



OFFICE OF THE COMPTROLLER
CITY OF ST. LOUIS



FILE COPY

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DR. KENNETH M. STONE, CPA
Internal Audit Executive

February 9, 2011

Rhonda Hamm-Niebruegge, Director of Airports
Lambert-St. Louis International Airport
P.O. Box 10212
St. Louis, Mo. 63145

RE: Revenue Review- Parking Operations (Project #2010-30)

Dear Ms. Hamm-Niebruegge:

Enclosed is the Internal Audit Section's report of the revenue review of the Lambert-St. Louis International Airport parking operations for the period July 1, 2007 through January 31, 2010.

Fieldwork was completed on January 11, 2011. We received management responses to the observations and recommendations in a letter dated January 24, 2011. These responses have been incorporated in the report.

This review was made under the authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.

If you have any questions, please contact Internal Audit Section at (314) 622-4723.

Sincerely,

Dr. Kenneth M. Stone, CPA
Internal Audit Executive

Enclosure

cc: Gerard Slay, Senior Deputy Director
Susan Kopinski, Airport Deputy Director Finance and Administration
Henrietta Brown, MBA, Assistant Airport Director Finance and Accounting
Robert Salarano, Director of Airport Properties Section
James Fox, CPA, Airport Audit Supervisor



CITY OF ST. LOUIS

CITY OF ST. LOUIS
LAMBERT ST. LOUIS-INTERNATIONAL AIRPORT
REVENUE REVIEW-PARKING OPERATIONS
JULY 1, 2007 THROUGH JANUARY 31, 2010

PROJECT #2010-30

DATE ISSUED: FEBRUARY 9, 2011

Prepared by:
The Internal Audit Section



OFFICE OF THE COMPTROLLER

HONORABLE DARLENE GREEN, COMPTROLLER

CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
REVENUE REVIEW-PARKING OPERATIONS
JULY 1, 2007 THROUGH JANUARY 31, 2010

EXECUTIVE SUMMARY

Purpose

The Internal Audit Section (IAS) has completed a revenue review of the Lambert-St. Louis International Airport parking operations. The purpose was to determine if the operator effectively and efficiently manages risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

The objective of this review was to assess the adequacy of internal controls regarding revenue collection, processing and reporting of funds collected from the parking operations at Lambert St. Louis International Airport.

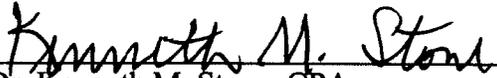
Conclusion

The opportunity exists for the operator to improve internal controls over the collection, depositing and reporting of funds received from the parking operations. The following are observations resulting from the review:

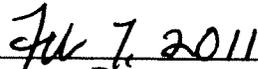
1. Opportunity to improve cash management process
2. Opportunity to improve accounting and monitoring of parking transactions
3. Opportunity for timely resolution of cash over and cash short

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

This review was made under authorization contained in Section 2, Article XV of the Charter, City of St. Louis, as revised, and has been conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing*.


Dr. Kenneth M. Stone, CPA

Internal Audit Executive


Date

**CITY OF ST. LOUIS
LAMBERT-ST. LOUIS INTERNATIONAL AIRPORT
REVENUE REVIEW-PARKING OPERATIONS
JULY 1, 2007 THROUGH JANUARY 31, 2010**

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INTRODUCTION

Background

Professional Services Agreement #AL-805 is a contract between the City of St. Louis, Lambert–St. Louis International Airport and the Central Parking, Inc. (operator) to provide management services for the parking facilities at the Lambert—St. Louis International Airport. The contract includes an annual management fee of \$684,900 plus reimbursement for operating expenses and is not part of the Airport Expansion Project.

Purpose

The purpose of this review was to determine if Central Parking, Inc; (operator) effectively and efficiently manages risks to ensure:

- Accomplishment of established objectives and goals
- Compliance with applicable laws, regulations, policies and procedures
- Safeguarding of assets
- Reliability and integrity of financial and operational information
- Economic and efficient use of resources

Scope and Methodology

The revenue review was confined to internal controls in place for reporting and processing of funds received from the parking operations at Lambert- St. Louis International Airport and review of the terms and conditions of Contract #AL-805.

