

New York City Department of Finance

Selected Aspects of Collecting Outstanding Amounts Due for Parking Violations

Report 2019-N-2 | March 2021

OFFICE OF THE NEW YORK STATE COMPTROLLER
Thomas P. DiNapoli, State Comptroller

Division of State Government Accountability



Audit Highlights

Objective

To determine whether the New York City Department of Finance (DOF) identifies and collects fines and fees that are due for parking violations. This audit covered 262,765 cases with outstanding balances of \$108,314,492 from January 1, 2012 through February 1, 2019.

About the Program

DOF is responsible for collecting and processing payments for parking fines for the approximately 30 entities that can issue parking summonses within New York City (NYC). During fiscal years 2017 through 2019, DOF processed more than 34 million summonses totaling more than \$2.8 billion that were issued to vehicles for parking, red light camera, bus lane camera, and school zone camera violations. DOF's responsibilities include generating and mailing notices of violations, collecting the amounts due, and adjudicating summonses that are disputed by the respondents.

To accomplish these tasks, DOF maintains its Summons Tracking and Accounts Receivable System (STARS). DOF's Computer Assisted Collection System (CACs) aggregates summonses issued to the same respondent into case numbers, and then assigns small-dollar cases (under \$350) to outside collection agencies (OCAs) under contract with DOF and cases with the highest probability of collection to in-house staff.

DOF's Collection Division is responsible for collecting all amounts due from summonses that are in judgment (i.e., a vehicle owner has failed to pay the fine, plead not guilty within the time allowed, or appear for a hearing). The Division includes the Parking and Environmental Control Board Compliance Unit (Compliance Unit), which has an In-House Collections Unit responsible for collecting fines and fees for violations issued within NYC, and also the Outside Collection Agency/External Inquiry Unit (External Inquiry Unit), which refers violations to two outside OCAs under contract with DOF.

The DOF Collection Division only enforces collections from respondents who have New York plates and live within NYC. DOF refers other cases to the NYC Law Department, which contracts with a law firm to collect amounts due with a net balance of at least \$999 if the respondents' addresses are in certain other states.

According to DOF reports for unpaid parking violations in judgment as of February 1, 2019, the outstanding balances due from New York State respondents (outside of NYC) totaled about \$67.6 million. Fines and fees due from respondents with addresses outside of New York State totaled \$145 million, including \$97 million due from respondents in states where DOF refers cases to the NYC Law Department. The balance remains with DOF for collection.

Key Findings

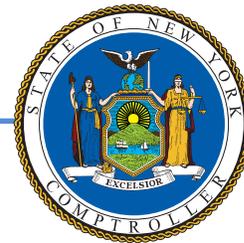
We reviewed selected aspects of the In-House Collections Unit, including respondents outside New York City and outside New York State, respondents outside NYC but within the State, and summonses returned from OCAs as uncollectible. Overall, we determined that DOF did not maximize collection of fines and fees owed for parking violations. NYC has large outstanding balances due from summonses for parking violations, and DOF has not always taken timely action to collect the fines and fees.

- Our review of a sample of 153 cases from the In-House Collections Unit totaling amounts due of \$2,192,063 revealed that DOF took action to collect in only 35 cases (23 percent).

-
- Due to the large volume of outstanding summonses for parking violations, some overdue amounts have fallen outside the statute of limitations.
 - Cases assigned to OCAs have often been classified as uncollectible, and no further collection activities have been taken by either the OCA or DOF.
 - Incorrect address information is contributing to a lack of collection. In many cases where the vehicle license plates were registered in New York State but the respondent's address was outside of New York State, the address information DOF had on file differed from the Department of Motor Vehicles registration database.

Key Recommendations

- Improve efforts to collect amounts due on summonses issued to vehicle owners residing outside of New York State.
- Increase efforts to collect amounts due on parking summonses for vehicles registered in New York State but with out-of-state addresses that have not been referred to the NYC Law Department.
- Develop and implement policies and procedures to address the collection of: amounts due for parking summonses in judgment; debt from lessee liable summonses; and debt from cases with high balances that were returned from OCAs.
- Establish policies and procedures to continue collection efforts on cases that are returned by secondary OCAs.



Office of the New York State Comptroller Division of State Government Accountability

March 23, 2021

Sherif Soliman
Commissioner
New York City Department of Finance
1 Centre Street, Room 500
New York, NY 10007

Dear Commissioner Soliman:

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

Following is a report of our audit entitled *Selected Aspects of Collecting Outstanding Amounts Due for Parking Violations*. The audit was performed pursuant to the State Comptroller's authority as set forth in Article V, Section 1 of the State Constitution and Article 3, Section 33 of the General Municipal Law.

