time card to track their hours worked. Failure to punch in will require your supervisor’s authorization to write work hours on the card. If you work at 5 different facilities in a week, you will turn in 5 time cards.

Ms. Sobotka did not account for how part-time employees who did not work set schedules had their time monitored, nor did she explain how employee overtime was monitored and documented. Further, Ms. Sobotka indicated that she spent the majority of her day at the Millennium Garage and was therefore not at the other garages to monitor employees' attendance. Though Benjamin Watkins is the manager assigned to Premier, he spends, on average, less than an hour a day at the garage. Christopher Abousouan monitors special events at Grand Circus but stated that he also works mostly at Millennium. As such, these managers all spent the majority of their time at Millennium and were not monitoring employees at the other parking facilities on a consistent basis.

The only parking structure that had a full set of timecards was Ford Underground Garage. Theresa Kozak, manager of Ford, stated in her interview that all employees are required to punch in and out. She indicated that if the time clock is not working or an employee forgets to punch in, she must be notified immediately so she can sign their timecard. She spends all of her time at Ford.

Park-Rite managers have all stated that their time clocks often malfunction, yet Park-Rite, who is responsible for documenting employee hours, has not replaced the malfunctioning time clocks. Mr. Abousouan stated that the city would not authorize this purchase; however, he did not have documentation that such a request was ever made in writing to MDP. Nevertheless, Park-Rite is responsible for the purchase and maintenance of the time clocks. The contract states that for all purposes, city employees will remain employees of the city and the contractor's employees will remain employees of the contractor.¹¹ Park-Rite is responsible for the preparation of its own payroll¹² and record maintenance.¹³ Further, the city does not reimburse the contractor for the purchase, rental, or maintenance costs for any office equipment.

Park-Rite submits their monthly expenses to MDP for approval. The monthly reimbursement request includes employee payroll including taxes, healthcare, management fee, petty cash, and maintenance costs with supporting documentation. The monthly reimbursement requests for 2012 and 2013 show that employee hours were not properly reported to the City of Detroit. The contract states that "straight time and overtime must be listed separately and overtime will be reimbursed with prior written approval only."¹⁴ Ms. Sobotka, Ms. Kozak, and Mr. Abousouan stated that they did not seek prior approval from MPD before scheduling their employees for overtime.

In the payroll documents reviewed for 2012 and 2013, any hours worked over 40 hours per week were not entered as overtime. Ms. Sobotka stated that she entered the information into Park-Rite's payroll system as she had been instructed and could not specifically state if there was a box for overtime. A review of the system showed that there is a category to distinguish

¹¹ Pg. 7

¹² The Contractor shall be responsible for the preparation of its own payroll, as well as, filing Social Security, Withholding Taxes, and Worker's Compensation for the Contractor's employees.¹²- pg. 31

¹³ Record Maintenance- Costs related to maintenance of Records, Accounts Payable, forms, envelopes, postage and an accrual system of bookkeeping and accounting are not reimbursable expenses.

¹⁴ Pg. 34.

overtime hours from regular hours for each employee that was not utilized by Park-Rite. (Appendix A)

In many cases, Park-Rite listed overtime hours as regular hours and, at times, some employees were listed several times as having worked simultaneously at various garages. Ms. Sobotka was asked why some employees were listed several times but she was unable to provide an explanation. An example of how employee hours were submitted for reimbursement is listed below.

Hours worked by John Zarves for the weeks of August 26, 2013 through September 8, 2013

Garage	Pay Rate	REG Hours	Gross Pay
Grand Circus	12.00	63.5	\$762
Grand Circus	12.00	31.75	\$381
Millennium	12.00	72	\$864
Millennium	12.00	20	\$240
Millennium	12.00	57.5	\$690
Millennium	12.00	8 VAC	\$96
Millennium	12.00	8 BDAY	\$96
	With V/BD	260.75	\$3129
TOTAL		244.75	\$2937

Hours worked by John Zarves for the weeks of September 9, 2013 through September 22, 2013

Garage	Pay Rate	REG Hours	Gross Pay
Millennium	12.00	80	\$960
Millennium	12.00	80	\$960
Millennium	12.00	32	\$384
Millennium	12.00	56	\$672
TOTAL		248	\$2976

Employees are paid every two weeks. A full-time employee who did not work overtime would be paid for 80 hours. Though Mr. Zarves' hours are all noted as regular hours, for the pay period ending September 8, 2013, he worked 164.75 hours over the expected 80 hours and was also paid 8 hours of vacation and 8 hours for his birthday. For the pay period ending September 22, 2013, he worked 168 hours over the typical 40-hour work week.

During the two week pay period ending on September 8, 2013, Mr. Zarves worked an average of 24.475 hours a day if averaged over 10 days or 17.48 hours averaged over 14 days. During the two week pay period ending on September 22, 2013, Mr. Zarves worked an average of 24.8 hours a day if averaged over 10 days or 17.7 hours averaged over 14 days.

Ms. Sobotka stated in her interview that she submits the reimbursable expenses to MPD and personally signs off on the submitted documentation. The payroll information was entered

in, at best, a negligent manner. The most complete payroll documentation¹⁵ indicated that in 2012 Mike Zarves worked 1,718.25 hours, an average of 33 hours per week. The same documentation indicated that in 2013, John Zarves worked 2,080 hours, an average of 40 hours a week. John Zarves was paid \$12 per hour and was paid \$108,203.51 over a two year period. Mike Zarves, a part-time employee, was paid \$13.78 per hour and was paid \$77,543.55 over a two year period. Based on the information provided, between 2012 and 2013, John Zarves was overpaid by \$53,598 and Mike Zarves was overpaid by \$28,955.23 for a total cost to the city of at least \$82,553.23. No documentation was provided to the OIG to verify that these employees worked the additional hours above those indicated by the custom timecards. Therefore Park-Rite should not have been reimbursed for the hours for which no documentation exists.