Our procedures included inquiries of the management of Central Parking, Airport Properties and the Finance and Accounting Departments. We reviewed revenue reported totaling approximately \$20,912,870 in the aggregate for the period July 1, 2007 through January 31, 2010.

We evaluated the appropriateness and accuracy of individual revenue collection and reporting elements as outlined in the professional services agreement.

Exit Conference

An exit conference was held on January 11, 2011. Airport Administration was represented by Henrietta Brown, MBA, Assistant Airport Director Finance and Accounting, Robert Salarano, Airport Properties Manager, and Jim Fox, Airport Audit Supervisor. The Internal Audit Section was represented by Dr. Ikpeama, Internal Audit Supervisor and Leonard E. Bell, Jr., Auditor -in-Charge.

Management's Response

Management's responses to the observations and recommendations noted in this report were received from Central Parking, Inc; on January 24, 2011. The responses have been incorporated into this report.

OBSERVATIONS

Status of Prior Observations

A revenue review of the parking operations for Lambert-St. Louis International Airport has not previously been reviewed by Internal Audit; therefore, there were no prior observations.

Summary of Current Observations

The opportunity exists for the operator to improve internal controls of the revenue collections at Lambert- St. Louis International Airport parking operations. The following are observations resulting from the review:

1. Opportunity to improve cash management process
2. Opportunity to improve accounting and monitoring of parking transactions
3. Opportunity for timely resolution of cash over and cash short

Each of these observations is discussed in more detail in the *Detailed Observations, Recommendations and Management's Responses* section of this report.

1. Opportunity To Improve Cash Management Process

The contractor prepares a Master Summary of all funds collected for each parking lot daily. This Master Summary uses the registers journal tape as its primary source document for recording funds collected from cash and credit parking transactions.

A review of the Operator's parking revenues collected, recorded and deposited with the bank disclosed that:

- Forty-two percent (101 out of 241) of the parking transactions recorded on the Cashier's Daily Shift Reports did not agree to the Gate Count and the master summary reports. In addition no evidence was available to determine that the differences between the two records were investigated and reconciled.
- Manually processed credit card transactions were reported as cash transactions on the Operator's Master Summary Reports.
- An increase in credit card transactions and a reduction in cash transactions are not accompanied by a proportionate reduction in the bank fee incurred for coins and currency requested by the operator each month to meet its operational needs.

Good accounting practices require that all parking receipts be properly accounted for and the differences among the amounts received, recorded and deposited are investigated and adequately resolved and documented.

The Operator's current system of internal control in place does not adequately account for all parking transactions.

The Airport may be incurring a potential loss of the parking revenue from Operator's inadequate accounting of the parking transactions. In addition, monthly bank fees are increased due to large currency requests.

Recommendation:

It is recommended the Operator establish a system of internal control to:

- Identify, investigate and resolve the parking transactions differences among the Cashiers' Daily Shift and Gate Count Reports and the bank deposits.
- Regularly review the cash needs for parking operations in order to reduce the bank fee incurred each month for the coins and currency withdrawals from the bank.

Management's Response

The Operator has implemented a gate count reconciliation test for reasonableness of the gate count and updated the SCAN Net software to create a " Manual Credit Card" key for parking transactions paid with credit cards.

2. Opportunity To Improve Accounting And Monitoring Of Parking Transactions

In order to test the accuracy of the parking transactions, Internal Audit Section reviewed 150 Cashier Daily Shift Reports and noted the following:

