

## Calgary Parking Authority Asset Management Processes Audit

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### EXECUTIVE SUMMARY

The City Auditor's Office issued the Calgary Parking Authority Asset Management Processes Audit Report to Administration on 2018 December 18. The report identified Calgary Parking Authority (CPA) asset management processes required significant improvement to effectively mitigate safety, financial, and sustainability risks. We raised six audit recommendations, which included establishing a strategic asset management framework, intended to help CPA focus on areas of higher priority, as well as identifying areas where CPA can build on current processes, and initiatives underway. CPA accepted all recommendations and committed to the implementation of action plans no later than 2021 February 28. The City Auditor's Office will track the implementation of these commitments as part of our on-going follow-up process.

### RECOMMENDATIONS

1. That Audit Committee receive this report for information; and
2. That Audit Committee recommend that Council receive this report for information.

### PREVIOUS COUNCIL DIRECTION / POLICY

Bylaw 30M2004 (as amended) established the position of City Auditor and the powers, duties and functions of the position. Under the City Auditor's Office Charter, the City Auditor presents an annual risk-based audit plan to Audit Committee for approval. The City Auditor's Office 2017/18 plan was approved on 2016 November 10. The City Auditor is accountable to Council and subject to the oversight of Audit Committee under Bylaw 48M2012 (as amended).

### BACKGROUND

CPA is the City of Calgary's (The City's) partner entrusted to manage, control, operate and maintain designated off-street parking areas, structures, and facilities owned and leased by The City as established under the Calgary Parking Authority Bylaw 28M2002. As of 2017 December 31 CPA owned and operated 5,220 stalls across seven parkades with an assessed value of \$290M that generated gross annual revenue of \$27.2M. In 2017, CPA returned \$19.8M to The City based on Bylaw distribution requirements.

The objective of this audit was to assess the adequacy of CPA's asset management processes for the parkade portfolio CPA owns and operates. This objective was achieved by assessing the design and operational effectiveness of significant controls that mitigate safety, financial and reputational risks.

### INVESTIGATION: ALTERNATIVES AND ANALYSIS

We were unable to complete full testing of significant controls due to recent CPA staff turnover and current documentation retention practices. Based on supporting information available we determined the asset management processes required significant improvement.

A top priority is the development of an Asset Management Strategy that aligns asset management activities to organizational objectives and is integrated into areas with a role in asset management. This strategy will set the foundation for effectively managing assets which will help CPA realize optimal value over each parkade's full lifecycle and manage safety risks associated with parkades in poor condition. Another essential component of effective asset

## **Calgary Parking Authority Asset Management Processes Audit**

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management is developing individual Lifecycle Strategies for parkades based on criticality and risk of failure. These strategies will enable CPA to optimize resource allocation between operations and capital maintenance and make risk-based decisions on prioritizing projects and replacement or divestment of parkades.

Once these strategies have been developed, CPA can leverage and enhance current asset management processes and:

- Clarify and document the purpose of the Parking Structure Replacement Fund, set a target balance, and establish supporting processes to ensure an appropriate fund balance is achieved.
- Utilize current Land Summary Reports and Capital Replacement Studies to develop a comprehensive Asset Registry that contains information required to perform effective lifecycle analysis, including significant structural, mechanical and electrical components and associated condition assessments.
- Confirm the criteria currently utilized for prioritizing projects in 5-Year Capital Plans, which identify yearly preventative and lifecycle maintenance repairs for each parkade, and revise the current capital plan as needed to ensure alignment to the Lifecycle Strategy and effective resource allocation.
- Document asset management processes and establish record retention requirements to further support sustainability of operations.

### **Stakeholder Engagement, Research and Communication**

This audit was conducted with the Facilities and Finance teams within the Calgary Parking Authority with the General Manager acting as the principal audit contact.

### **Strategic Alignment**

Audit reports assist Council in its oversight of the City Manager's administration and accountability for stewardship over public funds and achievement on value for money in City operations.

### **Social, Environmental, Economic (External)**

N/A

### **Financial Capacity**

#### **Current and Future Operating Budget**

N/A

#### **Current and Future Capital Budget**

N/A

### **Risk Assessment**

The activities of the City Auditor's Office serve to promote accountability, mitigate risk, and support an effective governance structure. This audit was undertaken as part of the approved City Auditor's Office 2017/2018 Annual Audit Plan since CPA's parkades are vital to their core

**Calgary Parking Authority Asset Management Processes Audit**

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business. Effective asset management processes throughout each parkade's lifecycle are fundamental to ensure customer safety, sustainability of CPA's operations and continued financial return to The City. In addition, effective asset management will help realize optimal asset value over each parkade's lifecycle by supporting appropriate forecasting, resource allocation, and decision-making.

**REASON FOR RECOMMENDATIONS**

Bylaw 48M2012 (as amended) states: "Audit Committee receives directly from the City Auditor any individual audit report and forwards these to Council for information".

**ATTACHMENT**

Calgary Parking Authority Asset Management Process Audit - AC2019-0010