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

Respectfully submitted,

Division of State Government Accountability

Contents

Glossary of Terms	5
Background	6
Audit Findings and Recommendations	8
Summonses Issued to Respondents in States With Outstanding Amounts Due.....	8
Parking Summonses Outside of NYC	9
CACS Parking Summonses Outside NYC but Within New York State	10
CACS Parking Summonses Outside of NYC and Outside New York State	11
Active In-House Parking Summonses	12
Recommendations.....	13
Audit Objective, Scope, and Methodology	15
Statutory Requirements	17
Authority.....	17
Reporting Requirements.....	17
Agency Comments	19
State Comptroller’s Comments	24
Contributors to Report	25

Glossary of Terms

Term	Description	Identifier
ALJ	Administrative Law Judge	<i>Key Term</i>
CACS	Computer Assisted Collection System	<i>System</i>
Compliance Unit	DOF Collections Division's Parking and Environmental Control Board Compliance Unit	<i>Unit</i>
DMV	Department of Motor Vehicles	<i>Agency</i>
DOF	New York City Department of Finance	<i>Auditee</i>
External Inquiry Unit	DOF Collections Division's Outside Collection Agency/External Inquiry Unit	<i>Unit</i>
OCA	Outside collection agency	<i>Key Term</i>
STARS	Summons Tracking and Accounts Receivable System	<i>System</i>
VIN	Vehicle Identification Number	<i>Key Term</i>

Background

The New York City Department of Finance (DOF) processes summonses issued to vehicles for parking, red light camera, bus lane camera, and school zone camera violations. This includes generating and mailing notices of violations, collecting the amounts due, and adjudicating summonses that are disputed by the respondents. During fiscal years 2017 through 2019, DOF processed more than 34 million summonses totaling more than \$2.8 billion.

When summonses are issued, vehicle owners must respond within 30 days. They can either pay the fine or challenge the summons by requesting that the matter be heard by an Administrative Law Judge (ALJ) either in person, online, or by mail. If found guilty by an ALJ, the vehicle owner is responsible for paying all late fees in addition to the fines. Payment plans can also be established at any DOF Business Center, if requested, by a respondent who owes at least \$350 in parking debt.

For vehicle owners who do not request a hearing or pay the fine after 90 days, the Vehicle and Traffic Law authorizes a default judgment.

A default judgment remains in effect for eight years in accordance with Vehicle and Traffic Law Section 241(3), after which the judgment may not be enforced. If an unpaid summons is not entered into judgment within two years after the issue date, it is written off. One reason why a summons may not be entered into judgment is if the summons is for a vehicle with out-of-state plates.

To accomplish its tasks, DOF maintains a computer application, the Summons Tracking and Accounts Receivable System (STARS). STARS interfaces with several outside sources, including the Department of Motor Vehicles (DMV), to obtain vehicle owner information. STARS also interfaces with DOF's Computer Assisted Collection System (CACS), which aggregates summonses issued to the same respondent that are in judgment into case numbers for assignment.

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

CACS automatically assigns parking cases to in-house staff or to outside collection agencies (OCAs), with cases with the highest probability of collection going to in-house staff. Small-dollar cases (under \$350) are assigned by DOF's External Inquiry Unit to either the primary or secondary OCA under contract with DOF. OCAs are required to return cases to DOF after six months as an incentive to quickly resolve them and so that they have the capacity to work new cases assigned to them each month.

Because DOF's Collection Division only enforces collections from respondents who have New York plates and live within New York City (NYC), DOF refers other cases to the NYC Law Department. The NYC Law Department contracts with a law firm to collect amounts due with a net balance of at least \$999 if the respondents' addresses are in the following states: California, Colorado, Florida, Illinois, Massachusetts,

Missouri, Nevada, New Jersey, New York (outside of NYC), Ohio, Pennsylvania, Texas, and Washington.

DOF provided us with a file of all summonses issued from February 1, 2018 to November 30, 2019. During this time period, 22,639,254 summonses were issued with a balance of \$375,395,630, as follows:

Fines and Fees Due From Respondents as of November 30, 2019

Amount Due for Plate	Number of Plates	Number of Summonses Issued to These Plates	Total Amount Due
No Amount Due	3,205,086	10,495,408	\$0
\$1-\$349	1,246,039	6,568,208	154,358,504
≥ \$350	226,620	5,575,638	221,037,126
Totals	4,677,745	22,639,254	\$375,395,630