MPD is responsible for ensuring that they do not reimburse improper requests, and therefore should have more carefully reviewed the documentation. However, Park-Rite also has a duty to fulfill its contractual obligation and list straight time and overtime separately as well as seek prior approval for this expense.

- **Park-Rite's internal payroll information is inconsistent**

The OIG requested complete payroll documentation to verify the hours worked by Park-Rite employees. In response to this request, Park-Rite produced custom timecard printouts, payroll reimbursement requests made to MPD, and physical timecards. The custom timecards reflected payroll information entered by Mr. Abousouan based on employees' schedules. This information was submitted to Ms. Sobotka. She used this information to produce the payroll request submitted to MPD.

The custom timecards did not match the payroll reimbursement requests given to MPD. Also, Park-Rite did not produce a complete copy of physical timecards for 2012 and 2013. The majority of the missing physical timecards belonged to John Zarves and Mike Zarves.

For example, in 2013, the custom timecards produced by Park-Rite indicated that John Zarves worked 2,064 hours and took 16 hours of vacation. However, the payroll information provided by Park-Rite indicated that John Zarves was paid for 5,838.75 hours and took 400 hours of vacation. There is a difference of 3,774.75 hours between the information Ms. Sobotka entered for John Zarves in 2013 and submitted to MPD versus the information she received from Mr. Abousouan. Also, none of these hours match Mr. Zarves physical timecards. Further, a review of the physical timecards revealed that in addition to missing timecards, John Zarves had some timecards indicating overlapping hours at different garages. (Appendix B)

This is all evidence that Park-Rite did not properly document employee hours. Employees were not held accountable for documenting their hours and adequate steps were not taken by Park-Rite to ensure the correctness of the information they submitted to the city. Further, Park-Rite managers failed to ensure correct and complete documentation for hours worked.

¹⁵ The most complete payroll documentation provided by Park-Rite was the custom timecards.

- **Hours worked by John Zarves and Mike Zarves**

The payroll hours listed for Mike Zarves and John Zarves were extreme in comparison to other employees with the same job classification. There is no evidence that MPD approved any overtime for him and the custom and physical timecards do not indicate that he worked over 40 hours a week. Only the payroll reimbursement request submitted by Ms. Sobotka suggested John Zarves worked additional hours. This is problematic because John Zarves did not punch a timecard to verify his hours and his supervisor, who was responsible for entering his time into the payroll software, did not corroborate the hours submitted to MPD by Ms. Sobotka.

The payroll reimbursement requests submitted by Ms. Sobotka indicated that Mike Zarves, a part-time employee, averaged 140 hours biweekly for year 2012. John Zarves, a full-time employee, averaged 216.74 hours biweekly in 2013, which averages 21 hours¹⁶ a day. John Zarves admitted during his interview that he could not have worked those hours consistently over a long period of time.

John Zarves' assigned facility is Millennium Garage where he worked maintenance from 5am to 1pm. He stated during his interview that when he is asked to complete maintenance at another garage, he refuses to do this during his regular work hours. He stated that he tells Ms. Sobotka that he will not go until the end of his shift. He also stated that he is asked to complete tasks that are not part of his job description such as painting, and he should not be expected to perform this duty during regular work hours. John Zarves stated that all of the hours worked after his shift is overtime and paid at time and a half. However, that is not what some of his paychecks indicate. (Appendix C). Another Park-Rite employee stated in her interview that John Zarves "bragged" that he is paid overtime as straight time so his overtime is not noticed by the city.

Ms. Sobotka stated that John Zarves worked overtime painting, power washing and making repairs to the facilities. Mr. Patton and Mr. Watkins stated that Park-Rite power washes the stairwells but not the entire structure. Mr. Patton and Mr. Watkins also indicated that power washing takes approximately four hours to complete with two people. John Zarves stated that power washing takes up to a week to complete, which was contradictory to statements made by other employees.

Ms. Sobotka stated that John Zarves was the only person able to complete these tasks. Conversely, Ms. Kozak stated that any type of painting and maintenance can be given to any employee, including cashiers. Ms. Sobotka stated that she often assisted him with his work and that he, at times, slept in his vehicle. Ms. Sobotka stated that all the hours over 80 that John Zarves worked were overtime hours paid at a rate of 1.5.

Ms. Sobotka's statement was contradictory to the payroll sheet which clearly had John Zarves listed as working regular hours. Ms. Sobotka's explanation for this contradiction was that she entered the time wrong or someone changed it. However, Ms. Sobotka stated that she is the

¹⁶ This average is based on a 5 day work week. If the hours were averaged for a 7 day work week, Mr. Zarves would have had to have an average of 17.356 hours per day (6334.75 hours divided by 365 days).

only person that enters the payroll into Paycor. Additionally, Mr. Abousouan stated that he enters employee hours into a Park-Rite payroll system and sends this information to Ms. Sobotka. Timecards do not exist to support his entries.

