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D.C. Worksite Parking Needs Better Management, Could Make \$2M-\$4M More

OCFO says Wilson Building parking should be taxed; below-market rate parking may be incentivizing drivers, contrary to D.C.'s environmental goals

WASHINGTON, August 2, 2018 – Poor management of the Worksite Parking Program for D.C. employees by the Department of General Services (DGS) has resulted in inconsistent treatment of program participants and a loss of revenue to the District, including at least \$331,684 from employees who got free parking, according to a new report by the District of Columbia Auditor (ODCA).

“As it turns out, there *is* such a thing as a free parking spot in the District of Columbia,” said D.C. Auditor Kathy Patterson. “And the District could take in \$4 million more with competitive rates and more consistent payments.”

Management deficiencies

DGS administers the Worksite Parking Program at seven District-owned buildings and three leased facilities, providing just over 1,000 parking spaces to District government employees among a total workforce of more than 30,000. ODCA did the audit to determine whether DGS effectively managed the Program and what additional revenue the District could generate by expanding the Program to additional District-owned and leased facilities and/or by charging parking fees more in line with the market rate.

Among those getting free parking: the D.C. Auditor. ODCA's downtown lease includes four parking spaces and after receiving an opinion during the audit from the Office of the Attorney General that the spaces should be considered taxable compensation, Patterson reported the benefit on her 2018 income taxes.

The audit shows that management deficiencies at DGS included a lack of supervisory reviews, segregation of duties and program monitoring, and unreliable program data. “We also found instances when employees who parked for free should have been taxed on a portion of the parking benefits they received, yet neither the Office of the Chief Financial Officer (OCFO) nor DGS took the initiative to address this disparity,” Patterson said.

No more free parking

The report recommends that the OCFO determine whether parking at the Wilson Building falls under the definition of qualified parking, in its response the OCFO said those parking spots are, in fact, considered qualified parking as defined by Internal Revenue Service (IRS) Code Section 132.

While DGS created an infrastructure for the Program and collected \$2 million in revenue annually during FYs 2014 through 2016, it failed to collect at least \$331,684 from employees who received free parking and \$26,880 from the Department of Health Care Finance, an agency that agreed to pay for parking on behalf of its employees.

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Cheap parking = not so green

The report also found that the \$140 monthly fee that Program participants pay equates to \$7 per day and is approximately 39 percent lower than the market rate for monthly parking, and auditors concluded that these low rates may be providing incentives for employees to drive to work, a conflict with D.C.'s environmental and energy goals.

The Bowser Administration has pledged to cut greenhouse gas emissions by 80 percent by 2050. In addition, in March 2017, the District Council introduced the Transportation Benefits Equity Amendment Act of 2017, which would amend the Sustainable DC Omnibus Act of 2014 to require covered employers who provide parking benefits to an employee to offer the employee the option to instead receive an equivalently-valued transportation benefit.

"If the District wants to remain on pace with reducing greenhouse emissions and promoting a sustainable environment, it should further evaluate how modifications to the Program can support those initiatives," Patterson said.

D.C. could generate revenue by expanding parking capacity

A special analysis in the report shows that the District could generate an additional \$2.2 million annually by expanding the Program to the Wilson Building, Unified Communications Center, and 36 leased facilities. If DGS charged the average market rate for parking at these locations and existing Program locations, the District could generate an additional \$4.3 million annually.

Auditors concluded, however that the management deficiencies identified in the report must first be addressed to minimize loss of revenue and the inequities identified.

DGS agreed with 8 of 9 ODCA recommendations; the OCFO concurred with 4 of 5 recommendations.

Among the report's other recommendations are that:

- DGS should significantly improve management of the payment processes and fair and equitable enforcement of payment policies.
- The Office of Pay and Retirement Services should significantly improve its supervisory reviews of payments and documentation.
- DGS should require employees who currently park at leased buildings for free to pay the cost of parking as defined in the lease agreement, enroll those employees in the Program or consider parking a taxable benefit, and update DGS's Citywide Parking Policies to reflect the policy change.
- DGS should obtain control over all Henry Daly Building parking spaces and ensure that all employees who park their personal vehicles there are enrolled in the Program and charged the Program fee.
- DGS should work with the District's elected leadership to determine whether the Program should be modified and broadened.

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