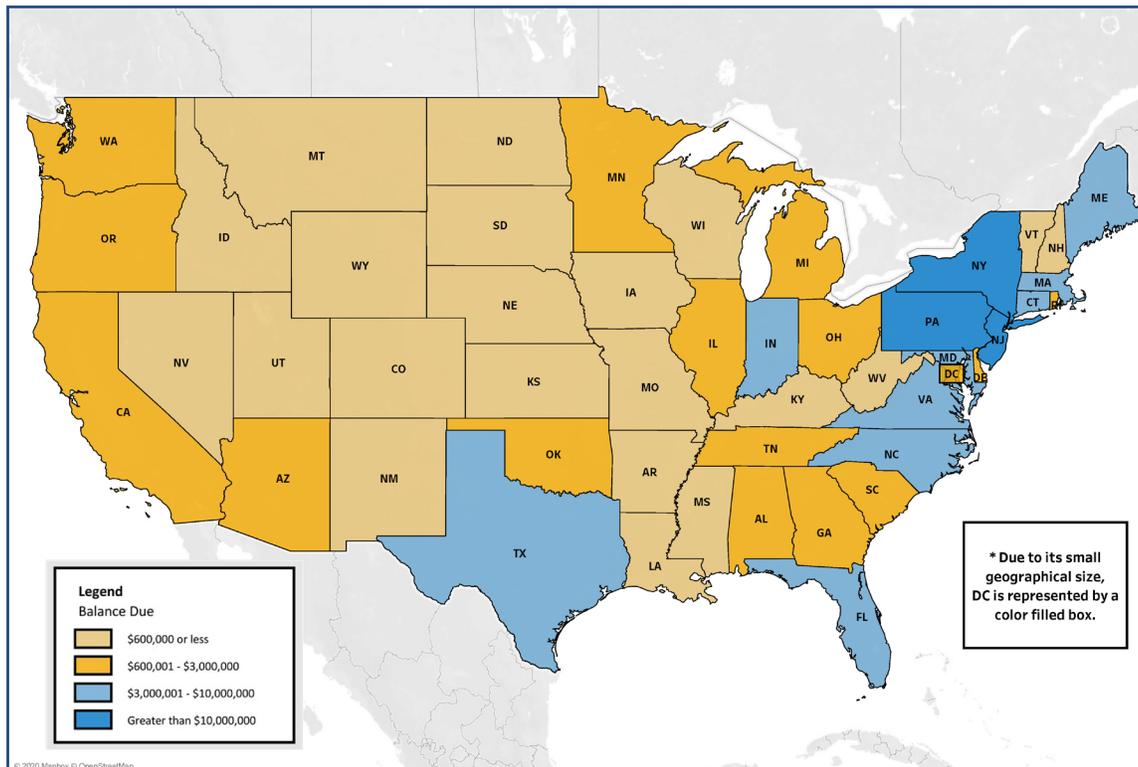
Audit Findings and Recommendations

We reviewed selected aspects of the In-House Collections Unit, including respondents outside NYC and outside New York State, respondents outside NYC but within the State, and summonses returned from OCAs as uncollectible. Overall, we determined that DOF did not maximize collection of fines and fees owed for various traffic and parking violations. NYC has large outstanding balances due from summonses for parking violations, and DOF has not always taken action to collect the fines and fees, resulting in some overdue amounts falling outside the statute of limitations.

Summonses Issued to Respondents in States With Outstanding Amounts Due

Our review of all summonses issued from February 1, 2018 to November 30, 2019 showed that 11 states, excluding New York, had more than \$3 million in outstanding summons debt. Excluding New York, New Jersey had the highest amount at more than \$48 million (see Figure 1).

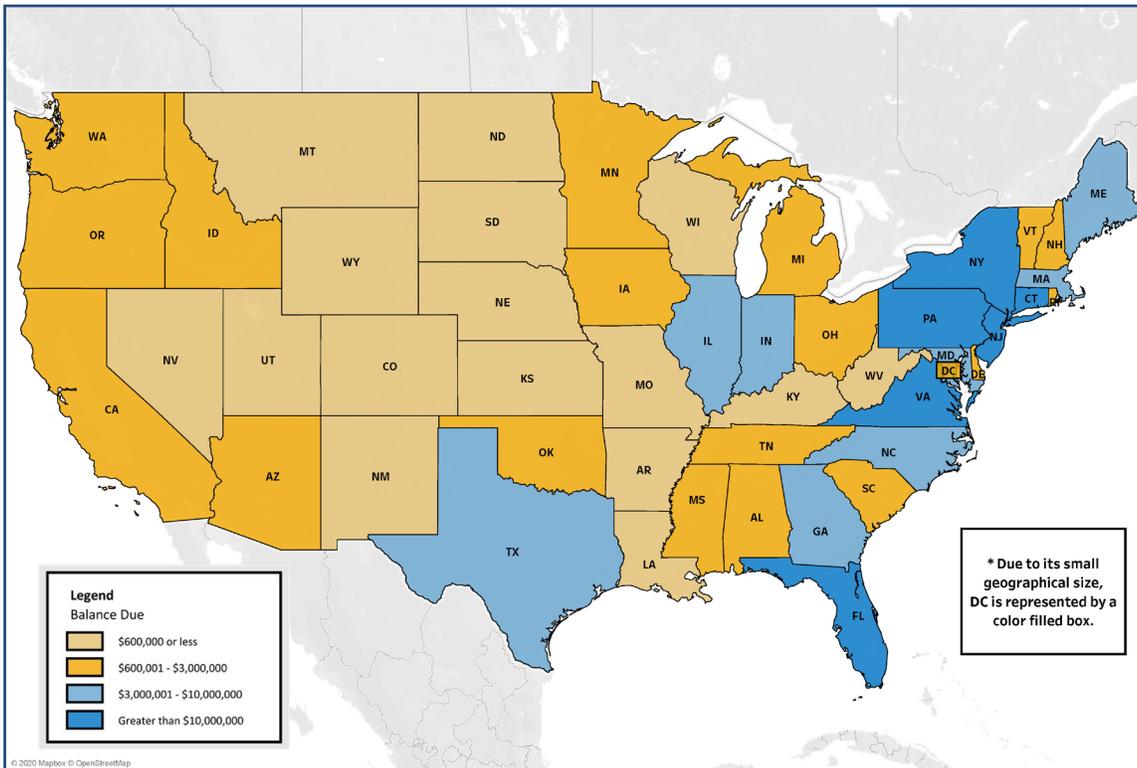
Figure 1 - Amounts Outstanding for Summonses Issued From 2/1/2018 to 11/30/2019



Data source: NYC DOF.

