



JACKSON COUNTY

Oregon

Internal Audit Report

Audit of Airport Public Parking Management Agreement

THE AIRPORT HAS CONTROLS IN PLACE; NONETHELESS, OPPORTUNITIES EXIST TO IMPROVE CONTROLS, HELP FACILITATE MONITORING OF THE AGREEMENT AND ENHANCE THE NEXT MANAGEMENT AGREEMENT



April 1, 2013

**Presented to the
Jackson County Board of Commissioners
by the
Internal Audit Program**

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To: Board of Commissioners
From: Eric Spivak, County Auditor *ES*
Subject: Airport Public Parking Management Agreement Audit
Date: April 1, 2013

This report presents the results of an internal audit over the Airport Public Parking Management Agreement between the County and Action Parking Services, Inc. (Action Parking). The objectives of this audit were to determine (1) if the County had properly designed and implemented internal controls that reasonably ensured that Action Parking complied with the agreement, and (2) if Action Parking abided by certain terms of the agreement. The audit was included in the fiscal year 2012-13 Annual Internal Audit Plan. The audit was given priority after a former Action Parking employee notified the County of possible cash mishandling.

The report findings were reviewed with the Audit Committee, as well as Bern Case, the Airport Director and Marcy Black, the Airport Deputy Director of Administration.

The Internal Audit Program appreciates the cooperation and assistance received from Airport personnel throughout the course of the audit. We also appreciate the professionalism and helpfulness shown by Action Parking through-out the audit process.

C: Audit Committee
Moss Adams, LLP
Bern Case, Airport Director
Marcy Black, Airport Deputy Director of Administration

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Executive Summary

Why We Did This Audit

We conducted this audit in accordance with the fiscal year 2012-13 Internal Audit Plan.

Our objectives were to determine if:

- The County had properly designed and implemented internal controls that reasonably ensured that Action Parking complied with the agreement with the County; and
- Action Parking abided by certain terms of the agreement.

What We Recommend

- Ensure that the attachments to the *Public Parking Facilities Management Policies and Procedures Manual* clearly address an adequate separation of duties and that the staffing plan also reflects this, including limiting the number of personnel with access to cash; and address the availability and usage of personnel's system identification information.
- Consider defining "unaccounted for tickets" and clearly defining the responsibility for ticket security within the agreement, or within the related attachments.
- Consider the cost-benefit of obtaining any necessary training on the Amano McGann parking system and related equipment for appropriate personnel to help ensure reliability of parking system operations.
- Consider the cost-benefit in automating or reducing the frequency of monitoring functions or contractor's manual operations, such as over unaccounted for tickets and lot occupancy counts.
- Consider if the agreement needs to be modified to include the liquidated damages for the failure to maintain a separate manager schedule.
- Ensure that the contractor provides a report summarizing the results of their internal on-site audit, and consider incorporating those results into the contractor's performance reviews and having the agreement attachments modified as appropriate.

Audit of Airport Public Parking Management Agreement

What We Found

The Airport has developed and has approved proper controls to help reasonably ensure it receives all the revenues generated at its public parking facility. Based on our review, the controls appear to be functioning as intended.

Furthermore, based on current terms and language of the agreement and the *Public Parking Facilities Management Policies and Procedures Manual*, and related attachments, we did not find any material noncompliance by the contractor, Action Parking Services, Inc. (Action Parking). Nonetheless, opportunities exist to improve controls and help facilitate the monitoring of the agreement, and enhance the next management agreement.

Specifically, the Airport can improve upon monitoring of certain agreed upon performance standards and improve upon elements within the *Public Parking Facilities Management Policies and Procedures Manual*, as summarized below.

- Action Parking policies and procedures and/or staffing schedules can be modified to ensure proper separation of duties, and proper use of employee system identification information.
- Certain manual procedures could be automated, or the frequency of performance could be reduced.
- A report summarizing the results of Action Parking's internal on-site audits has not been provided to the Airport, as agreed upon.
- Certain agreement terms could be defined or modified.

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CHAPTER 1 AUDIT AUTHORITY, OBJECTIVES, SCOPE & METHODOLOGY

Audit Authority We conducted our audit in accordance with Codified Ordinance 218 pertaining to the County Auditor. Our audit was included in the fiscal year 2012-13 Internal Audit Plan. The audit was given priority after a former Action Parking Services, Inc. (Action Parking) employee notified the County of possible cash mishandling at Action Parking.

Audit Objectives The objectives of our audit were to determine if:

- The County had properly designed and implemented internal controls that reasonably ensured that Action Parking complied with the agreement with the County; and
- Action Parking abided by certain terms of the agreement, such as:
 - Certain agreed upon performance standards, and
 - Other applicable sections of the *Public Parking Facilities Management Policies & Procedures Manual*, and related attachments.

Audit Scope & Methodology We reviewed daily deposit information and Airport parking data for the period of August through October 2012. We also reviewed employee time cards and the master schedule for the period of September 2012. We analyzed trend information as appropriate. Due to data reliability issues for the month of September 2012, we extended the scope of the audit to include a review of Airport parking data for the months of November through December 2012. While we determined that the data was sufficiently reliable for the purposes of this audit, there were inaccuracies, such as missing transactions. Where appropriate, these inaccuracies will be discussed within chapter 3. The scope of our work did not constitute an evaluation of the overall internal control structure of the Airport nor Action Parking.

Our audit procedures included:

- Reviewing the most current annual review of Action Parking’s revenue and expense schedules performed by an independent certified public accountant;
- Reviewing the public parking facilities management agreement between the County and Action Parking, which contains the *Public Parking Facilities Management Policies and Procedure Manual*, and related attachments;
- Reviewing other local government audit reports on airport parking activities;
- Touring the parking facility;
- Obtaining an understanding of internal control at Action Parking;
- Interviewing the owner and manager of Action Parking;
- Interviewing prior and current Action Parking personnel;
- Interviewing Airport personnel;
- Performing several measures to assess the reliability of the parking system data;

- Examining and performing analytical review of Action Parking and Airport records and data;
- Performing analysis of monthly and annual parking revenue and passenger flow reports and;
- Performing other procedures as determined appropriate.