Much of the work that Ms. Sobotka and John Zarves stated he was completing during the overtime hours is outlined in the contract between the City and Park-Rite as duties and responsibilities for the maintenance workers. These include daily activities such as picking up trash in all areas, sweeping, emptying waste containers and replacing trash liners, and ensuring that all lights are working in restrooms, elevators and parking areas. Weekly activities include inspecting floor surface for cracks and potholes and inspecting the entire ceiling for concrete deterioration and signs of leaks. Monthly activities include hosing down facility ramps and curbs and scrub with a stiff brush and cleaning expansion joint glands as necessary using a broom or vacuum. Semi-Annual activities include washing down the parking ramps and other areas of the Parking Facility to remove salt, grease and dirt and painting the Parking Facilities including, but not limited to stairwells, elevator lobbies, curbs, equipment and garage walls.¹⁷ This work should have been completed during regular work hours. Also, the contract indicates that the:

“Contractor shall be expected to develop, coordinate, and implement a parking facility maintenance, minor repair and restoration program. This program includes without limitation one annual high-pressure water wash-down, one annual flood rising of all concrete ramp deck surfaces, periodic sealing of concrete deck surfaces, crack caulking, painting, cleaning of drains, bulb replacement, fixture replacement, law maintenance, snow removal, and other seasonal maintenance. The Contractor shall coordinate this maintenance program and no additional compensation shall be given to the Contractor for any costs associated with the oversight of the program or for loss of revenue due to ongoing maintenance, or any future repair and restoration of the Parking Facilities.¹⁸”

Further, Park-Rite has a duty to the City of Detroit to keep expenses at a minimum. Yet John Zarves was allowed to dictate overtime by refusing to complete assigned tasks during his regular work hours. There is no indication that he does not have time during his regular work schedule to complete assigned tasks. Also, his managers did not require him to complete his work duties when he is ordered to do so.

¹⁷ Pg. 29

¹⁸ Pg. 23.

b. Other Improper Reimbursements

• Vacation Benefits

The CBA and *Park-Rite Employee Handbook* state that all full-time employees with more than one year of service receive vacation with full pay at the employee’s current wage rate. Vacations cannot be postponed and allowed to accumulate from year to year but must be completed each year. Preference for vacation periods shall be granted to senior employees. All vacations earned must be taken by employees and no employee shall be entitled to vacation pay in lieu of vacation except by mutual agreement between the employee and the employer.¹⁹

Length of Service	Vacation
Less than one year	None
Between 1 and 2 years	1 week
Between 2 and 8 years	2 weeks
Between 8 and 15 years	3 weeks
Over 15 years	4 weeks

Although the policy specifically states that vacations cannot be postponed and allowed to accumulate from year to year, John Zarves was reimbursed for 280 hours of vacation totaling \$3,290 in 2012 and reimbursed for 400 hours of vacation totaling \$4,800 in 2013. His custom timecards revealed that he took one vacation day in 2013. Ms. Sobotka was unable to state why he had received pay for so many vacation hours. (Appendix E)

• Bonuses

Park-Rite requested and received reimbursement for employee bonuses as well as manager bonuses. These represent non-reimbursable expenses per the contract. Expenses, fees, and awards in connection with arbitration proceedings under a labor agreement or in the negotiation and preparation of a labor contract involving parking operations are not reimbursable.²⁰ Despite this, MPD reimbursed Park-Rite for employees’ bonuses in 2012 totaling \$2,200; \$1,600 in 2013; and \$700 in 2014. Mr. Aubrey and Ms. Sobotka both stated that Park-Rite does not seek reimbursement for manager bonuses. However, the reimbursement requests submitted to MPD show that MPD paid Park-Rite for managers’ bonuses in 2012 totaling \$4,935 and \$1,000 in 2013.

The CBA provides that all full-time employees who have both no property damage claims and who lose no work time due to on the job injuries for a six month consecutive period shall receive a \$100 bonus. Such bonus shall be paid for the periods of January through June 30 and July 1 through December 31. For the 2011 contract year, the bonus shall be paid for the

¹⁹ CBA, pg. 17; Employee Handbook, pg. 3

²⁰ Pg. 34

period of July 1 through December 31 only. The bonus shall be included in the employee's regular paycheck after the close of the six month period. Park-Rite management indicated that all employees receive the bonuses and suggested that they do not take into account the provision regarding property damage claims and on the job injuries.

The provision for employee bonuses was not added to the CBA until 2011. The contract between the City of Detroit and Park-Rite went into effect on January 1, 2011. It is not disputed that Park-Rite has a right to give their employees bonuses. However, this is an expense that Park-Rite must pay on its own and not seek reimbursement from the city.

c. Yearly Reimbursement Amounts Exceeded

Park-Rite was obligated to minimize expenses during the term of the contract. The contract states that in no event shall the annual reimbursable expenses for each year during the term of the contract exceed the Annual Total amounts listed below.²¹

Garage	Not-to-Exceed Annual Reimbursement Cost
Eastern Market Garage	\$76,815
Ford Underground Garage	\$435,900
Grand Circus Garage	\$340,857
Millennium Garage	\$287,759
Premier Garage	\$282,309
Cadillac-Farmer Lot	\$85,207
Total	\$1,508,847

The above limits do not constitute pre-approval of any reimbursable expenses. The contractor shall be solely responsible for any expenses which would otherwise be reimbursable beyond the total annual amounts for each year, with an exception for reimbursable expenses resulting from additional services required by the City.²²

In 2012, Park-Rite exceeded the annual total amount of reimbursable expenses at Grand Circus and Cadillac Farmer by \$37,277.87. Finally, in 2013, Park-Rite exceeded the annual total amount of reimbursable expenses at Grand Circus, Millennium, Ford, and Cadillac Farmer by a total of \$78,106.69.²³

A review of the payroll expenses at Eastern Market for the period ending December 16, 2012 revealed that Park-Rite was reimbursed for \$15,652.79 whereas the payroll ending December 2, 2012 was \$237.80 and December 30, 2012 was \$137.80. The payroll

²¹ Pg. 32.