This pattern has been consistent over time. From January 1, 2014 to January 31, 2018, there were 13 states with summons debt over \$3 million. These states include the 11 states that still had summons debt over \$3 million in the February 1, 2018 to November 30, 2019 period. Similarly, excluding New York, New Jersey had the highest amount at nearly \$63 million (see Figure 2).

Figure 2 - Amounts Outstanding for Summonses Issued From 1/1/2014 to 1/31/2018



Data source: NYC DOF.

Parking Summonses Outside of NYC

The DOF Collection Unit only enforces collections from respondents who have New York plates and live within NYC. For cases that do not meet this criteria, DOF refers them to the NYC Law Department, which contracts with a law firm to collect amounts due for cases with a net balance of at least \$999 where the respondents' addresses are in the following states: California, Colorado, Florida, Illinois, Massachusetts, Missouri, Nevada, New Jersey, New York (outside of NYC), Ohio, Pennsylvania, Texas, and Washington.

We initially selected a sample of 100 cases that had a combined net balance of \$1,016,239 for the period July 1, 2012 through February 1, 2019. The sample consisted of 58 cases that each had a net balance between \$100 and \$10,000, totaling \$57,984, and 42 cases that each had a net balance greater than \$10,000,

totaling \$958,255. We reviewed 24 cases, totaling \$498,586, from the 42 cases that had an individual net balance due greater than \$10,000. Our review showed that DOF sent letters to all the respondents in an attempt to collect the amounts due. Partial payments were collected for 13 of these cases. DOF submitted 19 of 24 cases to OCAs, including two cases that were assigned to only a primary OCA. According to DOF's operating procedures, the remaining five cases were lessee liable respondents (e.g., a lessee of a rental company vehicle) that could not be sent to OCAs. DOF sent a letter to the five lessee liable respondents informing them about their outstanding balance in judgment. However, besides the letter, DOF did not take other actions to try to collect from those five respondents, such as referring the cases to the NYC Law Department.

Moreover, after DOF recalled the 19 cases from the OCA, no further collection activities were undertaken and they were all classified as uncollectible. We found 11 cases have been idle for up to two years.

In response to our preliminary findings regarding the lack of follow-up for collection of outstanding balances, DOF agreed with our recommendation to continue collection efforts for the 24 cases. DOF officials also stated that follow-up processes were already in place, but they were unable to provide supporting documentation for these processes. Although DOF provided information concerning a new policy commencing on April 4, 2020, there was no documentation that the new policy was implemented. Additionally, DOF officials were unable to provide proof that all out-of-state cases need to be filed individually and that it is an expensive and time-consuming action as well as the reason they didn't submit all the cases to the NYC Law Department for referral to the OCA.

CACS Parking Summonses Outside NYC but Within New York State

We reviewed 50 cases listed as returned from an OCA totaling \$433,669. For each case, we determined: whether DOF sent letters to respondents; if the cases were referred to an OCA; and whether DOF took all possible actions, as required by DOF's procedures, to collect the debts prior to the end of the statute of limitations period. These actions could include establishing payment plans, issuing bank restraints, and instituting income executions.

Our review revealed that the In-House Collections Unit did not perform any collection efforts as established in DOF's standard operating procedures. However, In-House Collections Unit officials indicated that they do not perform further work on cases returned from OCAs as it is not their responsibility. They explained that all collection efforts have been exhausted since those cases were submitted to both a primary and a secondary OCA and were returned as uncollectible. Moreover, the officials indicated that DOF is awaiting a contract approval for a third OCA that will handle cases returned as uncollectible. In the interim, these cases remain idle until they are written off upon expiration of the statute of limitations, which for the cases we reviewed was anywhere from three months to two years.

In response to our preliminary findings, DOF agreed that its In-House Collections Unit needs to develop and implement clear policies and procedures that address the collection of amounts due for parking summonses in judgment, the collection of debt from lessee liable debtors, and circumstances under which cases should be recalled from OCAs. In some instances, DOF may need to change dollar thresholds so that prescribed actions are aligned with available In-House Collections Unit resources. DOF will make programming changes so that lessee liable judgment debt is assigned to OCAs if it is not collected by the In-House Collections Unit.

Although DOF's current computer system for collecting amounts due on parking summons judgment debt does not have the functionality to generate letters on a case-by-case basis, DOF agrees that when a collector sends a letter they should enter a note indicating that a letter was sent. DOF also plans to procure a new collection system that will support the generation of individual letters and preservation of copies.

