ARLINGTON
VIRGINIA

# Internal Audit Report: Contract Compliance

## SP Plus Corporation Parking Services
## Contract No. C24541 (22-DES-RFPLW-537)

May 20, 2026

RSM

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Transmittal Letter

May 20, 2026

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Pursuant to the contract and related statement of work for Arlington County, Virginia (County), we hereby present this contract compliance internal audit report for the County's engagement with SP Plus Corporation, d/b/a SP+ Municipal Services, under Contract No. C24541 (22-DES-RFPLW-537) *Arlington County Parking Garages Operations and Maintenance Services*.

Our report is organized into the following sections:

| | |
|---|---|
| **Executive Summary** | This section includes a background summary of the function, the objectives and approach, and a detailed description of the observation(s) noted during this audit. |
| **Background** | This section provides an overview of the function within the process and pertinent operational controls and related compliance requirements. |
| **Objectives and Approach** | The internal audit objectives are expanded upon in this section, as well as a review of the various phases of our approach. |

We would like to thank the staff and all those involved in assisting our firm with this internal audit.

Respectfully Submitted,

***RSM US LLP***

# Executive Summary

## Background

Arlington County's (County) Purchasing Manual establishes a Contract Administration Policy applicable to all contracts. This policy defines a standardized process for contract administration and outlines roles and responsibilities for County personnel tasked with managing contractual relationships.

The SP Plus Corporation (SP+, Contractor) contract selected for this contract compliance audit is managed by a Project Officer within the County's Department of Environmental Services (DES), Parking and Curb Space Program. Contract No. C24541 (22-DES-RFPLW-537) (Contract) is a services contract to provide parking garage operations and management services for certain County facilities, specifically the Ballston, Arlington Mill, and Lubber Run garages. The Contract went into effect on February 23, 2023 following the County's transition from the prior parking operations vendor.

A prior contract compliance audit of the County's former parking services vendor identified opportunities to strengthen contract administration practices, particularly in areas related to monitoring, documentation, and Project Officer oversight. While the operating environment has since evolved, including a transition to more automated systems and reduced reliance on cash handling, these areas remain key components of the County's broader contract compliance framework and were considered in scoping this review.

During the audit period (January 1, 2025 through December 31, 2025), the County collected approximately $3.6 million in revenue and incurred $1.9 million in expenses related to parking garage operations. The Ballston, Arlington Mill, and Lubber Run garages generate revenue through daily and monthly parking activity. For reporting purposes, Ballston Garage operations are presented separately for Levels 1–7 and Level 8 due to differences in operating and revenue structures between these areas. Ballston Levels 1–7 and Level 8 represent the majority of overall garage activity, while Lubber Run and Arlington Mill facilities incurred operating expenses exceeding revenue during the audit period.

## Objectives and Scope

The objective of this internal audit was to assess whether the County's contract administration and monitoring controls are adequately designed and operating effectively to ensure compliance with key terms of the parking operations services contract for the period January 1, 2025 through December 31, 2025.

The scope of this audit included review of contract administration processes, monitoring practices, and compliance with key contractual requirements. Procedures performed included:

- Walkthroughs with key County stakeholders to understand the contract, staffing needs, and processes for invoicing, approvals, and monitoring.
- Review of the Contract, relevant policies, procedures, agreements, and other documentation to understand contract administration and monitoring processes.
- Testing of a sample of payments across garages to evaluate compliance with contract terms, including approvals, accuracy, supporting documents, and timeliness of payments.
- Assessment of garage-level procedures and practices related to revenue collection and remittance, system usage, monitoring of staff, background checks and living wage compliance.
- Evaluation of overall contract administration and compliance processes and controls for effectiveness, including verification of key contractual requirements.

Fieldwork was performed from February 2026 through May 2026 in accordance with applicable internal audit standards.

## Overall Summary / Highlights

The observations identified during our assessment are detailed in the following sections. Each observation has been assigned a relative risk rating to indicate the severity of the concern and its potential impact on County operations. Risk ratings consider multiple factors, including financial impact, operational efficiency, compliance with laws, regulations, and policies, and public perception or reputational risk. These ratings are intended to help prioritize corrective actions and resource allocation.