Audit Criteria Criteria represent the laws, regulations, contracts, grant agreements, standards, measures, expected performance, defined business practices and benchmarks against which performance is compared or evaluated. Criteria identify the required or desired state or expectation with respect to the program or operation. Criteria for our audit consisted of: 1) The agreement between the County and Action Parking; 2) generally accepted accounting procedures over the revenue cycle; 3) airport activities best-practices; and 4) other criteria as determined appropriate.

Internal Control Internal control, sometimes referred to as management control, includes the plan, policies, methods, and procedures adopted by management to meet its missions, goals, and objectives. Internal control includes the processes for planning, organizing, directing, and controlling program operations. It includes the systems for measuring, reporting, and monitoring program performance. Internal control serves as a defense in safeguarding assets and in preventing and detecting errors, fraud, violations of laws, regulations, and provisions of contracts and grant agreements or abuse.

We gained an understanding of internal control through communications with the Airport Deputy Director of Administration, the Airport Accounting Clerk, and the Action Parking owner and manager. We also interviewed prior and current employees of Action Parking, and reviewed applicable documentation.

Compliance with Government Auditing Standards We conducted this 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Confidential & Sensitive Information We withheld information that is considered proprietary in nature. We reviewed certain concerns made by a prior Action Parking employee, and the findings as they relate to the audit objectives are discussed within this report. Other observations were discussed with the Airport and Action Parking management and were not included in this report.

Noteworthy Accomplishments We met with the Airport Deputy Director of Administration and Airport Accounting Clerk after we completed our initial review for the period of August 2012 through October 2012. We appreciate the Airport's proactive approach in considering our discussion, and designing and implementing solutions.

CHAPTER 2 INTRODUCTION AND BACKGROUND

Airport Parking Facility

Jackson County owns and controls the Rogue Valley International-Medford Airport (Airport) as outlined in County Ordinance Chapter 238 Airport Department. In calendar year 2012, the gross public parking revenues totaled approximately \$1.8 million, which was approximately a 7% increase from calendar year 2011. By comparison, for calendar year 2012 enplaned and deplaned passenger flow was approximately 4% higher than in calendar year 2011.

The Airport's public parking facility includes a long-term lot and a short-term lot, for a total of 1,123 parking spaces¹.

Public Parking Management Agreement

The Airport solicits a *Request for Proposal* for management of its public parking facility, and a selection committee reviews the proposals using such factors as experience, accreditation, and costs to determine the "best value" for the County. The selection committee makes a recommendation based on their review, which is presented to the Jackson County Board of Commissioners for approval.

The County currently has a public parking facility management agreement (agreement) with Action Parking Services, Inc. (Action Parking), and the term of the agreement runs March 1, 2008 to February 28, 2013. Under the agreement, the County has agreed to pay an annual fixed fee² to Action Parking as follows:

March 1, 2008 through February 28, 2009	\$166,622.75
March 1, 2009 through February 28, 2010	\$171,621.43
March 1, 2010 through February 28, 2011	\$176,770.08
March 1, 2011 through February 29, 2012	\$182,073.18
March 1, 2012 through February 28, 2013	\$187,535.37
TOTAL	\$884,622.81

Under the terms of the management agreement, Action Parking collects fees³ for the use of the public parking facility on behalf of the Airport. The agreement requires Action Parking to follow policies and procedures approved by the County and that are consistent with generally accepted accounting and auditing standards. The agreement requires Action Parking to provide daily and monthly reports to support operations of the agreement and to have an independent certified public accountant perform an annual review. Furthermore, Action Parking has other responsibilities outlined in the agreement related to parking operations, such as customer service, custodial services and other duties.

Action Parking has been providing parking management services at the Airport since 2000.

The Airport has recently issued a solicitation for a *Request for Proposal* (RFP) for management of the public parking facility with a close date of March 5, 2013. We shared recommendations for enhancing the RFP with Airport personnel after our initial review was completed.

¹ 897 and 226 long and short-term parking spaces respectively

² This represents Action Parking's profit and overhead. Furthermore, if the County changes the scope of services and the annual operating budget is increased or decreased by 25%, the fixed fee could be equitably adjusted. Furthermore, if the County requires Action Parking to provide additional personnel to meet staffing needs, Action Parking will be compensated at an hourly rate as agreed upon.

³ As determined in accordance with County Ordinance Chapter 211 *Fees*.

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CHAPTER 3 THE AIRPORT HAS CONTROLS IN PLACE; NONETHELESS, OPPORTUNITIES EXIST TO IMPROVE CONTROLS, HELP FACILITATE MONITORING OF THE AGREEMENT AND ENHANCE THE NEXT MANAGEMENT AGREEMENT

Good internal controls over monitoring are essential to provide adequate assurance that the contractor is compliant with the agreement between the County and contractor. Clear and adequate terms allow for proper monitoring of the agreement with the contractor. During our audit, it was noted that the Airport monitors the agreement with Action Parking Services Inc. (Action Parking) by maintaining an open line of communication with Action Parking and by reviewing the accuracy and completeness of documentation provided by Action Parking. Below is a summary and depiction of the functions of the parking system and related controls.