In response to our preliminary finding regarding cases returned from OCAs, DOF agreed that clear policies and procedures regarding the processing of cases returned from OCAs are needed. DOF officials stated:

In-House Collections is expected to work all new cases with docketed debt over \$1K but it is not expected to work cases over \$350 a second time after they are referred to and then returned by collection agencies. Collection agencies are required to return debt after six months to give them an incentive to quickly work what we refer and so that they have the capacity to work new debt assigned to them each month. Upon return, we do not actively work these cases because they are considered less collectible. We only work them if the debtor approaches DOF or if DOF comes across new information for the respondent. The DOF Collection agrees that as part of its need to establish clear policies and procedures regarding how parking ticket judgment cases are worked that it needs to make clear that most cases returned by collection agencies are not required to be worked by In-House staff and the circumstances under which such cases should be worked.

CACS Parking Summonses Outside of NYC and Outside New York State

On a weekly basis, STARS receives a file from DMV containing updates of plate information, including new plate registrations and changes to existing ones. New plate information is added to the database and changes to existing plates, including address changes, are updated. On June 16, 2020, DOF officials told us they submit plate information for out-of-state vehicles to a vendor to check for updated addresses. Address corrections are also updated through the U.S. Postal Service Address Correction Service for changes in addresses and returned mail. DOF

does not recheck the addresses with DMV to find more current addresses to send violations to.

We reviewed a sample of ten cases where the vehicle license plates were registered in New York State but the respondent's address was outside New York State.

Cases With an Outstanding Balance Over \$25,000

We examined two cases that consisted of summonses issued to 16 vehicle plates with a total net balance due of \$72,673. Our review of DMV records found that, based on vehicle plates or Vehicle Identification Number (VIN), 13 addresses on DMV records differed from DOF's records. The remaining three vehicle plates were not on DMV's registration database when we searched by plate or VIN.

Cases With an Outstanding Balance Between \$20,000 and \$25,000

We reviewed three cases that consisted of summonses issued to 32 vehicle plates with a total net balance due of \$67,349. Our review of DMV records found that, based on vehicle plates or VIN, 24 addresses on the DMV records differed from DOF's records. The remaining eight vehicle plates were not on the DMV registration database when we searched by plate or VIN.

Cases With an Outstanding Balance Between \$15,000 and \$20,000

We reviewed five cases that consisted of summonses issued to 166 vehicle plates with a total net balance due of \$81,608. Our review of DMV records found that, based on vehicle plate or VIN, 67 of the addresses were the same in both DOF and DMV records. The addresses for 54 vehicle plates on the DMV records differed from DOF's records. The remaining 45 vehicle plates were not on DMV's registration database when we searched by plate or VIN.

In response to our preliminary findings, DOF stated that processes were already in place, but was unable to provide supporting documentation for these processes.

Active In-House Parking Summonses

We reviewed a sample of 103 cases listed in the Active In-House CACS Parking Inventory report. For each case, we determined whether DOF sent letters to debtors, referred the cases to an OCA, and took all possible actions to collect the debts owed prior to the end of the statute of limitations period. These actions could include establishing payment plans, issuing bank restraints, and instituting income executions.

Cases With an Outstanding Balance of \$1,000 or More

For 53 cases totaling \$1,737,572, we found 25 cases were in compliance with DOF's collections process. For the remaining 28 cases, which had a net balance due totaling \$382,748, we found that:

- For 14 cases, DOF did not make any collection efforts during the period they were assigned to the In-House Collections Unit.
- Six cases were inactive for about two years. For five there was no indication when collection actions would resume. One case was retained by the In-House Collections Unit for nearly two years before enforcement efforts began.
- The In-House Collections Unit performed partial collection actions for seven cases. However, it did not issue information subpoenas, bank restraints, and income/property executions against respondents with NYC addresses or with businesses located in NYC.
- For one case, the In-House Collections Unit did not explain why the full debt balance was not collected when sufficient funds were restrained from the respondent's bank account.

For 9 of the 53 cases, DOF officials stated that the respondent agreed to a payment plan, but they were unable to provide a copy of the agreed-upon payment plan.

Cases With an Outstanding Balance of \$350 and Up to \$999

We examined 50 cases in this category, with a net balance totaling \$20,822. We found ten of these cases were in compliance with DOF's collections process.

Of the remaining 40 cases, 35 were lessee liable cases and, therefore, not sent to OCAs. For these cases, the only enforcement action shown in CACS was the sending of letters to the respondents for 31 of the 35 cases. However, DOF was unable to provide us with any copies of these letters. Four cases were recalled from the OCAs, according to In-House Collections Unit staff, because they had a high balance totaling \$2,747. However, DOF took no further action on these four cases once they were recalled.

Failure to collect on amounts due on summonses inhibits the enforcement of NYC laws, thereby negatively impacting the quality of life and causing NYC to not realize revenues due.

Recommendations

1. Develop and implement policies and procedures that address the collection of: amounts due for parking summonses in judgment; debt from lessee liable summonses; and debt from cases with high balances recalled from OCAs.