## Summary of Observation Ratings

*(See page 3 for definitions)*

| | High | Moderate | Low |
|---|---|---|---|
| SP+ Contract Compliance | 1 | - | 2 |
| *Process Improvement Opportunities: 2* | | | |

*We would like to thank all County team members who assisted us throughout this internal audit.*

# Executive Summary (Continued)

## Observation Summary

The following table summarizes the observations and process improvement opportunities identified during this internal audit. Detailed descriptions, including risk ratings and recommended actions, are presented in the sections that follow.

| Summary of Observations | |
|---|---|
| **Observations** | **Rating** |
| 1. Gaps in Monitoring and Oversight of Living Wage Compliance | **High** |
| 2. Incomplete Verification of Required Insurance Coverage | **Low** |
| 3. Lack of Periodic Monitoring of Background Check Requirements | **Low** |
| 4. Opportunity to Formalize Contractor Performance Monitoring Framework | **Process Improvement** |
| 5. Opportunity to Align Contract Terms with Current Operations | **Process Improvement** |

Provided below are the observation risk rating definitions for the detailed observations.

| Observation Risk Rating Definitions | |
|---|---|
| **Rating** | **Definition** |
| **Low** | Observation presents a low risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of low importance to business success/achievement of goals. Action should be taken within 12 months (if related to external financial reporting, must mitigate financial risk within two months unless otherwise agreed upon). |
| **Moderate** | Observation presents a moderate risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of moderate importance to business success/achievement of goals. Action should be taken within nine months (if related to external financial reporting, must mitigate financial risk within two months). |
| **High** | Observation presents a high risk (i.e., impact on financial statements, internal control environment, or business operations) to the organization for the topic reviewed and/or is of high importance to business success/achievement of goals. Action should be taken immediately, but in no case should implementation exceed six months (if related to external financial reporting, must mitigate financial risk within two months). |

# Executive Summary (Continued)

## Detailed Observations

| Observation | 1. Gaps in Monitoring and Oversight of Living Wage Compliance |
|---|---|
| **High** | Living Wage compliance requirements established by the County require vendors subject to the Living Wage Ordinance to submit certified payroll documentation on a quarterly basis to demonstrate compliance. In accordance with County requirements, these submissions are intended to evidence that contractors are compensating employees at or above the established Living Wage rate.<br><br>Per County procedures, responsibility for collecting and reviewing Living Wage documentation resides with a centralized function (e.g., DMF/Purchasing); however, Project Officers are also expected to obtain and review Living Wage submissions as part of their contract monitoring responsibilities. This dual oversight model is intended to ensure that Living Wage requirements are met and that submitted payroll data reasonably reflects actual staffing under the contract.<br><br>Based on inquiry and review, while processes exist for requesting and reviewing Living Wage submissions, control gaps within both the centralized Living Wage process and contract-level oversight resulted in extended noncompliance.<br><br>Specifically:<br>• Living Wage submission requests were issued; however, the centralized tracking process did not effectively monitor or identify vendors that failed to submit required documentation for review.<br>• As a result, the County did not have complete visibility into whether SP+ submitted required Living Wage documentation for multiple reporting periods.<br>• The most recent Living Wage documentation available for SP+ was from Q3 2023, and required submissions had not been received for over two years.<br>• The Project Officer did not have visibility into the status of Living Wage submissions maintained by the centralized function and was unaware that required documentation had not been submitted by the contract.<br>• Living Wage submissions reviewed by the centralized function were not consistently communicated or made available to the Project Officer to support contract-level monitoring.<br><br>This condition resulted from control gaps in the design and coordination of Living Wage monitoring activities, including:<br>• The absence of an effective centralized tracking and escalation mechanism to identify and follow up on missing Living Wage submissions; and<br>• Limited integrated and communication between the centralized Living Wage compliance function and contract-level oversight, resulting in insufficient visibility for Project Officers into vendor compliance status.<br><br>As a result of these combined control gaps, the contractor did not submit required Living Wage documentation for an extended period without detection. These control gaps are consistent with broader themes identified in prior contract compliance reviews, including the need for stronger coordination between centralized compliance functions and contract-level oversight, as well as more formalized tracking and documentation of compliance activities.<br><br>This exposes the County to an increased risk of undetected noncompliance with Living Wage requirements, reduces transparency into vendor adherence with contractual and regulatory obligations, and limits the County’s ability to validate that reported payroll aligns with actual staffing under the contract. Prolonged gaps in compliance monitoring may also result in reputational and regulatory risk. |