- Thirty-six instances where the Cashier Daily Shift Reports were incomplete (cash collections drops, and/or counter information, not correctly reported).
- Fifteen instances where skim drops were not reported on the Cashiers' Daily Shift reports. Skim drop is the requirement that if cash in hand reaches a specified limit over the required cash in hand balance, the excess must be deposited into the lock box.
- Thirty-five instances where the count of the vehicles that exited the booth during the reporting shift did not agree with the parking tickets collect by the cashiers.
- Seventy-six instances where the number of parking transactions on the related Cashiers' Daily Shift Reports did not agree to the number of transactions reported on the related Master Summary Report.
- Fifty-three instances where the total parking receipts on the Cashiers' Daily Shift Reports did not agree to the parking receipts reported on the related Master Summary Report.
- Forty-six instances where total credit card transactions on the Cashier Shift Reports did not agree to the Master Summary Report
- Nineteen instances of cash over and short. (See Observation #3)
- Some cashiers did not properly log onto the system and continued to process the parking transactions under the prior cashier's I.D.
- Some cashiers logged onto the system using another cashier's log in I.D.

The Section 413 of the of the contract requires the operator to provide to the Airport, in a form and in detail satisfactory to the Airport, the following reports: Cashier's Daily Shift reports, Daily shift reconciliation, and Daily report of Gross Receipts, in accordance with procedures approved by the Central Parking.

The Operator's Cashier's Procedures Manual also outlines procedures for completing Cashier Daily Shift Report correctly.

The Operator's current system of internal control in place does not ensure the Cashiers' Daily Shift Reports are reviewed for accuracy, completeness and their compliance with the :

- Reporting requirements of the Section 413 of the parking contract.
- Procedures outlined in the Central Parking Cashier Procedures Manual.

The lack of supervisory review of the cashiers' records may lead to increased risk that errors and omissions, intentional or unintentional, in collection and recording of parking receipts will not be detected and corrected.

2. Continued...

Recommendation

It is recommended the Operator establish and implement a system of internal control to ensure that:

- The Cashiers' Daily Shift Reports are fully completed in accordance with the requirements of Section 413 of the parking contract and the Cashier Procedures Manual
- The Cashiers' Daily Shift Reports are reviewed and all collections are accounted for and reconciled to the Master Summary of Collections.
- The shift passwords are unique to each cashier and cannot be used by others.

Management's Response

The Operator has retrained supervisors and cashiers on submitting accurate shift reports and made the accuracy of shift report a part of the personnel evaluation policy. Compliance with "shift passwords" will occur immediately. The secondary audit process in place will detect any issues errors and discrepancies with shift reports.

3. Opportunity For Timely Resolution Of Cash Over And Cash Short

Cash over and cash short are reported on the Cashier's Daily Shift Reports and are the differences between the parking receipts collected, reported on Cashier's Daily Shift Reports and the actual collections.

Cash over, an excess of actual collections over the collections reported on the Cashier's Shift Reports, is recorded as other income on the Operator's management report and deposited into the City's bank.

Cash short, a shortage of actual collections over the reported amount, however, is not deposited with the City within forty eight (48) hours of its occurrence as required by Section 405 of the agreement. Instead, it is deducted from the Operator's invoice for the reimbursable expenses not until 45 days after its occurrence.

Section 405 of the parking contract requires that any parking receipts lost, stolen, or otherwise removed without authorization of the City from the custody and control of the operator shall be deposited into the City's bank account within forty eight (48) hours of such loss, theft, or removal.

3. Continued...

The Operator's current system of internal control in place does not ensure that the cash shortages on Cashier's Daily Shift Reports are deposited into the City designated bank account within 48 hours of their occurrences in accordance with the requirements of Section 405 of the parking contract.

The Operator is not in compliance with the contract requirements of the timely deposits of the cash shortages on Cashier Daily Shift Reports into the City designated bank account. Such non-compliance with the terms and conditions of the parking contract is resulting in a loss to the City of interest income that could have been earned if these shortages were remitted to the City in a timely manner.

Recommendation:

It is recommended the Operator establish a system of internal control to ensure that the cash shortages on the Cashier's Daily Shift Reports are remitted to the City within 48 hours of their occurrence in compliance with the timely deposit requirement of the Section 405 of parking contract.

Management's Response

The Operator has obtained approval from the Airport for a revised policy on cash over and short to include depositing of cash of over and shorts exceeding \$100 to within 48 hours of their occurrence. The revised policy also includes increased disciplinary measures for cashiers with cash over and short occurrences.