-
2. Establish policies and procedures to continue collection efforts on cases that are returned by OCAs.
 3. Increase efforts to collect amounts due on parking summonses for vehicles registered in New York but where the owners reside in a different state and were not referred to the NYC Law Department.
 4. Periodically update addresses with the records maintained by DMV.
 5. Endeavor to collect amounts due on summonses issued to vehicle owners residing outside of New York State.
 6. Develop procedures to obtain vehicle owners' addresses maintained by other states' departments of motor vehicles in order to collect amounts due.
 7. Develop written procedures stating when information about out-of-state respondents will be requested from the vendor.

Audit Objective, Scope, and Methodology

The audit objective was to determine whether DOF identifies and collects fines and fees that are due for parking violations. This audit covered 262,765 cases with outstanding balances of \$108,314,492 from January 1, 2012 through February 1, 2019.

To accomplish our audit objective and evaluate the relevant internal controls, we interviewed DOF officials and reviewed DOF's records, policies, and procedures to gain an understanding of the summons processing and collections systems. We obtained data from DOF's STARS and CACS. We mapped all DOF summonses issued from January 1, 2014 to January 31, 2018 and all DOF summonses issued from February 1, 2018 to November 30, 2019.

DOF provided us with five CACS inventory reports of unpaid parking violations that were placed in judgment as of February 1, 2019: 1. Active In-House CACS Parking Inventory; 2. All CACS Parking Inventory outside of NYC but inside of NYS; 3. All CACS Parking Inventory outside of NYC and outside of NYS; 4. City Employee Parking Match outside of NYC but inside of NYS; and 5. City Employee Parking Match outside of NYC and outside of NYS.

The reports aggregate summonses issued to the same name into cases. Some of these cases may have multiple plates. We sampled cases from Reports 1, 2, and 3. We did not sample Reports 4 and 5 because of the low number of cases in these reports and the greater likelihood of collection from City employees.

From the cases assigned to the In-House Collections Unit in Report 1, we filtered for summonses issued from July 1, 2013 through February 1, 2019 and then filtered for cases with net balance due greater than \$1,000. This resulted in 9,390 cases with a total net balance due of \$29,993,050. We stratified the 9,390 cases into ten strata and determined a sample size of 53 cases based on a percentage to the total value. We judgmentally selected a sample of 53 cases, selecting the cases with the highest net balance due in each stratum. The 53 cases had a net balance due totaling \$1,737,572.

We also reviewed a random sample of 50 cases from Report 1. These cases had a net balance between \$100 and below \$1,000 for a total of \$20,822.

For Report 2, we reviewed the records returned as uncollectible with a net balance over \$100 for summonses issued between July 1, 2013 and February 1, 2019. This resulted in 85,029 cases with a total net balance \$30,592,004. We stratified the 85,029 cases into seven strata and selected the number of cases in each stratum proportionate to the total value, selecting cases with the highest net balance due in each stratum. We reviewed a judgmental sample of 50 cases with a net balance amount totaling \$433,668.

We obtained from DOF a file dated February 1, 2019 titled "All CACS Parking Inventory outside NYC and NYS," also known as Report 3. This report listed 1,161,280 summonses, and totaled \$145 million consisting of three categories:

-
- Cases where the respondent's address is in a state that the NYC Law Department's OCA contracts to collect (\$59.4 million).
 - Cases where the vehicle receiving a summons was registered to a person residing in New Jersey, which could be referred to the NYC Law Department for collection by its OCA (\$38 million).
 - Cases where the respondent resides in a state where the NYC Law Department's OCA does not collect (\$47.7 million).

We determined that there were 168,346 cases with a net balance of \$47,729,438. We then filtered for cases dated post 2011. We judgmentally selected for review 100 cases comprised of 58 cases from three strata and all 42 cases from the stratum above \$10,000 where the summonses were issued after 2011. The 58 cases consisted of 18 cases randomly selected in the \$100 to \$350 stratum, 20 cases randomly selected in the \$350 to \$1,000 stratum, and 20 cases randomly selected in the \$1,000 to \$10,000 stratum.

The 100 cases had a combined net balance amount of \$1,016,239.

We reviewed 24 of the 42 cases for out-of-state respondents who owed more than \$10,000. The 24 cases totaled \$498,586. The full sample was not done due to COVID-19 restrictions resulting in no access to DOF records.

We also filtered Report 3 for cases where the vehicle was registered in New York State but the respondent resided outside of New York State. We judgmentally selected a total of ten cases with the highest net balance due for review. The ten cases represented the highest net balances due between \$15,000 and more than \$25,000. The results of our samples were not intended to be projected to the population.

Statutory Requirements

Authority

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

We conducted our performance audit in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained during our audit provides a reasonable basis for our findings and conclusions based on our audit objective.

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

Reporting Requirements

We provided a draft copy of this report to DOF officials for their review and formal comment. Their comments were considered in preparing this final report, and are included at the end of it. (In their response, DOF officials cited their "STARS Functional Guide – Name and Address Processing," an internal guide to certain processing procedures, and also attached the guide to their response. This attachment has not been reproduced within our report but has been retained on file at the Office of the New York State Comptroller.)