# EXECUTIVE SUMMARY (CONTINUED)

## Detailed Observations (continued)

| Observation | 1. Gaps in Monitoring and Oversight of Living Wage Compliance (continued) |
|---|---|
| **Recommendation** | We recommend that management strengthen Living Wage monitoring controls by reinforcing both centralized oversight and Project Officer responsibilities. Specifically:<br>• Enhance the centralized Living Wage tracking process to clearly identify required submissions by vendor and reporting period and automatically flag missing or overdue documentation;<br>• Establish defined escalation protocols to ensure timely follow-up on noncompliance;<br>• Implement a process to systematically share Living Wage submissions and review results from the centralized function with the assigned Project Officer for each contract. |
| **Management Action Plan** | **Management's Response:** Management concurs with the recommendation and recognizes the importance of maintaining effective controls over Living Wage compliance monitoring. While the finding identified that the contractor did not submit required payroll documentation for an extended period, Purchasing conducted ongoing outreach and compliance follow-up efforts throughout the contract term. Purchasing communicated with the contractor on **17 separate occasions** requesting the required Living Wage payroll submissions and seeking resolution of the outstanding compliance issue.<br><br>There are two issues involved here. First, the eComply software does not provide reporting to indicate when a vendor hasn't submitted their reports. Purchasing has reached out to the software vendor to request that reports be provided when a vendor has not submitted in addition to the current reports that display when there are issues with the data provided. In the interim, staff has developed a manual tracking system to validate that reports are received when expected.<br><br>Second, staff needs to escalate when progress isn't occurring. The Purchasing Division Chief has already spoken with staff about the need to escalate this type of non-compliance to her as soon as possible as this is a legal requirement of the contract and there are legal tools available to the County to enforce compliance.<br><br>The vendor has submitted payroll reports for Q1 2026 and they are working on submitting the previous missing reports. There are no compliance issues with the most recent report reviewed.<br><br>The audit finding also highlights the challenges associated with administering Living Wage compliance reviews across more than 100 active contracts with existing staff resources. Purchasing has put in place standardized escalation procedures and will increase coordination with Project Officers to improve monitoring coverage and timely resolution of compliance issues to include:<br>• Monitoring and tracking of Living Wage payroll submission requirements by contractor and reporting period through a centralized monitoring process with follow-up and notifications to the Project Officer.<br>• Identification and follow-up of overdue payroll submissions within 30 days of a missed reporting deadline.<br>• Formal documentation of all compliance outreach and escalation activities to support audit transparency and accountability.<br>• Timely notification to Project Officers and the Purchasing Division Chief of compliance deficiencies and escalation actions, improving shared accountability for contract oversight.<br>• Reduction in extended periods of undocumented noncompliance through earlier detection and intervention. |

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# Executive Summary (Continued)

## Detailed Observations (continued)

| Observation | 1. Gaps in Monitoring and Oversight of Living Wage Compliance (continued) |
|---|---|
| **Management Action Plan (continued)** | **Management's Response (continued):**<br><br>These enhancements will strengthen internal controls, improve the timeliness and consistency of compliance monitoring, and help ensure Living Wage requirements are effectively administered and enforced across all applicable contracts. In the event of repeated non-compliance or non-responsiveness, the Purchasing Agent will use available contract mechanisms to resolve the issue.<br><br>**Responsible Party:** DMF Purchasing<br><br>**Target Date:** Complete and ongoing |

# EXECUTIVE SUMMARY (CONTINUED)

## Detailed Observations (Continued)

**Observation** — **2. Incomplete Verification of Required Insurance Coverage**

**Low**

Contract provisions require the contractor to maintain specified insurance coverages and limits throughout the term of the agreement and to provide Certificates of Insurance (COIs) evidencing compliance with those requirements. The Contract specifies that the Contractor shall maintain required insurance coverages and provide evidence of such coverage to the County. The County is responsible for verifying that vendor-provided COIs demonstrate compliance with these contractual requirements for the applicable coverage period.