²² Pg. 33.

²³ Documentation was requested regarding all reimbursable expenses. However, MPD and Park-Rite failed to produce this information for Grand Circus, Premier, Millennium, Eastern Market, Ford, and Cadillac Farmer for March 2012; Ford for October 2013; and Cadillac Farmer for June 2013 and December 2013. Therefore an average for reimbursable expenses was determined at each garage to determine an approximation of requested reimbursable expenses.

documentation submitted for December 16, 2012 was for Grand Circus and should have been submitted under that garage. The employees and number of hours for which reimbursement was sought align with Grand Circus and not Eastern Market. Eastern Market has limited December hours and two employees. When the payroll is attributed to the proper garage, for the December 16, 2012 payroll, Grand Circus exceeded its annual total amount by an additional \$15,652.79, bringing the total amount exceeded in 2012 to \$52,930.66.

This occurred again in December 2013. A portion of Grand Circus' payroll was shifted to Premier and Eastern Market. A portion of the Premier payroll documentation submitted for December 11, 2013 and December 15, 2013 was for Grand Circus and should have been submitted under that garage. The December 29, 2013 payroll for Grand Circus was shifted to Eastern Market, though it should have been included in Grand Circus' monthly reimbursement request. Including those three December 2013 payrolls, Grand Circus exceeded its annual total amount by an additional \$16,638.68. For 2013, the total amount exceeded was \$94,745.37.

A portion of Cadillac Farmer's payroll was shifted to Eastern Market for the payroll ending December 1, 2013 totaling \$4,313.05. This portion should have been included in Cadillac Farmer's reimbursable expense request. Including this payroll, Cadillac Farmer exceeded its annual total amount by an additional \$4,313.05, bringing the total amount for 2013 to (\$94,745.37 + 4,313.05) \$99,058.42.

By shifting payroll to other garages, Park-Rite hid or minimized overruns. By limiting the overruns in such a way, it appeared Park-Rite was closer to the not-to-exceed annual reimbursement costs put in place by MPD. Also, at Grand Circus, Millennium, and Premier, where the greatest overruns occurred, certain employees were paid for working undocumented overtime hours.

Additionally, Ford was reimbursed for several non-reimbursable expenses including office supplies. Therefore, the costs of these overages were not due to additional services required by the City but to Park-Rite's inability to minimize expenses at these garages. Therefore, the exceeding amounts should be the sole responsibility of Park-Rite.

d. Contract Violations

Managers told OIG staff that they had not read the contract and were not familiar with its contents. However, Park-Rite CEO, Michael Aubrey, Sr. indicated that Ms. Sobotka is responsible for the contract's fulfillment. It appears that no one at Park-Rite is being held accountable to both know the contents of the agreement and to monitor compliance.

- **Managers not properly assigned to garages**

Park-Rite was responsible for designating on-site management to facilitate the operation of the parking garages. The contract states that a report must be submitted to the city which includes the names of the managers, the city parking facilities to which they are assigned, and their hours at each parking facility. According to the contract, each manager can manage no more than three city parking facilities. The designated employee performing on-site management must be on site for a minimum of 1,040 hours per year, which shall be documented

by Park-Rite with a verifiable actual schedule on a weekly basis. The salary of Park-Rite's off-site management is not a reimbursable expense. Park-Rite may utilize other management personnel to assist the designated employee in operating the parking facilities. However, the cost of such additional assistance for off-site management shall also be a non-reimbursable expense.²⁴

Park-Rite managers do not have a verifiable schedule. Reimbursements do not coincide with managers' stated assigned facility responsibilities. Ms. Kozak is only assigned to Ford but she received a salary at 3 different garages. Ms. Sobotka received pay for two garages at equal reimbursement but did not work equally at each garage. She stated during her interview that she actually oversees four garages (Premier, Millennium, Grand Circus, and Eastern Market) but works mostly at Millennium. Mr. Watkins received a salary for Premier and Grand Circus but stated in his interview that he oversees Premier but works mostly at Millennium. Mr. Abousouan, who is an hourly supervisor, also works at Millennium as well as oversees Grand Circus.

- **Co-Mingled Funds**

The contract states that the "Contractor shall be responsible for the development and implementation of revenue control and cash handling procedures and shall instruct its personnel to comply with same."²⁵ It further states that the contractor shall not co-mingle its funds with city funds in the required Revenue Account or Expense Account.²⁶ If such a violation occurs, the contractor shall be subject to "a penalty of ten percent (10%) of the Contractor's monthly management fee at the facility in question for each violation of revenue control or cash handling procedures."²⁷

Park-Rite is required to "deposit daily, on forms provided by the City, all receipts of said parking operations into a bank account established by the City for all of the Parking Facilities."²⁸ The Daily Reports submitted by Park-Rite to MPD show that on several occasions various Park-Rite employees, including Ms. Sobotka, cashed both personal checks and payroll checks out of the daily revenue to be deposited into city bank accounts. For example, on April 17, 2012 a Park-Rite employee cashed a \$1,000 personal check made out to cash from the daily revenue. On August 16, 2012, a Park-Rite employee cashed a \$200 Park-Rite check made out to cash. On July 18, 2012, a Park-Rite employee cashed a \$771.40 payroll check. On June 27, 2013, Park-Rite employees cashed payroll checks totaling \$1,747.65 and a \$50 Park-Rite check made out to cash.