DOF officials agreed with four of the seven audit recommendations and indicated actions were taken to implement three of them. They disagreed with our conclusion that additional action should be taken related to available information from DMV, stating their current process is sufficient. However, we were unable to test this assertion due to their failure to provide the information in a timely manner. They also developed a formal guide for name and address processing that addressed two recommendations about the lack of procedures. Our responses to certain DOF comments are included in the report's State Comptroller's Comments.

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

Agency Comments



Jeffrey M. Shear
Deputy Commissioner, Treasury and Payment Services
1 Centre Street, Suite 500
New York, NY 10007
shearj@finance.nyc.gov
+1 212 602 7022 tel

January 25, 2021

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

Re: Draft Audit Report on the New York City Department of Finance- Selected Aspects of Collecting Outstanding Amounts Due for Parking Violations - 2019-N-2

Dear Ms. Maldonado

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

The attached response details DOF's position regarding the auditors' findings and recommendations. In addition, we added the functional guide to which we refer in the response. If you have any questions, you may contact Sam Mayer, Senior Director of Internal Audit, at 212-291-2536 or mayers@finance.nyc.gov.

Sincerely,

A handwritten signature in blue ink that reads "Jeffrey Shear".

Jeffrey Shear
Deputy Commissioner

cc: Sherif Soliman, Commissioner
Michael Hyman, Acting Commissioner
Sam Mayer, Senior Director, Internal Audit
Florim Ardolli, Associate Director for Audits, Mayor's Office of Operations
Pamela Parker – Cortijo, Assistant Commissioner, Collections
Agnes Rusin, Director, Parking Operations

Attachments

**DOF Response to Draft Audit Report on Selected Aspects of Parking
Violations Operations to Collect Fines and Fees-2019-N-2**

DOF Response to Recommendations

- 1.Recommendation: Develop and implement policies and procedures that address the collection of amounts due for parking summonses in judgment; debt from lessee-liable summonses; and debt from cases with high balances recalled from outside collection agencies (OCAs).

DOF Response: This recommendation has been implemented. As of April 2020, our procedures have been updated to ensure that lessee-liable debt will be automatically assigned to either the Law Department or an OCA after a period of in-house collection efforts.

- 2.Recommendation: Establish policies and procedures to continue collection efforts on cases that are returned by OCAs.

DOF Response: DOF agrees with the recommendation. Judgment debt is assigned to a primary OCA that works the debt for six months; the inventory then moves to a secondary OCA that works the debt for an additional six months. We have completed our onboarding of a tertiary OCA that works the debt for an additional six months after the assignment to the secondary OCA expires. Upon return from the tertiary OCA, the debt moves to an uncollectible status. However, judgments in an uncollectible status remain open for eight years after docketing and new financial activity redirects an uncollectible case back to an active collection state for balances over a certain amount.

- 3.Recommendation: Increase efforts to collect amounts due on parking summonses for vehicles registered in New York but where the owners reside in a different state and were not referred to the NYC Law Department.

DOF Response: This recommendation has been implemented. This finding relates to a very small amount of parking summons debt. Prior to April 2020, lessee-liable debt was worked in-house but was excluded from Law Department and OCA referrals of debt where the owner's address is outside of New York state (out of state or OOS). Lessee-liable debt represents 14% of our inventory. Of this 14%, only 10% (or 1.4% of all debt) is OOS lessee-liable debt. As of April 2020, our procedures have been updated to ensure that lessee-liable debt, including out of state lessee-liable debt, will be automatically assigned to either the Law Department or the OCA after a period of in-house collection efforts.

- 4.Recommendation: Periodically update addresses with the records maintained by DMV.

DOF Response: DOF disagrees with this recommendation. The finding upon which it is based not only applies to a small universe of outstanding parking ticket debt but also is based on a misunderstanding of the rental program, which is created by New York State law, and of DMV data available for expired license plates. DOF has three automated processes in place to obtain and maintain accurate and up-to-date addresses for all registrants with outstanding parking summons debt.

- With the issuance of every ticket, the system will automatically trigger a DMV request, either directly to the NY DMV system or through the out-of-state DMV vendor. The plate records in the system are updated with the information returned, including the addition or modification of registrant names and addresses.
- The NY DMV provides an additional weekly data feed to DOF, which contains any updates to a vehicle's registration record, including changes of address. These address changes are then updated in the system.
- DOF receives a weekly electronic data feed from the United States Postal Service containing undeliverable and forwarded mail transactions resulting from the letters mailed to respondents. A notification of an undeliverable letter will trigger the address to be marked as undeliverable in the system. A notification of a forwarded letter is accompanied by a forwarding address, which is then added to the plate record in the system.

The rental program gives enrolled leasing companies the opportunity to transfer liability for outstanding parking tickets from the leasing company to the lessee at the time the infraction was incurred. This requires regular communication between DOF and rental program participants. The company address given by the rental program participant is not required to match DMV registration records for the vehicles owned by the company. (In fact, the company may own vehicles with different registration addresses.) The company address that the participant gives DOF has no bearing on the company's legal responsibility for outstanding parking tickets. If a participant does not transfer liability to a lessee, DOF will enter a judgment against the participant using the DMV registration address of the vehicle that committed the infraction. When a rental program participant transfers liability to a lessee, it does so by providing DOF with the lessee name and address that the leasing company has on file. This address does not have to match DMV records (in fact, the lessee may not own a DMV-registered vehicle).