Based on review of insurance documentation maintained for the audit period, the Certificate of Insurance on file did not include several coverages explicitly required by the contract, including Cyber Liability, Bailee's Inland Marine or Property Insurance, and Errors and Omissions coverage. As a result, there was no evidence available during the audit period to confirm that this required coverage was in place.

| Contract Requirement | |
|---|---|
| Cyber Liability | $2,000,000 per occurrence |
| Bailee's Inland Marine or Property Insurance | To the value of all County equipment and property under the Contractor's possession. |
| Errors and Omissions | $1,000,000 per occurrence |

Following identification of this issue, the Project Officer obtained updated COIs from the vendor; however, the documentation provided reflected coverage for a subsequent period (2026) and did not address the absence of some of the COIs for the audit period under review (January 1, 2025 through December 31, 2025).

This condition is primarily attributable to the absence of a formalized control requiring periodic validation of Certificates of Insurance against contractual requirements at the time of receipt and renewal. As a result, incomplete or noncompliant coverage was not identified in a timely manner.

While no financial impact was identified during the audit period, the absence of evidence demonstrating compliance with required insurance provisions exposes the County to increased financial and operational risk in the event of an incident, claim, or loss. Without verified coverage aligned to contract requirements, the County may have limited recourse or financial protection in scenarios where contractor-related risks materialize.

**Recommendation**

We recommend that management implement a standardized review control whereby all Certificates of Insurance are formally reviewed against contract insurance requirements upon receipt and at each renewal cycle. This review should:

- Verify that all required coverages and limits specified in the contract are included for the applicable period;
- Require timely follow-up with the vendor to remediate any gaps or deficiencies; and
- Be documented and retained to evidence compliance with contractual requirements.

# Executive Summary (Continued)

## Detailed Observations (Continued)

| Observation | 2. Incomplete Verification of Required Insurance Coverage |
| --- | --- |
| **Management Action Plan** | **Management's Response:** Management concurs with the recommendation and acknowledges the importance of maintaining current Certificates of Insurance (COIs) throughout the contract term. Purchasing obtains and reviews Certificates of Insurance at contract execution to ensure the required coverages and limits are in place prior to contract award. However, ongoing contract administration, including monitoring the continued validity of insurance coverage during contract performance and at contract renewal, is a shared responsibility between Purchasing and the end user department. Purchasing will work with DES to obtain any missing COIs for 2025.<br><br>To strengthen controls, Purchasing will continue to train Project Officers and encourage Departments to establish internal standardized processes for documenting insurance reviews and identifying renewal requirements. Purchasing will send out an immediate email reminder to all current Project Officers regarding this important component of their responsibilities and encouraging checklists to include insurance reviews. Purchasing will continue to verify insurance requirements both at contract execution and at contract renewals, and assist with obtaining updated certificates as needed. Purchasing will reiterate to their staff the expectation that COI review is included in the contract renewal process. Departments, through their designated Contract Administrators and/ or Project Officers, will be responsible for monitoring contractor performance and ensuring current Certificates of Insurance are maintained throughout the contract term.<br><br>**Responsible Party:** DMF Purchasing and Departments<br><br>**Target Date:** Email August 2026 |

# EXECUTIVE SUMMARY (CONTINUED)

## Detailed Observations (continued)

| Observation | 3. **Lack of Periodic Monitoring of Background Check Requirements** |
|---|---|
| **Low** | Per the Contract, the County retains the right, at its discretion, to request a sample of current background checks for garage employees every six months, and all contractor personnel are required to be subject to appropriate background screening. The Contract further states that the County may request documentation evidencing such background checks and that changes in key personnel are subject to County review and approval.<br><br>These provisions are intended to provide the County with visibility into contractor personnel suitability and to support oversight of compliance with contractual expectations related to staffing.<br><br>Based on inquiry and review, the County did not obtain or retain documentation evidencing background checks performed by the contractor for garage personnel during the audit period. Specifically:<br><br>• SP+ indicated that background checks were performed upon assuming responsibility for garage operations in early 2023; however, the County did not obtain or retain supporting documentation evidencing completion of these checks.<br>• During the audit period, one management-level employee was replaced; however, the County did not obtain or retain documentation supporting background checks for this individual.<br>• Although the contract permits the County to request a sample of current background checks every six months, this right was not exercised during the audit period, and no evidence of periodic monitoring was available for review.<br><br>This condition is driven by the absence of a formalized monitoring process to periodically exercise contractual rights related to background checks and to obtain and retain documentation supporting compliance, including for onboarding and changes in key personnel. This condition is consistent with themes identified in prior contract compliance reviews, including challenges in enforcing background check requirements and maintaining documentation to support compliance with personnel-related contract provisions.<br><br>Without obtaining and retaining evidence of background checks or periodically exercising its contractual monitoring rights, the County has reduced visibility into contractor compliance with personnel suitability requirements. This limits the County's ability to verify adherence to contractual expectations and may increase exposure to operational, financial, or reputational risk in the event of employee misconduct, particularly given the contractor's responsibility for activities involving County funds and operations. |
| **Recommendation** | We recommend that management formalize its monitoring approach over background check requirements to strengthen contract oversight. Specifically:<br><br>• Establish a periodic process to exercise the County's contractual right to request a sample of current background checks (e.g., at contract renewal);<br>• Obtain and retain documentation evidencing background checks performed at vendor onboarding and for any changes in key personnel; and<br>• Maintain documentation of monitoring activities to support compliance with contractual requirements. |