Public Parking System *The parking system as defined by the agreement between the County and Action Parking consists of the short-term and long-term lots, toll booths and other structural components of the lots, revenue control system and other parking related equipment.*

The agreement between the County and Action Parking outlines the responsibilities for both parties in relation to the facilities, equipment and supplies. Furthermore, the agreement contains a *Public Parking Facilities Management Policies and Procedures Manual*, which includes attachments outlining cash control, cashier duties, etc. The County's responsibilities are to provide the parking lots, toll booths, and other fixed facilities necessary to the parking operations. The County will also provide a revenue control system for accessing and collecting parking fees. The County is responsible for parking system repairs and Action Parking⁴ is responsible for routine maintenance of the system, such as replacing paper rolls and ribbons in the cashier fee computers and printers. Action Parking is responsible for collecting, depositing, and accounting for the proper parking fees due to the Airport; operating the revenue control system; and performing other duties as agreed upon.

Parking Access and Revenue Control System The Airport parking system includes the automatic entrance gates for long-term and short-term parking, cashier operated toll booths, and a cashierless toll booth. The Airport uses the Amano McGann parking management system, which can track tickets dispensed at the entrance, calculate parking fees upon exit, and record other related parking activity, including the detail for individual transactions.

To enter the Airport public parking facility, a customer pulls a ticket from one of the dispensing machines. Each ticket is uniquely identified and is electronically time and date stamped. Upon exit, the customer is charged a parking fee which is automatically calculated from the ticket information. A license plate inventory is also performed by Action Parking, which helps track both the time and date of vehicle entry into the parking facility and serves as a backup revenue control in the event the proper fee cannot be calculated for a ticket (e.g. lost or damaged tickets, or individual parked in wrong lot).

⁴ Action Parking is responsible to notify Airport Operations of other maintenance or repair needs.

The County has an annual service agreement with DGM Systems to provide maintenance on parking lot equipment at the Airport. The Airport parking system was upgraded by DGM Systems for PCI compliance in September 2012.

During our review of data reliability of the parking system’s *Revenue Transaction* reports⁵, we noted that for certain periods of time in September 2012 the detail for approximately 190 individual transactions was missing. Based on inquiry of DGM Systems, it appears that not all the information from the old system was uploaded to the new system during the PCI upgrade, and the missing information is not recoverable. It does not appear that the missing transactions resulted in a revenue loss to the Airport; however, it does appear to impact other reporting capabilities of the system, such as the tickets show as unreconciled and the *General Totals* report does not reflect that the transactions occurred. In summary, this issue does not appear to impact determination of revenue, as the fee computers closing report includes the missing transactions; however, it impacts the audit trail of the system and potential use of the systems attributes for monitoring parking activities (further discussed below). As such, we extended the scope of our review as mentioned in chapter 1.

Furthermore, during the Airport’s review of daily deposit information they also identified missing transactions that were sporadic. These missing transactions occurred prior to and after the system update. The Airport has notified DGM Systems of this issue. Below is a summary of total transactions compared to missing transactions; the transactions could represent a revenue transaction or a non-revenue transaction (e.g. cancellation).

TABLE 1: SUMMARY OF MISSING TRANSACTIONS FROM REVENUE TRANSACTION REPORT

Month	Total Transactions	Number of Missing Transactions	Percentage of Missing Transactions
August 2012	14,555	3	0.02%
September 2012	10,408	27	0.26% *
October 2012	11,942	11	0.09%
November 2012	11,078	9	0.08%
December 2012	12,287	15	0.12%
Total	60,270	65	0.11%

* Not including the 190 transactions due to the system update. The remaining 27 transactions were sporadic and did not occur around the same time as the 190 transactions.

Action Parking Responsibilities Action Parking maintains a New Hire Packet, duties for specific shifts, and has agreed to follow the *Public Parking Facilities Management Policies and Procedures Manual*, and related attachments, which can be amended by the County.

The manual covers items such as cashier procedures and other responsibilities of the County and Action Parking, such as deposits and handling of funds, maintenance of records and reporting requirements, license plate inventory, and parking system maintenance. At the end of each cashiers’ shift, Action Parking has specific “end of shift” procedures, including running a Daily Shift closing report from the fee computer, manually counting their tills⁶,

⁵ Does not include the cashierless toll booth

⁶ Cash and checks are maintained in a secure location.

completing a *Daily Shift* report and updating the *Daily Credit Card & Charge Recap* sheet. The *Daily Shift* report is reviewed by the next cashier for mathematical or typographical mistakes. The Action Parking owner or appropriate designee completes a *Shift Summary* report which compiles the information from the *Daily Shift* reports and reconciles it to the fee computers final closing report, which supports the amount deposited. Action Parking provides the Airport daily activity documentation, which consists of the *Daily Shift* report, *Shift Summary* report, *Master Report for Automated Operations*, fee computer closing reports, and other pertinent information; and a monthly summary of parking activities. Furthermore, additional documentation is required for exception tickets, such as a lost or damaged ticket. Below is a table showing types of tickets processed for the months of August 2012 through December 2012.

TABLE 2: SUMMARY OF TYPES OF TICKETS PROCESSED

Ticket Type	Number of Transactions*
Normal	59,323
Lost	157
Damaged	267
Total	59,747

*Excludes cancelled and missing transactions (as discussed above)

Airport Responsibilities Both Airport Operations and Administration have specific responsibilities related to certain components of the parking system. Airport Operations is responsible for system maintenance or repairs. Airport Administration receives and reconciles the activity and revenue reports to activity reported on credit card settlement reports and deposits to the County’s bank account. Action Parking is responsible for reimbursing the Airport for any funds lost, stolen, or unaccounted for, including customer undercharges⁷. If Action Parking is found at fault, they are responsible for reimbursing the Airport. The Airport provides a monthly invoice to Action Parking for these types of occurrences. The Airport Administration is responsible for refunding customers as appropriate for any overcharges. Airport Administration does not do a formal review of validated tickets⁸; however, abnormal occurrences are reviewed. Below is a table showing the level of revenue activity associated with validated tickets for the months of August 2012 through December 2012.