A review of a random sampling of daily reports revealed co-mingling of funds occurred at Grand Circus and Millennium parking facilities. At Grand Circus in 2012, of 31 daily reports reviewed, 6 showed a co-mingling of funds. In 2013, 5 daily reports out of 33 reviewed indicated a co-mingling of funds. At Millennium Garage in 2012, of 31 daily reports reviewed, 5

²⁴ Pg. 26

²⁵ Pg. 28

²⁶ Pg. 36

²⁷ Pg. 28

²⁸ Pg. 36

showed a co-mingling of funds. In 2011, 1 daily reports out of 3 reviewed indicated a co-mingling of funds.

This is a clear violation of the contract and Park-Rite should be subject to the 10% penalty of the monthly management fee at Grand Circus and Millennium for each violation. The monthly management fee at Grand Circus is \$2,800 and \$2,700 at Millennium. Therefore, based on the random sampling, for each violation at Grand Circus, Park-Rite should pay a total penalty of \$3080. The penalty for co-mingling funds at Millennium should be \$1620. A thorough review of all daily reports submitted to MPD should be completed to determine the total number of violations and resulting penalty.

- **Improper petty cash reimbursements**

Park-Rite requested and received reimbursement for various petty cash purchases. However, not all petty cash purchases were reimbursable expenses. Reimbursable expenses include the following:

Payroll-Salaries & Wages; Payroll Taxes; Medical Insurance net cost Supervisor Fees; The cost of one full-time supervisor for up to three Parking Facilities; Parking Facility Maintenance including pest control, snow removal, and debris removal are included; Facility Repair; Garage/ Lot Equipment and Equipment Maintenance; Telephones excluding personal calls, cellular telephones, pages and associated maintenance expenses are non-reimbursable; Revenue Control Access Equipment and Maintenance; Security; Lot License Fee; and On-site Management Fees.²⁹

Non-reimbursable expenses include:

Worker's Compensation, pension costs, 401K plan costs, retirement costs and life insurance costs; Off-site Management Fees; Office Supplies; Printing and Photocopying of Required Reports; Office Equipment Purchase, Maintenance and Supplies; Postage & Freight; Bond Fees & Insurance Premiums; Bank Charges; Vehicle Maintenance; Uniforms; Record Maintenance; and Accounts Receivable.³⁰

To obtain reimbursement Park-Rite must list the type of expense, the date such services were rendered and attach any corresponding receipts and approvals together with any other information or supporting documentation deemed necessary. Per the contract reimbursable expenses are reasonable and necessary operating expenses of Park-Rite for the parking facilities, and they are subject to pre-approval by the city. Payment for reimbursable expenses is contingent upon the city's receipt of an invoice itemizing each expense for which Park-Rite seeks reimbursement.³¹

²⁹ Pg. 34-35

³⁰ Pg. 35-36.

³¹ Pg. 5.

Park-Rite requested and received reimbursement for various petty cash purchases that were non-reimbursable expenses. MPD reimbursed for such non-reimbursable items as office supplies, chairs, and stamps. MPD also approved petty cash reimbursements for items that lack documentation despite the contract specifically stating this is required. Some of these purchases may have been appropriate. However the OIG was unable to verify the cost and actual purchase of the items because they lacked supporting documentation. For 2012, MPD reimbursed Park-Rite for petty cash expenses that lacked documentation totaling \$7,555.25. MPD also reimbursed Park-Rite for either non-reimbursable items or items that lacked documentation totaling \$34,601.36.³² For 2013, MPD reimbursed Park-Rite for petty cash expenses that lacked documentation totaling \$6,651. MPD also reimbursed Park-Rite for either non-reimbursable items or items that lacked documentation totaling \$34,850.55.

e. Conclusion

MPD entered into a contract with Park-Rite for their expertise in providing parking services. Park-Rite has operated and managed parking lots and garages in Detroit, Ann Arbor, and Royal Oak. In 2012, Park-Rite sought and received reimbursement for expenses that were not properly documented, including payroll and petty cash. The amount of reimbursement sought in 2013 increased greatly as outlined above. As a result of the City of Detroit overpaid Park-Rite \$176,646.39.

1. Park-Rite sought the following improper reimbursements:
 - a. Unverifiable vacation hours to John Zarves in 2012 and 2013, totaling 624 hours and \$7,488.
 - b. Payroll reimbursed for John Zarves for which no documentation exists totaling \$53,598.
 - c. Payroll reimbursement for Michael Zarves for which no documentation exists totaling \$28,955.23.
 - d. Park-Rite Managers' bonuses in 2012 totaling \$4,935 and \$1,000 in 2013.
 - e. Park-Rite for employees' bonuses in 2012 totaling \$2,200, \$1,600 in 2013 and \$700 in 2014.
 - f. Petty Cash reimbursements of non-reimbursable expenses totaling \$83,658.16.
2. Park-Rite should have been assessed the following penalty:
 - a. A 10% penalty of Park-Rite's monthly management fee at the facility where cash handling violations occurred.

³² MPD did not provide any documentation for Park-Rite's reimbursement request for March 2012.

- MDP and the City of Detroit Law Department should review this matter to determine what recourse the City of Detroit has in terms of recovering overpayments.