# EXECUTIVE SUMMARY (CONTINUED)

## Detailed Observations (continued)

| Observation | 3. Lack of Periodic Monitoring of Background Check Requirements |
|---|---|
| **Management Action Plan** | **Management's Response:** Extremely low turnover at this work site over several vendor contracts in the past 20 years, coupled with changes to payment methods, technology, and facility maintenance needs, have contributed to the lack of emphasis on obtaining new background checks for on-site employees under the 2023 SP Plus Corporation contract.<br><br>The Project Officer has obtained as of July 10th contractor verification of background check records for all existing staff working on site as a baseline from the start of the contract. This listing will be kept in the Project Officer's contract file. Annually, at contract renewal, the Project Officer will obtain the current list of employees working on site and the status of having a background check. That list will be compared to the prior year report; if any new employees have been onboarded, then contractor verification of background check will be obtained prior to issuing the renewal.<br><br>**Responsible Party:** DES Project Officer<br><br>**Target Date:** Background check verification of existing employees has been completed and is now included in the contract file. Prior to the contract renewal being executed on January 15, 2027, this new SOP will be applied to the contract review process. |

# Executive Summary (Continued)

## Performance Improvement Opportunities

### 1. Opportunity to Formalize Contractor Performance Monitoring Framework

Per the Contract, the County is responsible for monitoring contractor performance to ensure services are delivered in accordance with contractual requirements and overall service expectations. While the Contract does not prescribe specific performance metrics, it assigns responsibility to the County to oversee contractor performance.

Currently, the County performs a range of monitoring activities, including review of monthly activity and revenue reports, trend analysis (e.g., paid transaction rates), and regular meetings with the contractor to discuss operational performance and issues. These processes provide meaningful insight into overall operations and demonstrate active engagement by management.

However, these monitoring activities are not supported by a formalized documented framework. In addition, opportunities identified in other areas of this review—such as gaps in monitoring Living Wage submissions and exercising background check review rights—highlight the importance of a more structured approach to contract oversight. A formalized performance monitoring framework could help ensure that key compliance requirements are consistently tracked, reviewed, and escalated as needed.

**Recommendation**

To further strengthen contract oversight and performance monitoring, management may consider:

- Documenting its current performance monitoring activities (e.g., reviewing activity reports, revenue trends, and paid transaction rates) to establish a consistent process for evaluating and documenting contractor performance over time.
- Include periodic review and refinement of performance monitoring activities to reflect operational changes and system capabilities.

Formalizing performance monitoring would enhance transparency, support more consistent contract oversight, and provide a clearer basis for evaluating contractor performance and identifying opportunities for improvement.

Management Action Plan

Management's Response: The Project Officer has established several reporting mechanisms to track operations outcomes, such as a robust monthly activity and revenue report. For Ballston Garage specifically, this reporting includes detail on occupancy trends over time and notice of violation for non-payment issuance trends against payment non-compliance. Further, staff has established a randomized site visit inspection routine which allows the Project Officer to obtain **periodic** objective insight as to whether the basic standards of the contract vis-a-vis maintenance are being met. DES believes the reporting and tracking currently being done strikes the right balance of monitoring and oversight and workload, especially given the level of revenue and variables within the contractor's control – such as notice of violation issuances.