TABLE 3: SUMMARY OF VALIDATED COMPARED TO NORMAL REVENUE LEVELS

Transaction Type*	Number of Transactions	Gross Fee Amount	Net Fee Amount	Difference Between Gross and Net Fee Amount
Normal	57,686	607,972	607,972	0
Validated	2,061	10,125	2,060	8,065
Total	59,747	\$618,097	\$610,032	\$8,065

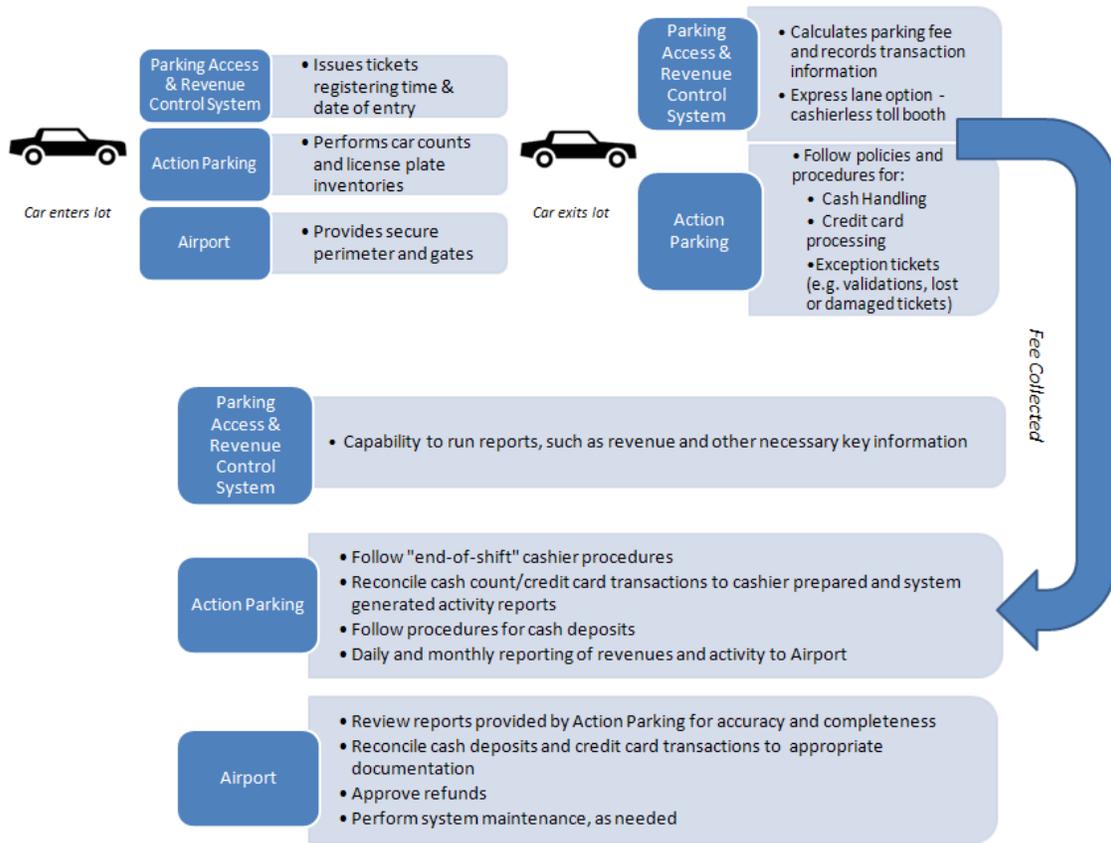
*Excludes cancelled and missing transactions (as discussed above)

⁷ Based on the agreement between the County and Action Parking, any overcharges are not to be used to offset undercharges.

⁸ For example, authorized Airport Administration personnel can validate a ticket for a County employee parking at the Airport on County business, and a discount can be received if appropriate criteria are met when a customer eats at the restaurant located in the Airport.

Below is a depiction of the overall parking system:

DIAGRAM 1: SUMMARY OF PARKING SYSTEM



The Airport has developed and has approved proper controls to help reasonably ensure it receives all the revenues generated at its public parking facility, as described above in the *parking system* section. Based on our review, the controls appear to be functioning as intended. Nonetheless, opportunities exist to improve controls and help facilitate the monitoring of the agreement and enhance the next management agreement. Specifically, the Airport can improve upon monitoring of certain agreed upon performance standards and improve upon elements within the *Public Parking Facilities Management Policies and Procedures Manual*.

Opportunities Exist to Improve Controls

The Airport has controls in place; nonetheless, opportunities exist to improve controls to help facilitate monitoring of the agreement between the County and Action Parking and help enhance the next management agreement.

A written agreement between two parties reduces the risk of liability and alleviates confusion over agreed upon terms. The written agreement between the County and Action Parking requires the contractor to uphold specific performance standards; the standards we reviewed are described below. Action Parking can be held liable for liquidated damages, suspended or terminated if found to be non-compliant with the agreement.

The performance standards are as follows:

- **Maintenance of Documentation** – To maintain records, tickets, and other source documents according to standards defined in the *Public Parking Facilities Management Policies and Procedures Manual*, and related attachments.
- **Unaccounted for Tickets** – To not exceed .5% in unaccounted for tickets of the total number of tickets issued averaged over the previous three months.
- **License Plate Inventory** – To fully complete nightly license plate inventory.
- **Staffing Schedules** – To maintain toll booth staffing schedules.
- **Delivery of Reports** – To deliver on time reports or other materials as specified in the manual.

Based on current terms and language of the agreement and the *Public Parking Facilities Management Policies and Procedures Manual*, and related attachments, we did not find any material noncompliance by the contractor, Action Parking. However, there are opportunities to enhance the next management agreement and improve controls, as discussed below.

Documentation Maintenance of Documentation

was maintained in accordance with the agreement; however, there were a few items to be considered to help enhance internal controls

The agreement between the County and Action Parking requires that Action Parking follow generally accepted accounting and auditing standards and other procedures as approved by the County. Furthermore, the agreement requires that Action Parking maintain full, accurate, and orderly books and records of its operations at the Airport consistent with generally accepted accounting principles. The agreement also specifies that liquidated damages can be assessed if records are not maintained according to standards as defined in the *Public Parking Facilities Management Policies and Procedures Manual*.