Appendix A

Code	Description	Department	Shift	Rate	Hours	Amount
Reg	Regular	13000		0.000000		2,348.8300
OT	Overtime Hours @ 1.5	13000		0.000000		
Salary	Salary	13000		0.000000		
Vac	Vacation	13000		0.000000		

Employee Profile + Add Earning

Calculate

1amnhier Ann 9416 1 ON 13000 11.000000

Appendix B

No.	NAME	WEEK ENDING
6/1	Johanna	6/1-6/7
6/2	Johanna	6/2-6/8
6/3	Johanna	6/3-6/9
6/4	Johanna	6/4-6/10
6/5	Johanna	6/5-6/11
6/6	Johanna	6/6-6/12
6/7	Johanna	6/7-6/13
6/8	Johanna	6/8-6/14
6/9	Johanna	6/9-6/15
6/10	Johanna	6/10-6/16

No.	NAME	WEEK ENDING
6/4	John Zarvas	6/4-6/10
6/5	John Zarvas	6/5-6/11
6/6	John Zarvas	6/6-6/12
6/7	John Zarvas	6/7-6/13
6/8	John Zarvas	6/8-6/14
6/9	John Zarvas	6/9-6/15
6/10	John Zarvas	6/10-6/16

4-22-12
WEEK ENDING

No. John Zanes
NAME

MONDAY	4/16	IN	1:00 P.M.
		OUT	
		IN	6:00 P.M.
		OUT	
TUESDAY	4/17	IN	1:00 P.M.
		OUT	7:00 P.M.
		IN	
WEDNESDAY	4/18	IN	1:00 P.M.
		OUT	
		IN	5:00 P.M.
		OUT	
THURSDAY	4/19	IN	1:00 P.M.
		OUT	6:00 P.M.
		IN	
FRIDAY	4/20	IN	1:00 P.M.
		OUT	7:00 P.M.
		IN	
SATURDAY	4/21	IN	10:00 A.M.
		OUT	6:30 P.M.
		IN	
SUNDAY	4/22	IN	
		OUT	
		IN	
		OUT	

K1400-T HALLLOCK CLOCK PHONE (248) 542-8120 FAX (248) 542-0848

4-22-12
WEEK ENDING

No. John Zanes
NAME

MONDAY	4/16	IN	5:00 A.M.
		OUT	
		IN	1:00 P.M.
		OUT	
TUESDAY		IN	5:00 A.M.
		OUT	
		IN	1:00 P.M.
		OUT	
WEDNESDAY		IN	5:00 A.M.
		OUT	1:00 P.M.
		IN	5:00 P.M.
		OUT	5:00 P.M.
THURSDAY		IN	5:00 A.M.
		OUT	
		IN	8
		OUT	1:00 P.M.
FRIDAY		IN	
		OUT	8
		IN	6:00 P.M.
		OUT	
SATURDAY		IN	
		OUT	
		IN	
		OUT	
SUNDAY		IN	
		OUT	
		IN	
		OUT	

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7-22-12
WEEK ENDING

No. Premier M. Zanes
NAME

MONDAY		IN	3:00 P.M.
		OUT	
		IN	11:00 P.M.
		OUT	
TUESDAY		IN	
		OUT	
		IN	
		OUT	
WEDNESDAY		IN	
		OUT	
		IN	
		OUT	
THURSDAY		IN	3:00 P.M.
		OUT	
		IN	11:00 P.M.
		OUT	
FRIDAY		IN	3:00 P.M.
		OUT	
		IN	11:00 P.M.
		OUT	
SATURDAY		IN	
		OUT	
		IN	
		OUT	
SUNDAY		IN	
		OUT	
		IN	
		OUT	

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7-22-12
WEEK ENDING

No. Grand Oaks M. Zanes
NAME

MONDAY	7/14	IN	4:00 A.M.
		OUT	
		IN	12:00 A.M.
		OUT	
TUESDAY	7/17	IN	4:00 P.M.
		OUT	
		IN	12:00 A.M.
		OUT	
WEDNESDAY	7/18	IN	4:00 P.M.
		OUT	
		IN	12:00 A.M.
		OUT	
THURSDAY	7/19	IN	4:00 A.M.
		OUT	
		IN	10:00 P.M.
		OUT	
FRIDAY	7/20	IN	4:00 P.M.
		OUT	
		IN	12:30 P.M.
		OUT	
SATURDAY	7/21	IN	4:00 P.M.
		OUT	
		IN	12:30 P.M.
		OUT	
SUNDAY	7/22	IN	9:00 A.M.
		OUT	
		IN	13:00 P.M.
		OUT	

K1400-T HALLLOCK CLOCK PHONE (248) 542-8120 FAX (248) 542-0848

Appendix C

PARK-RITE DETROIT LLC
1428 TIMES SQUARE
DETROIT MI 48226

Check # 15080283
Date 07/05/2013
Valid After 180 Days

Pay to the Order of JOHN ZARVES
K003

Payable Amount
FIVE HUNDRED EIGHTY-EIGHT & 68/100 DOLLARS*** \$*****588.68

FIFTH THIRD BANK
CINCINNATI OH

Handwritten Signature
Paycor, Inc.