Given the limited staffing resources in this area, staff has focused on the areas of highest risk. The primary issues tackled under this contract since 2023 to-date, and which have taken up extensive staff attention, are those associated with: 1) the upgrade of the Ballston Garage from its end-of-life and breaking-down gated PARCs system to a more modern and efficient gateless ticketless system which has transformed how customers can pay, has eliminated driver backups and delays, increased safety of egress in an emergency, and generally improved the parker experience overall while not damaging revenue generation of the facility, and 2) the ramifications of long-deferred structural maintenance and unpredictable weather events which have placed a large burden on the Project Officer and the operations vendor team to quickly address system failures, make-safe repairs, and customer experience needs. The Ballston Garage also has a historical security/nuisance challenge associated with being next to the mall and a draw for both youth loiterers and persons experiencing homelessness, a constant area of focus as SP Plus tries to ensure the safety and security of all users.

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# EXECUTIVE SUMMARY (CONTINUED)

## Performance Improvement Opportunities (continued)

### 1. Opportunity to Formalize Contractor Performance Monitoring Framework (continued)

**Management Action Plan (continued)**

**Management's Response (continued):** Given these ongoing needs and the activity reporting and tracking systems already in place, DES does not see a need for the development of a more aggressive, robust, or comprehensive performance monitoring framework at this time. The Project Officer will maintain the robust monthly reporting record that is in place and document the current procedure. The Project Officer will also continue to evaluate options to enhance current reporting, tracking, and analysis of garage performance data during existing biweekly touchpoints with the operator and as part of the annual contract review prior to renewal.

**Responsible Party:** DES Project Officer

**Target Date:** October 31, 2026

# Executive Summary (Continued)

## Performance Improvement Opportunities (continued)

### 2. Opportunity to Align Contract Terms with Current Operations

Certain provisions within the Contract and related attachments (e.g., Attachment F – Parking Rates) do not fully align with current parking operations, reflecting changes that have occurred since contract execution. The Contract establishes specific payment methods, rate structures, and operational requirements that are intended to govern current garage operations. Maintaining alignment between contract provisions and actual operations is important to ensure enforceability of contract terms and clarity for all stakeholders.

The contract and Attachment F reference hourly parking rates and kiosk-based payments at Arlington Mill Garage, as well as cash handling procedures across garage operations. However, Arlington Mill does not currently utilize a functioning kiosk, and all garage locations have transitioned to fully electronic payment methods.

While these operational changes have been implemented in practice, the contract has not been updated to reflect the current operating model. Periodic contract updates help ensure clarity, consistency, and alignment between documented terms and actual practices.

**Recommendation**

To enhance clarity and contract governance, management may consider:

- Updating contract provisions and Attachment F to reflect current operations, including payment methods and conditions at Arlington Mill Garage; and
- Establishing a periodic contract review process to ensure that future operational changes are evaluated and incorporated into contract documentation in a timely manner.

Aligning contract documentation with current practices would support effective contract administration and reduce potential ambiguity for stakeholders.

**Management Action Plan**

Management's Response: As the contract does not dictate the garage price structures, the Parking Rates exhibit was provided as a reference for the contractor rather than as a controlling mechanism, as noted in Exhibit A Section B of the contract. DES will review Attachment F with DMF Purchasing to determine whether to issue a contract amendment to remove Attachment F in its entirety and revise contract language (to the extent that it references Attachment F) so that it is clear the vendor must implement and enforce facility parking rates at the direction of the County. This change would enable the County to change parking rates in the future without having to amend the contract if such rate structures are otherwise revised and/ or amended in the future.

Additionally, as a part of the annual contract renewal process, the Project Officer will review the contract, Attachments, and/ or Exhibits as appropriate to determine if any revisions or updates are necessary based on current operations and needs.

**Responsible Party:** DES Project Officer with support of DMF Purchasing

**Target Date:** September 30, 2026

# Background

## Contract and Services Background

Arlington County (the County) contracts with SP Plus Corporation (SP+) to provide parking garage operations and management services for select public facilities, including the Ballston, Arlington Mill, and Lubber Run garages. The contract is administered by the Parking and Curb Space Program within the Department of Environmental Services (DES), with a designated Project Officer responsible for overseeing contract compliance, operational performance, and financial activity.