A few issues were noted during our review of Action Parking's records, which included the *Master Report for Automated Operations*, *Shift Summary* report, *Daily Shift* reports, the *Daily Credit Card & Charge Recap* sheet, fee computers' closing reports, and other pertinent documentation. For the most part, mathematical errors were caught by the Airport during their review and communicated to Action Parking. We discussed other areas for improvement with Action Parking, some of which can also be addressed by the Airport through their approval of the contractor's procedures, and are discussed below.

Separation of duties can be improved upon

The agreement between the County and Action Parking specifies that the toll booths will be staffed seven days per week and twenty-four hours per day, and that a separate manager needs to be available to perform managerial duties. However, the agreement also allows an assistant manager to perform these duties during the absence of the manager. The *Cash Control and Audit Procedures*, an attachment to the *Public Parking Facilities Management Policies and Procedures Manual*, specifies that the manager⁹ will compile all shift reports and reconcile all records to a shift summary and daily master report. A master schedule prepared by Action Parking schedules certain individuals¹⁰ to perform these duties through-out the week.

⁹ Based on the agreement, and attachments, we interpret this to include that an assistant manager can also perform this function when the manager is absent.

¹⁰ There are three main individuals that perform this function, and other personnel serve as a back-up as needed.

The *Shift Summary* report serves as a reconciliation between the fee computers' closing report, the *Daily Shift* reports, the *Daily Credit Card & Charge Recap* sheet, and cash counted, which ultimately supports cash deposited. The *Shift Summary* report has a spot for the preparer's name and a location for two individuals to sign that they verified the cash count. At times, the preparer of the *Shift Summary* report was an individual who had worked the toll booth shift, but there was not a second individual signing that they also verified the cash count and/or the preparation of the report. Furthermore, on a sample basis we verified that the fee computer closing report materially agreed to cash deposited and credit card revenues reported¹¹. We also reviewed the sequential numbering of the cash register closing reports with no exception.

While we did not identify any intentional wrongdoing during our audit, a common internal control, that is consistent with generally accepted accounting and auditing standards, is not to have an individual be responsible for the collection of the parking fee revenue and also be responsible for the reconciliation of those fees, and the deposit. Furthermore, procedures should also reflect the relevant industry practices and be reasonable. There can be circumstances (see *Staffing Schedules* section on page 15 for further discussion) that could warrant a modification to procedures, nevertheless, a proper separation of duties could still be maintained by ensuring that the individual preparing the paperwork does not work the toll booth during that shift. In addition, the number of individuals that have access to cash should be minimized, which is also consistent with generally accepted accounting and auditing standards. We discussed the separation of duties concern with Action Parking management, and they concurred with the recommendation.

Proper use of employee identification number could be improved upon Per the *Cashier Procedures*, agreement attachment, and based on discussion with Action Parking, each employee has a fee computer identification number¹². The use of unique employee identification numbers is common practice when using a cash register to account for receipts, and provides the ability to run register reports summarizing activities by each identification number. Summarizing and analyzing activities by employee helps identify patterns, such as entry errors, number of voided transactions, and possible cash shortages.

While we did not identify any intentional wrongdoing during our audit, employee theft can be profiled by changes in ratios, which could include increased validations, open gates, and abnormal lost or damaged ticket transactions. During the time period reviewed, individuals being trained usually used the identification number of the trainer. However, Action Parking management noted after our period of review that this will no longer occur. During our review, we did notice a few occurrences where an employee was signed into two fee computers in separate exit booths. Based on discussion with Action Parking management, these occurrences could be caused due to a fee computer malfunctioning, requiring the individual to log into the second booth in order to keep the flow of traffic moving at the exit. This explanation is reasonable; however, there was an occurrence when two individuals had overlapping shifts and one individual was logged into both booths and the other individual never logged in during their shift; nevertheless, there was documentation to support that the individual whom was not logged in did work that day.

Furthermore, based on conversations with Action Parking management and personnel, at one point in time employee identification log-in information was available for everyone to access.

¹¹ The agreement allows the Airport to seek reimbursement from the contractor if there is a shortage.

¹² The programming of each employee's fee computer identification number is performed by Airport Operations.

During our exit interview with Action Parking they did inquire what proper practice would be regarding employee log-in information, and they noted that log-in information will no longer be assessable by all employees.

When monitoring of unaccounted for tickets occurs, automated processes might be able to be used

Unaccounted for Tickets

The agreement specifies that Action Parking is required to restock tickets in the entrance machines, furthermore the procedures for counting cars requires Action Parking personnel to dispense tracking tickets to ensure an accurate car count. Airport Operations has access to parking equipment to perform necessary repairs, which are accounted for through maintenance reports. The agreement also specifies that liquidated damages can be assessed if unaccounted for tickets exceed .5%. However, the agreement does not define “unaccounted for tickets” nor clearly define the responsibility for ticket security. Based on review of other audit reports of airport parking activities and agreements, unaccounted for tickets¹³ is generally calculated using the following formula:

	(A) Number of Tickets issued during the month	_____
Plus	(B) Inventory of Cars at Beginning of Month	_____
Minus	(C) Inventory of Cars at End of Month	_____
Minus	(D) Number of Tickets Collected during the Month	_____
Minus	(E) Known exceptions, example drive outs	_____
	Total Unaccounted for Tickets	_____

Other reports or agreements mentioned that exception tickets (e.g. lost or damaged) where the airport has received payment are not considered unaccounted for tickets. Also, the other reports or agreements noted that liquidated damages for unaccounted for tickets would be assessed only if the loss was the fault of the contractor, such as not following agreed upon procedures, negligence, misconduct or other fault. Also, the reporting for unaccounted for tickets was usually done on a monthly basis.