PARK-RITE DETROIT LLC
1428 TIMES SQUARE
DETROIT MI 48226

Check # 15080283
Date 07/05/2013
Valid After 180 Days

Pay to the Order of JOHN ZARVES
18333

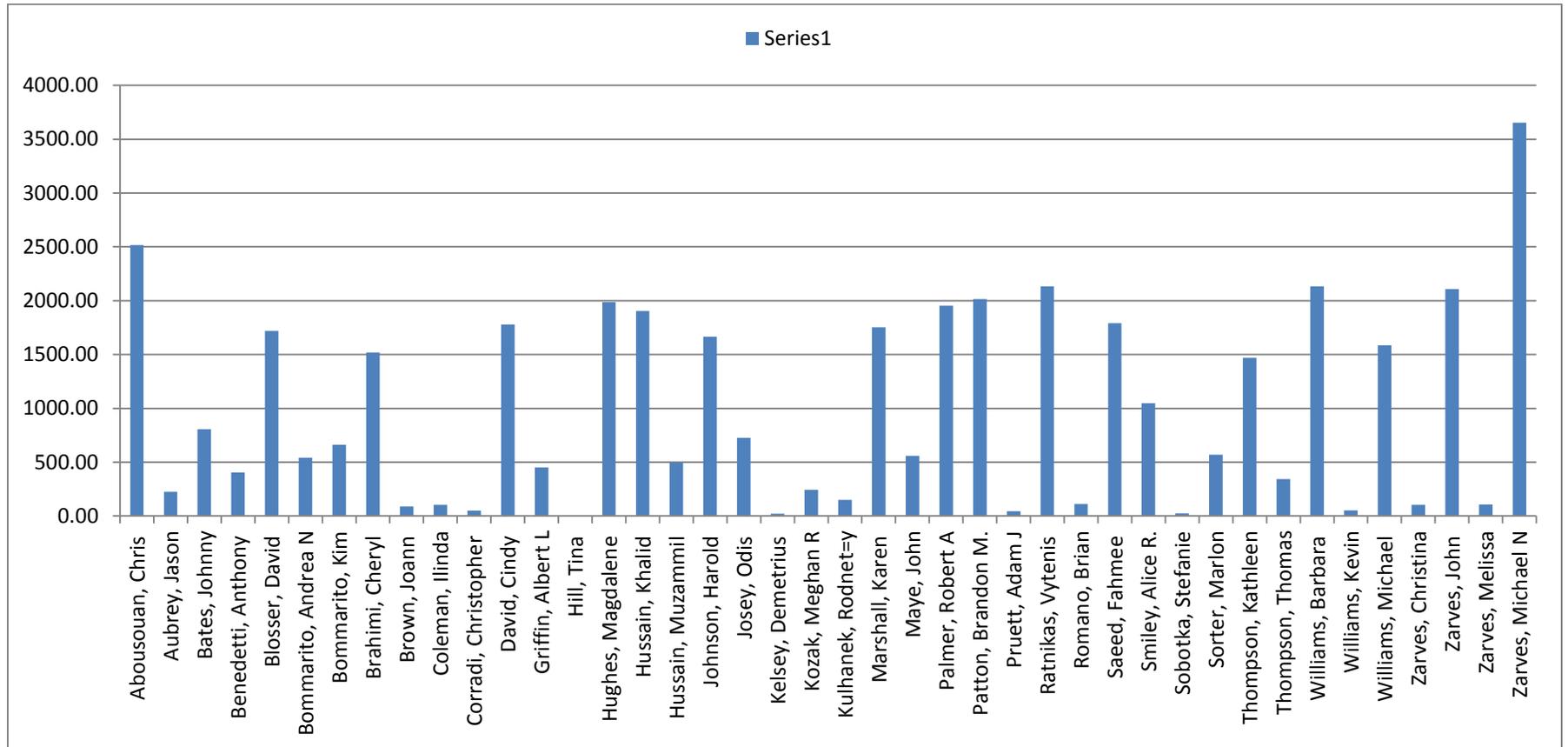
Payable Amount
FIVE HUNDRED EIGHTY-EIGHT & 68/100 DOLLARS*** \$*****588.68

FIFTH THIRD BANK
CINCINNATI OH

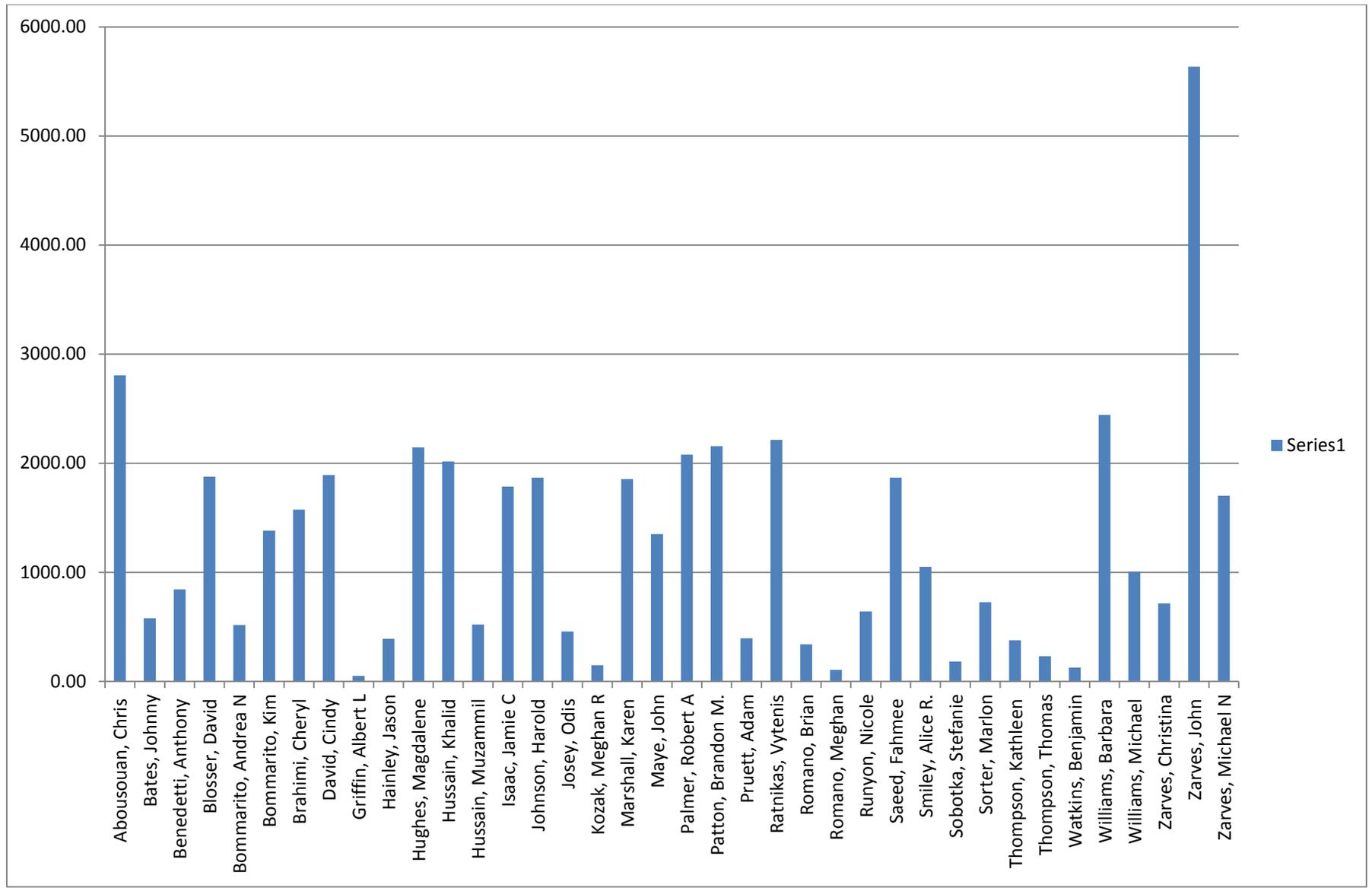
Handwritten Signature
Paycor, Inc.