The County transitioned from a prior parking operations vendor (ABM) to SP+ in early 2023. This audit represents a review of the current vendor's compliance with contractual requirements and is not a follow-up to the prior ABM engagement. A prior contract compliance audit of the former vendor identified opportunities to strengthen contract administration practices, including areas related to monitoring, documentation, and Project Officer oversight. While the operating environment has since evolved, including a transition to more automated systems and reduced reliance on cash handling, these areas remain important components of the County's broader contract compliance framework and were considered as part of this review.

SP+ is responsible for day-to-day garage operations, including staffing, customer payment systems, revenue collection, and maintenance of parking infrastructure. Since contract inception, operations have evolved to incorporate increased automation and electronic payment methods, including mobile applications, license plate recognition, and online payment platforms. These changes have reduced reliance on in-person payment collection and shifted operational processes toward a more technology-enabled model. Certain operational changes, such as the discontinuation of kiosk-based payments at the Arlington Mill facility, have resulted in differences between current practices and existing contract provisions.

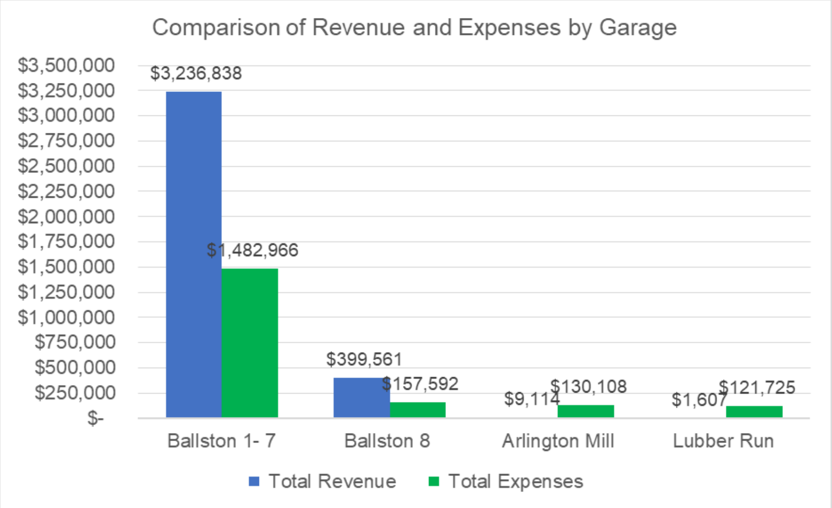
As part of contract execution, SP+ assumed responsibility for existing garage personnel. The contract includes provisions requiring County oversight in key areas, including approval of changes to key personnel, verification of insurance coverage, compliance with Living Wage requirements, and adherence to reporting and documentation obligations. Living Wage documentation is submitted to a centralized County function, while other compliance monitoring activities are performed at the department level by the assigned Project Officer.

County management and SP+ participate in regular meetings to review operational performance, financial activity, and emerging issues. Monthly reporting packages include summarized revenue and activity data, which are reviewed to assess trends and identify potential variances. While these processes provide general oversight, the County relies on a combination of centralized compliance functions and contract-level monitoring to ensure adherence to contractual requirements.

The Ballston, Arlington Mill, and Lubber Run parking garages earn revenue through daily guest parking and monthly parking permits. Ballston Garage operations are reported separately for Levels 1–7 and Level 8 due to differences in operating and revenue structures between these areas. Ballston Levels 1–7 and Level 8 represent the majority of overall garage activity. Lubber Run and Arlington Mill both had operating expenses exceeding revenue during the audit period. Revenue and expense amounts are based on County-provided reporting for the period January 1, 2025 through December 31, 2025.