The agreement requires Action Parking to complete a *Master Report for Automated Operations*, which requires a car count to be performed. This report for the most part is a manual computation of the formula mentioned above and the report is designed to be completed on a daily basis. The Airport verifies the mathematical accuracy of the report; however, does not use it to monitor for levels of unaccounted for tickets. According to Action Parking management and our review of the *Master Report for Automated Operations*, the overage/shortage of vehicles (or tickets) fluctuates on a daily basis but does tend to even out over time. Unaccounted for tickets can represent a loss of revenue, such as from a switching scheme¹⁴, or occur under extenuating circumstances, such as when the system is offline, which would not represent a loss in revenue.

¹³ Some airports use the phrase “unaccounted for vehicle” instead of “...ticket”.

¹⁴ A switching scheme can involve an exchange of tickets, which can result in a loss of revenue.

The parking system does have the capability of running an *Unreconciled Ticket* report. However, based on our review of data reliability, as discussed on page 6, and other issues noted during our review, we could not review the full capabilities of this report. According to the Airport they have not used this report to monitor for unaccounted for tickets; however, during the audit the Airport did identify a separate report, which they found useful for monitoring purposes.

Based on our review of these two reports and other documentation, the following shows that the estimated unaccounted for tickets for October 2012 do not appear to exceed the agreed upon threshold for tickets dispensed.

TABLE 4: CALCULATION OF UNACCOUNTED FOR TICKETS IN THE MONTH OF OCTOBER 2012

Description	Ticket Count	Percentage of Total Count
Valid Tickets Dispensed in October 2012	14,076	
(Less) October Cleared Tickets with an October Entrance Date, includes lost/damaged tickets	13,617	96.7%
(Less) November Cleared Tickets with an October Entrance Date, includes lost/damaged tickets	400	2.8%
(Less) December Cleared Tickets with an October Entrance Date, includes lost/damaged tickets	0	0.0%
(Less) Known Exceptions, missing transactions for the month of October	11	0.1%
Estimated Unaccounted for Tickets	48	0.3%

Note: We reviewed the clearing of tickets dispensed in October 2012 through December 31, 2012.

While we did not identify any intentional wrongdoing during our audit, and it cannot be substantiated if the estimated unaccounted for tickets represent a true loss in revenue; nonetheless, using the entrance date of the forty-eight tickets dispensed, the long-term parking rate, and if the tickets were redeemed at the end of December, the estimated revenue loss would be approximately \$28,000.

The Airport took steps to improve the license plate inventory agreement requirements

License Plate Inventory

The agreement requires Action Parking to perform a daily license plate inventory. The inventory is to include the state, license plate number and the location of the vehicle. The information from the inventory is used when a customer exiting the lot reports a lost parking ticket and possibly can be used to locate a lost vehicle. The agreement does not specify a system to be used to conduct the inventory; however, it does stipulate that a hand-held inventory unit is desirable. Furthermore, the agreement specifies that liquidated damages¹⁵ can be assessed if the daily license plate inventory is not completed. The agreement does not require inventory reports to be provided to the Airport; however, when a lost ticket transaction is processed Action Parking does provide the Airport a screen print from the inventory system to support the calculation of the transaction.

¹⁵ The agreement states that \$125 per occurrence can be assessed.

We reviewed information from Action Parking's inventory system for the month of September 2012. Specially, we reviewed for occurrences when inventory was not completed, reviewed for consistency in how many license plates were logged and times they were logged, and reviewed for duplicate entries. The intent of our review was not to assess the reliability of the detail inventory information; however, based on our review of the information entered the system does not appear to have edit checks¹⁶ to prevent input errors.

During our review we found the following:

- There was one day with an incomplete inventory. There were 128 license plates logged on that day, and supporting documentation contained notations that there were 623 vehicles. The average car count for September also supported that this was an incomplete inventory.
- There were inconsistent times when inventory was being completed, based on times license plate information was logged.
- There were approximately 352 duplicate license plates entered for the month of September.

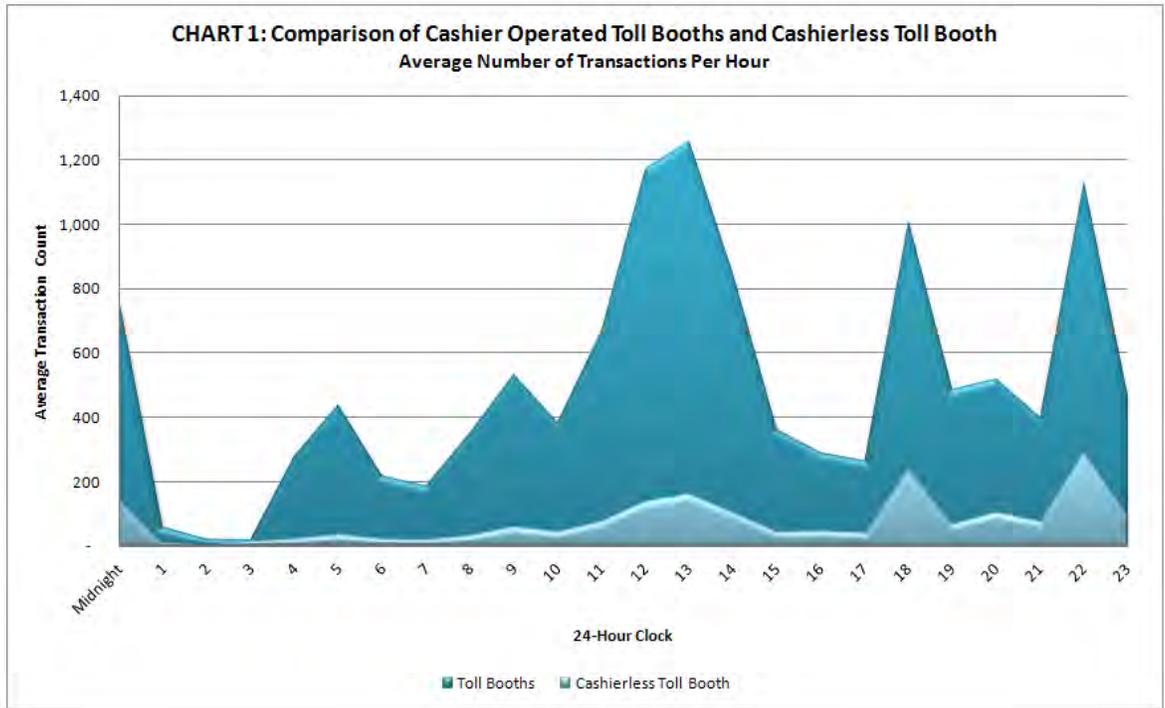
According to Action Parking management, at times there are system malfunctions and the employees have been instructed to continue the license plate inventory manually and then enter the license plate information into the inventory system once malfunctions are resolved. Therefore, this could cause the inconsistent times and the incomplete inventory (possibly failure to input manual inventory information into the system). Furthermore, employees have been instructed to make sure that a license plate has been entered, which at times might cause a duplicate entry. Also, Action Parking management noted that their wireless system was recently upgraded, so that these malfunctions should not occur in the future.