Appendix D

Hours worked by Park Rite employee for 2012

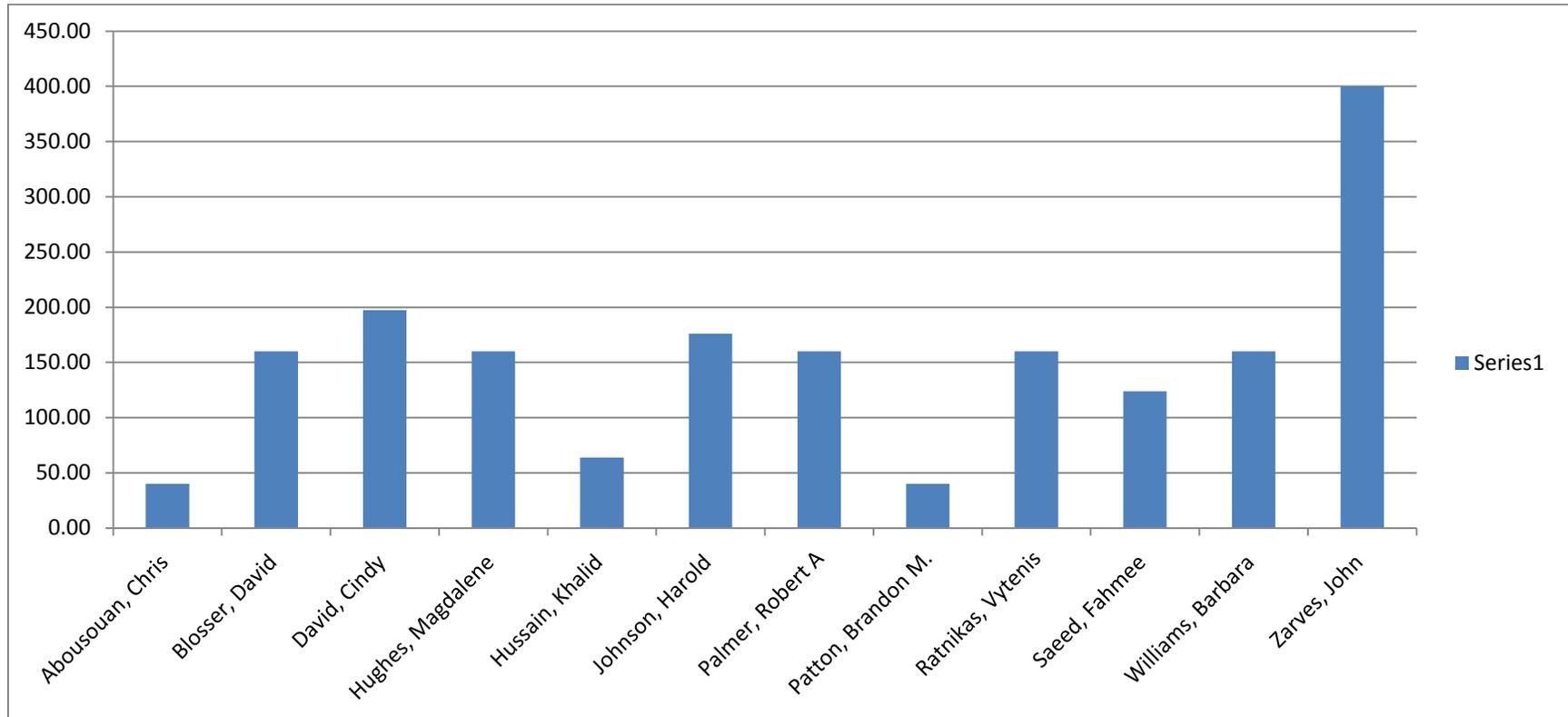


Hours worked by Park Rite employee for 2013



Appendix E

Paid vacation time for Park Rite employee for 2013 (managers not included)



Paid vacation time for Park Rite employee for 2012 (managers not included)