Two of the incorrect addresses cited by the Comptroller's Office are rental participant mailing addresses provided to DOF for communication purposes and have no bearing on the legal liability of the participant. These addresses are stored in our case-tracking system so that a consolidated bill covering a participants' liability for all of its vehicles is sent to a single location. These addresses do not need to match DMV registration addresses. In the case of a company that has vehicles registered at multiple addresses, it is not possible to have the billing address match all the DMV records. What is most important is that DOF notify the company of its liability in order to collect the debt. For the two cases in question, DOF's case-tracking system has the correct and up-to-date

mailing address for the rental companies.

Five of the incorrect addresses cited by the Comptroller's Office pertain to cases where liability was transferred from a rental program participant to a lessee. For such lessee-liable cases, the address maintained in our case-tracking system is the address given by the rental company as being associated with the person who rented or leased the vehicle that was ticketed. As indicated above, these addresses are not required to be DMV registration addresses and for lessees who own no vehicles it is not possible to supply a registration address. DOF is required to use the address supplied by the leasing company.

[Comment 2](#)

Finally, three of the incorrect addresses cited by the Comptroller's Office pertain to vehicles that are no longer actively registered with DMV. The address in our case-tracking system reflects the last address DOF was able to obtain prior to the plate going inactive. A plate goes inactive when its DMV registration expires and is not renewed. DMV does not update addresses for unregistered vehicles. Furthermore, after a plate goes unregistered for a period of time, it is often no longer available through our DMV interfaces. For cases involving expired plates no longer in operation where we determine that we don't have the correct address, DOF relies on manual investigation and external collection agencies to locate the debtor.

[Comment 3](#)

5. Recommendation: Endeavor to collect amounts due on summonses issued to vehicle owners residing outside of New York State.

DOF response: This recommendation has been implemented. As of April 2020, our procedures have been updated to ensure that OOS debt will be automatically assigned to either the Law Department or the OCA after a period of in-house collection efforts. Judgment debt is currently assigned to a primary OCA that works the debt for six months; the inventory then moves to a secondary OCA that works the debt for an additional six months. We have completed our onboarding of a tertiary OCA that also works the debt for six months after the assignment at the secondary OCA expires. Upon return from the tertiary OCA, the debt is moved to an uncollectible status. However, judgments in an uncollectible state remain open for eight years after docketing, and new financial activity redirects an uncollectible case back to an active collection state for balances over a certain amount.

6. Develop procedures to obtain vehicle owners' addresses maintained by other states' departments of motor vehicles in order to collect amounts due.

DOF Response: This recommendation is unnecessary. DOF does obtain, using a third-party vendor, vehicle owner names and addresses for plates registered outside of New York. A more detailed description of this processes can be found in the attached document entitled "STARS Functional Guide – Name and Address Processing."

[Comment 4](#)

7. Develop written procedures stating when information about out-of-state respondents

will be requested from the vendor.

DOF Response: This recommendation is unnecessary. The written procedure already exists. Please refer to the attached document entitled "STARS Functional Guide – Name and Address Processing."

[Comment 5](#)

State Comptroller's Comments

1. We did not misunderstand the process of the rental program. Moreover, throughout this audit, DOF failed to provide information about key controls, which prevented us from testing if these controls were implemented. Theoretically having a control is different from implementing it – a point that this audit clearly demonstrates.
2. DOF indicates that if it is provided an address for the lessee, the responsibility for the summons is transferred. However, where the rental company does not provide an address, it remains liable for the summons, and the cases sampled had a net balance of over \$15,000.
3. When the plate was checked to DMV's database, it was active. In addition, DOF did not provide documentation to show when it determined the plate was inactive.
4. DOF did not have the guide when this audit was started and thus never provided it to auditors. Moreover, by not providing their guidance, it was impossible for us to test if the controls were appropriately implemented.
5. As discussed, DOF did not have written procedures when we started our fieldwork and created them subsequently. We view it as a positive outcome of the audit.

Contributors to Report

Executive Team

Tina Kim - *Deputy Comptroller*

Ken Shulman - *Assistant Comptroller*

Audit Team

Carmen Maldonado - *Audit Director*

Abe Fish - *Audit Manager*

Christine Chu - *Audit Supervisor*

Danielle Marciano - *Examiner-in-Charge*

Jean-Renel Estime - *Senior Examiner*

Alassane Kinda - *Senior Examiner*

Contact Information

(518) 474-3271

StateGovernmentAccountability@osc.ny.gov

Office of the New York State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236



Like us on Facebook at facebook.com/nyscomptroller

Follow us on Twitter @[nyscomptroller](https://twitter.com/nyscomptroller)

For more audits or information, please visit: www.osc.state.ny.us/audits/index.htm