The Airport has already taken action in regards to updating the license plate inventory requirements in the 2013 *Request for Proposal* (RFP). The contractor is to provide a License Plate Inventory (LPI) System that is compatible with the existing parking system, including host software, hand held unit, and docking station. With the current inventory system, there was a chance for fee calculation errors by the cashiers when processing lost tickets, and it did not appear to have other capabilities that a compatible system has. When a customer exiting the parking facility has lost their ticket, Action Parking reviews the inventory system to determine what day the vehicle first appeared on the listing, enters information into the fee computer and the fee is calculated. For the period of August through December 2012 there were approximately 157 lost ticket transactions, equating to about \$4,396. The LPI system will help eliminate fee calculation errors by a cashier; it also could help prevent switching schemes as discussed on page 11. The LPI system also has reporting capabilities; and certain security features.

¹⁶ For example, the system would allow characters (e.g. +, =) to be entered into the fields and allow required fields to be left blank.

Reducing the frequency or eliminating the physical car counts and related reporting requirements could be more beneficial than current practices

Furthermore, the Airport evaluated entrance and exit parking traffic flow and decided to maintain the desired inventory time between 12:00 a.m. and 5:00 a.m. in the 2013 RFP. During our audit, we also reviewed the exiting parking traffic flow as depicted in the chart below.



The license plate inventory was also included as a factor for proposers when determining their annual fixed fee, as discussed in chapter 2. In addition, the current agreement and 2013 RFP require a lot occupancy count to be performed daily at a consistent time and the information to be reported to the Airport at least monthly.

The lot occupancy counts provide parking activity information to the Airport and are used by Action Parking to complete the *Master Report for Automated Operations* (as discussed on page 11) on a daily basis, which is provided to the Airport. During the period reviewed the lot occupancy count was performed during the 11:00 p.m. to 3:00 a.m. shift and the license plate inventory was usually performed¹⁷ between 8:30 p.m. to 11:30 p.m. Action Parking’s operation cycle runs from 3:00 a.m. to 3:00 a.m. As such, they could not use the inventory count to support the beginning and ending car count on the *Master Report for Automated Operations*, as depicted on page 11. Also, as discussed above there were input errors and duplicate transactions noted during the review of the license plate inventory information, therefore the inventory information would require modification to be used as a true lot occupancy count.

With the implementation of a LPI system and requiring the license plate inventory to be performed during the desired time period, the inventory could potentially serve as a lot occupancy count. Furthermore, if the Airport wants the contractor to continue to complete the *Master Report for Automated Operations* it could be reduced to a monthly requirement instead of daily. Based on table 4 on page 12, the majority of the tickets clear within the month they

¹⁷ The change in the desired inventory time was agreed upon by the Airport. On Thursdays and Sundays the inventory shift was approximately 6:00 p.m. through 11:30 p.m.

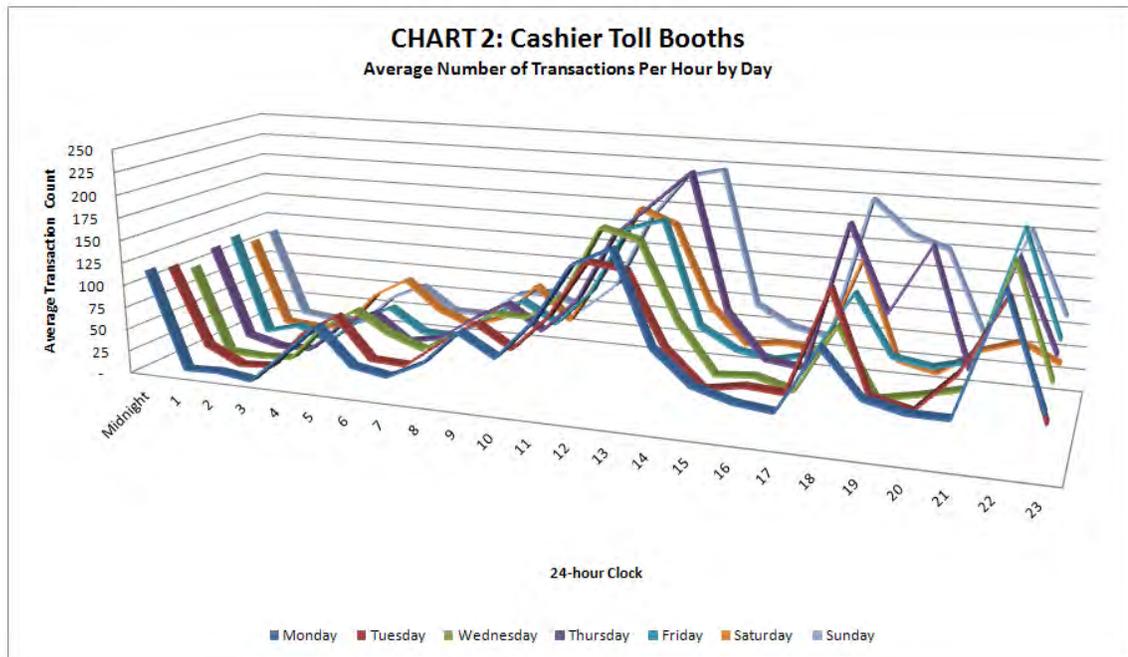
were dispensed. Additionally as noted above, according to Action Parking management and our review of the *Master Report for Automated Operations*, the overage/shortage of vehicles (or tickets) fluctuates on a daily basis but does tend to even out over time. Reducing the frequency or eliminating the lot occupancy counts and related reporting requirements could help reduce the annual fixed fee or other appropriate reimbursements for personnel time, while still obtaining the necessary information to monitor the agreement and parking activities.