**January 1 - December 31, 2025**

| Garage | Total Revenue | Total Expenses | Revenue in Excess of Expenses |
|---|---|---|---|
| **Ballston 1- 7** | $ 3,236,838 | $ 1,482,966 | $ 1,753,872 |
| **Ballston 8** | 399,561 | 157,592 | 241,969 |
| **Arlington Mill** | 9,114 | 130,108 | (120,994) |
| **Lubber Run** | 1,607 | 121,725 | (120,119) |
| **Total** | $ 3,647,120 | $ 1,892,391 | $ 1,754,728 |



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## BACKGROUND (CONTINUED)

***Previous Audit***

The table below summarizes selected observations from the County's prior contract compliance audit of the former parking services vendor (ABM) and indicates whether similar conditions were identified in the current review of SP+, were not observed, or were outside the scope of the current audit. Repeat determinations reflect thematic similarities in control design and execution; exact scope, operating environments, and testing periods differ between audits.

| Prior Audit Observation | Prior Condition Summary | Status in Current Audit |
|---|---|---|
| Background Checks | Contractor did not provide background check documentation; County did not require or retain evidence of background checks for garage personnel. | **Repeat** – The County did not obtain or retain background check documentation and did not exercise its contractual right to request periodic samples. |
| Contract Monitoring / Project Officer Oversight | Project Officer controls were inconsistently executed, including lack of enforcement of contract provisions and insufficient documented oversight. | **Repeat** – Similar gaps identified in Project Officer monitoring, including failure to follow up on Living Wage submissions and verify compliance with insurance requirements. |
| Documentation and Record Retention | Required documentation (e.g., background checks, reconciliations) was not consistently retained or available for review. | **Repeat** – Documentation gaps persist, including absence of Living Wage submissions and lack of insurance documentation to evidence compliance. |
| Revenue Reporting Oversight / Reconciliation | Variances existed across multiple revenue reports; reconciliation processes were not fully developed or consistently performed. | Not Repeated – Revenue monitoring processes have improved; no material discrepancies or similar reconciliation breakdowns were identified in the current audit. |
| Funds Handling / Cash Controls | Weaknesses in cash handling controls, including incomplete reconciliation documentation and deposit timing issues. | Not Repeated (Environment Changed) – Transition to primarily electronic payment systems and reduced reliance on cash has mitigated risks associated with cash handling. |
| Invoice Review, Approval, and Timeliness | Incomplete evidence of invoice approvals and delays in payment processing. | Not Repeated – No significant issues related to invoice approval or payment timeliness were identified in the current audit. |
| Record Retention Requirements | Contractor did not meet required document retention period (3 years vs. 5 years). | Out of Scope / Not Evaluated – Detailed testing of vendor-level record retention compliance was not included as part of the current audit procedures. |
| Security / Operational Controls (e.g., Cameras) | Opportunities identified to strengthen operational controls over cash handling environments. | Not Repeated (Environment Changed) – Changes in operating model and technology reduced relevance of prior control considerations. |

*"Repeat" indicates continued control themes previously identified by RSM; scope, systems, and testing periods differed between audits.*

# Objectives and Approach

## Objectives

The objective of this internal audit was to assess whether Arlington County's contract administration and monitoring controls are adequately designed and operating effectively to ensure compliance with key terms of the SP Plus Corporation parking operations contract. The review was directed toward evaluating the County's ability to monitor vendor performance, verify compliance with contractual requirements, and maintain sufficient oversight over financial, operational, and compliance-related activities.

The scope of this audit included Contract No. C24541 (22-DES-RFPLW-537) with SP Plus Corporation, covering parking operations and maintenance services for the Ballston, Lubber Run, and Arlington Mill garages. The audit period included invoices approved between January 1, 2025 and December 31, 2025. Procedures were focused on evaluating compliance with key contractual requirements, including invoicing accuracy, supporting documentation, insurance provisions, Living Wage requirements, background checks, and broader contract monitoring responsibilities.

## Approach

Our audit approach included the following key activities:

**Understanding and Documentation**

We conducted interviews and walkthroughs with County personnel to understand contract administration processes, key risks, and monitoring controls. We reviewed the executed contract, relevant policies and procedures, and supporting documentation to establish an understanding of contractual requirements and oversight responsibilities.

**Testing and Evaluation**

We performed testing procedures to assess compliance with key contract terms and the effectiveness of related controls. Procedures included:

- Testing a sample of invoices to evaluate compliance with contract terms, including accuracy, approvals, and supporting documentation;
- Assessing monitoring practices related to contractor performance, reporting, and oversight activities;
- Reviewing compliance with selected contractual provisions, including Living Wage requirements, insurance coverage, background checks, and required reporting; and
- Evaluating the design and operating effectiveness of contract administration and monitoring controls.

**Reporting**

We validated observations with County management and developed this report to summarize the results of our procedures, including identified observations and opportunities for improvement.

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