Staffing schedules were maintained; however, documentation can be improved upon

Staffing Schedules

The agreement requires Action Parking to provide personnel to operate one toll booth seven days per week and twenty-four hours per day, and have a separate manager on-site five days per week a minimum of twenty-four hours per week. Such manager or management assistant needs to be on-call and available to make decisions and to handle all personnel and staffing issues, parking issues, including equipment, and parking emergencies seven days per week and twenty-four hours per day. Furthermore, the *Public Parking Facilities Management Policies and Procedures Manual* requires a staffing plan and budget to be attached as part of the agreement. The agreement allows liquidated damages to be assessed if a toll booth staffing schedule is not maintained; however, does not address maintenance of the separate manager schedule.

We reviewed the master schedule, employee timecards, *Shift Summary* and *Daily Shift* reports, and parking system data for the month of September 2012. Based on our review, it seemed that personnel were available to operate one toll booth seven days per week and twenty-four hours per day, and minor differences were noted when source documentation was compared. A second toll booth is opened on Thursdays and Sundays because those are the busiest days based on the Airport flight schedules, and as shown in the chart below.



When we reviewed the master schedule, it seems that a separate manager was on-site five days per week; however, when compared to other source documents (e.g. timecards and *Shift Summary* report), it is hard to substantiate that a separate manager was on-site five days per

week. During the period reviewed the manager was on vacation for part of the time, the owner for the most part prepared the paperwork on Tuesdays and Wednesdays, and the remaining paperwork was prepared by personnel whom operate the toll booth. Furthermore, the owner does not complete a timecard. The preparation of an accurate master schedule can help alleviate confusion when issues arise and can help for planning purposes, such as maintaining an appropriate separation of duties, as discussed on page 9. We discussed the documentation issue with Action Parking management, and they concurred with the recommendation.

For the most part, required reports were provided to the Airport; however, a report regarding results of Action Parking's internal on-site audits were not provided

Delivery of Reports

The agreement requires reports or other materials as specified in the *Public Parking Facilities Management Policies and Procedures Manual* to be delivered on time to the Airport. The agreement also specifies that liquidated damages can be assessed if reports or other specified materials are not provided on time. The required reports include daily and monthly revenue and parking activity reports; internal on-site audit reports¹⁸; independent certified public accountant report on revenue and expenses; and other materials as specified.

During our review of Action Parking's records, which consisted of the *Master Report for Automated Operations, Shift Summary* report, *Daily Shift* reports, the *Daily Credit Card & Charge Recap* sheet, fee computers' closing reports, and other pertinent documentation, we found that for the most part Action Parking provided the required reports as specified in the agreement.

According to Action Parking management, they do perform an informal internal audit of their operations; however, the results are not provided to the Airport in a report format. According to the Airport, they have not requested that the internal on-site audit reports be provided. Furthermore, the Airport and Action Parking do meet to discuss performance issues and address concerns or questions. This performance review requirement is also part of the agreement between the County and Action Parking. Requiring the results of the internal audit to be provided and/or discussed during the performance reviews, can help ensure that the *Public Parking Facilities Management Policies and Procedures Manual*, and related attachments remain up-to-date based on operationally changes, such as use of new technology, change in staffing levels, and so-forth.

¹⁸ Internal on-site audits are required to be performed at least twice each year.

Audit Recommendations and Management Response

Audit

Recommendations

To help facilitate monitoring of the public parking agreement and enhance the next management agreement, Airport management should:

1. Ensure that the attachments to the *Public Parking Facilities Management Policies and Procedures Manual* clearly address an adequate separation of duties and that the staffing plan also reflects this, including limiting the number of personnel with access to cash; and address the availability and usage of personnel's system identification information.
2. Consider defining "unaccounted for tickets" and clearly defining the responsibility for ticket security within the agreement, or within the related attachments.
3. Consider the cost-benefit of obtaining any necessary training on the Amano McGann parking system and related equipment for appropriate personnel, such as Airport Operations, Airport Administration, or Airport IT specialist, to help ensure reliability of parking system operations.
4. Consider the cost-benefit, including training, personnel time, and other operational costs, in automating or reducing the frequency of monitoring functions or contractor's manual operations, such as over unaccounted for tickets and lot occupancy counts.
5. Consider if the agreement needs to be modified to include the liquidated damages for the failure to maintain a separate manager schedule.
6. Ensure that the contractor provides a report summarizing the results of their internal on-site audit, and consider incorporating those results into the contractor's performance reviews and having the agreement attachments modified as appropriate.

Management Response

The Airport concurs with the audit recommendations. Negotiations for a new, 5-year management agreement are in process, and new language will be incorporated into the agreement which will facilitate monitoring.